

The logo for the Agency for the Cooperation of Energy Regulators (ACER) is displayed in the top left corner. It features the acronym 'ACER' in a large, blue, serif font.

Agency for the Cooperation  
of Energy Regulators

The background of the slide is a scenic photograph of a town built on a hillside. At the top of the hill, a large stone castle with a tower and a flag is visible. Below the castle, the town's buildings, including a church with a green dome, are nestled among lush green trees. The sky is blue with scattered white clouds. A large white curved shape overlaps the bottom of the image, serving as a background for the text.

# NETWORK CODE IMPLEMENTATION

*Network Codes Team, Gas Department*

*Madrid Forum, 16-17 October 2018*

## Implementation challenges

- Most provisions implemented. Booking Platforms will be in place for all borders soon ([Agency Decision on a booking platform for the DE-PL border](#)).
  - Creation of Virtual Interconnection Points – multiple implementation models -> despite the *EC letter*.
  - Bundling of capacity – progressing (voluntary bundling limited).
  - The draft ENTSOG Template for the *General Terms and conditions for bundled capacity* contracts was reviewed by the Agency. Agency looks forward to [an enhanced content of the template in a form ready-to-be-used in contracts](#).
  - Congestion is less critical in Europe. Improvements shall take place in CEE/SSE, including rule making. - The value of the Report has diminished.
- Voluntary measures have limited effect, and there is a need for proper governance arrangements.

## Challenges per Member States, next steps

- **BG, RO** still need to close the gap.
- [Report on Conditionalities in contract for standard capacity](#) is due 6 April 2019.

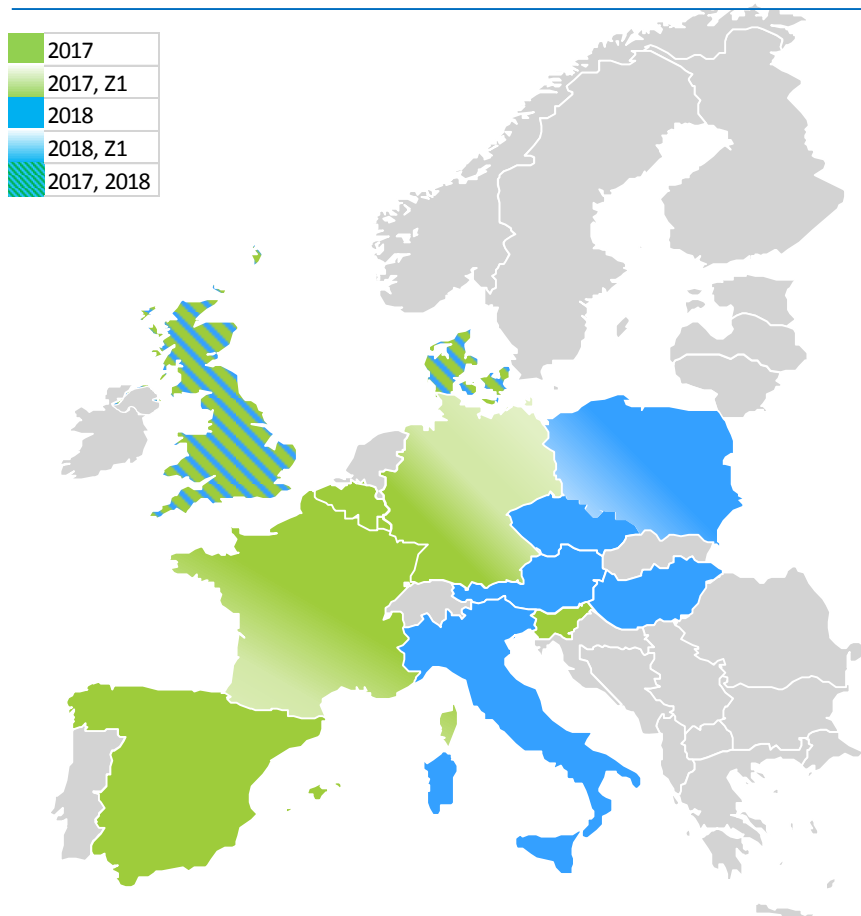
## Implementation challenges

- Where transparency and facilitation (nomination, information provision) lag behind, the proper implementation of the Code is challenging.
- There is a need to establish daily and within-day products and platforms to carry them.
- The application of daily cash-out, the main model of the Code facilitates wider trading opportunities. Its application is not uniform.
- Agency monitoring – 3 reports to capture the differences across the Member States (with both qualitative and quantitative methods).

## Challenges per Member State

- Interim measures should cease by April 2019. **BG, RO, GR** significantly behind. **PT** lacks a functioning trading platform.
- There is some progress in the countries falling behind, but
  - Some could fall behind the legal deadline;
  - Or if not, by April 2019, they will not have solid, functioning balancing regimes.

## Member States participating in the quantitative Agency analysis (2017-2018)



CHOICES IN THE IMPLEMENTATION OF BALANCING LEAD TO DIFFERENCES IN BALANCING PERFORMANCE\*

## Major learnings to improve balancing market functioning

- Increase clarity on TSO's balancing action policy.
- Enable NUs' independent balancing by improving information provision and appropriate forecasts.
- Improve data quality and transparency.
- Achieve full daily cash out on total imbalance.
- End balancing platforms (=where TSO is party to every trade and locational/temp. products are procured) AS SOON AS possible.

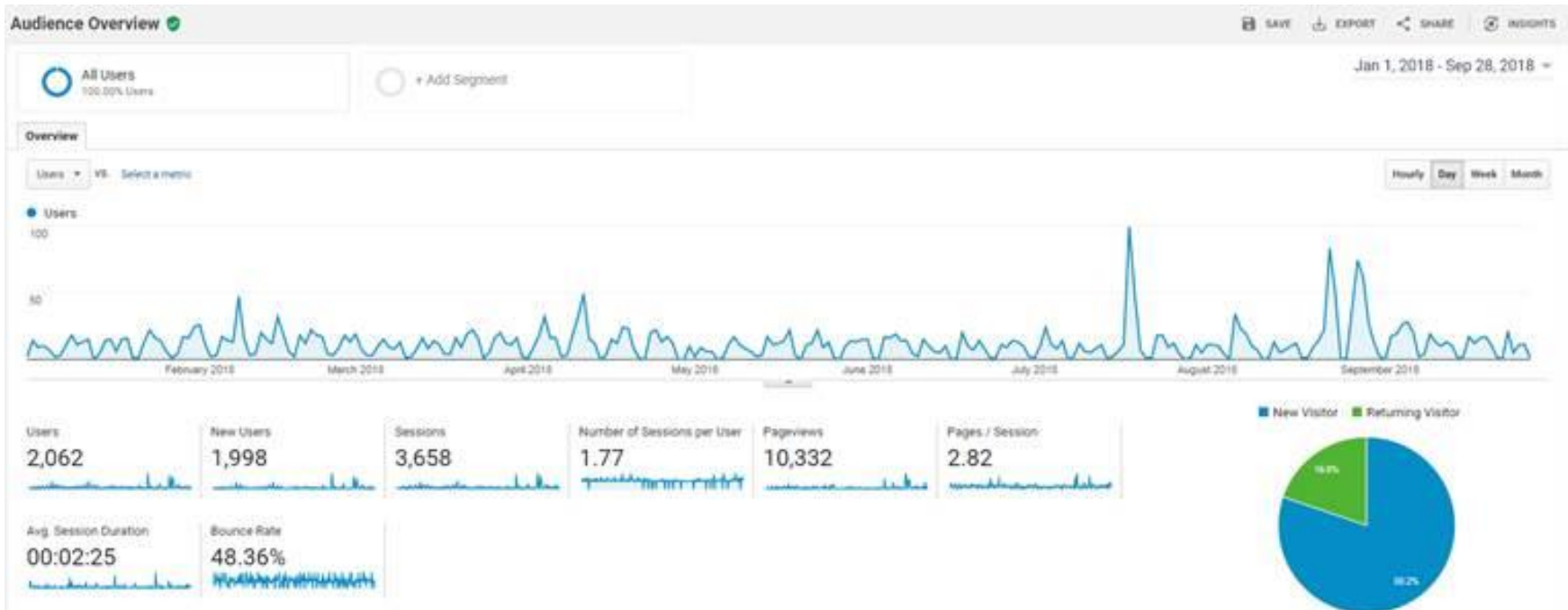
- The Agency plays a role in reviewing the reference price methodologies in the Member States.
- The Agency verifies if justification is based on:
  - The structure of the network;
  - Article 7 principles (cost-reflectivity, cross-subsidisation, cross-border trade, volume risk and transparency);
  - National policy goals in relation to the reference price methodology should be made explicit in the consultation.

We also check: All services provided by the TSO to enable network users to gain 'access to the natural gas transmission networks' are included.

We are looking for: complete consultation documents and open communication with the NRA/TSO publishing the consultation.

- ACER needs to publish a [Report on the methodologies and parameters used to determine the allowed/target revenue of gas TSOs](#).
- Publication expected: [end-October 2018](#).
- The Agency was supported by ECA to perform this task.
- The terms used in the Report and Article 30 can be interpreted differently. The Agency recommends to consider to
  - *use standard terminology based on the Report;*
  - *and present it in a more user-friendly manner (sharpen template used for data publication).*
- [ACER invites NRAs and TSOs](#) to follow up on the [Final Observations](#) of the Report and look for means to improve the allowed/target revenue setting.

- 140 registered users. 9 notified issues.
- In 2018:
  - ✓ 2062 unique users (visits) on page,
  - ✓ 3658 sessions,
  - ✓ 10,332 page views, average 2.82 pages/session.
- Most users (visits) from DE, UK, BE, US, NL.
- Stakeholders requested amendments on the AS4 and VIP issue.



**Thank you for your attention!**



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# Supporting material – Tariff review timeline & Legal deadline

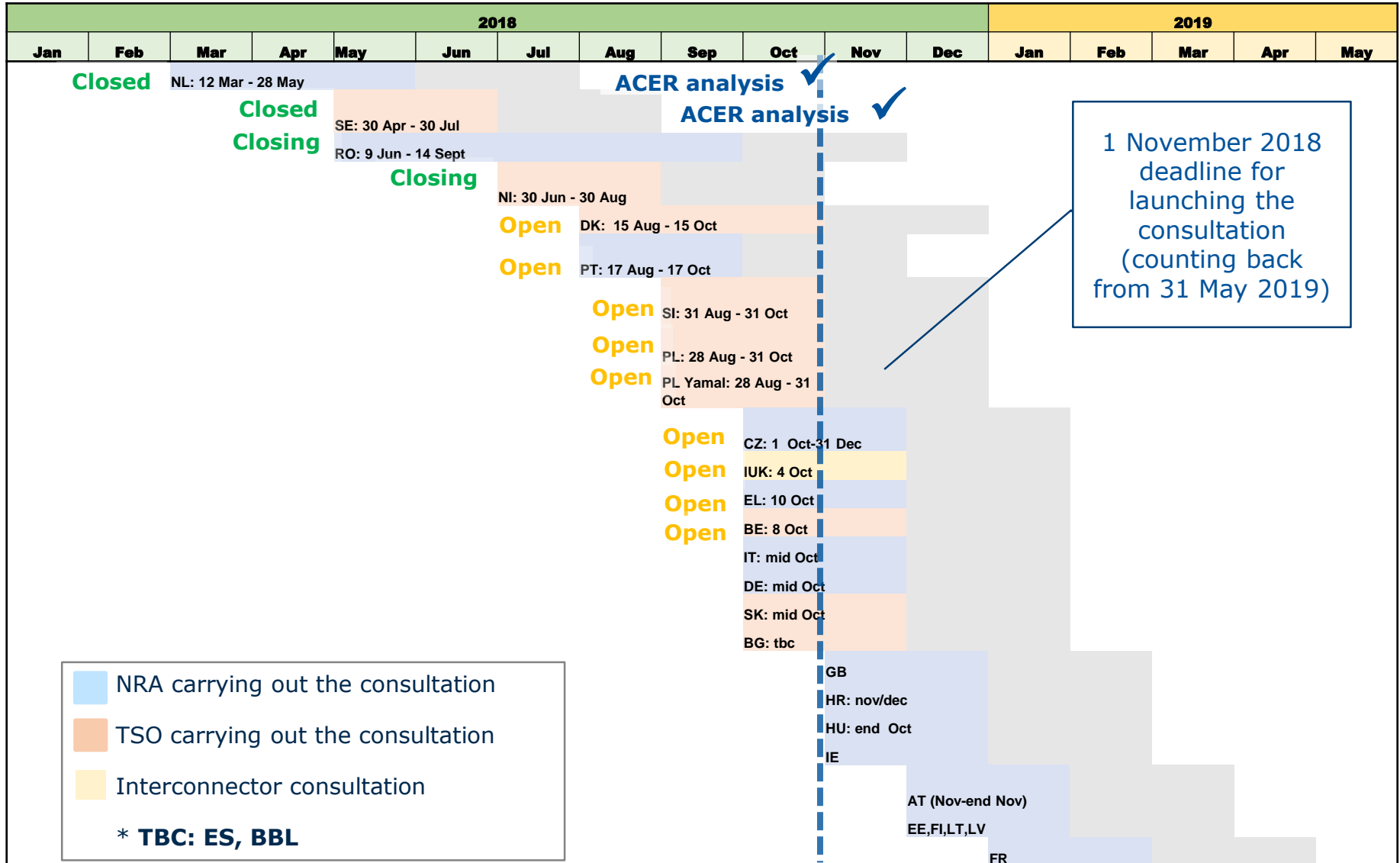
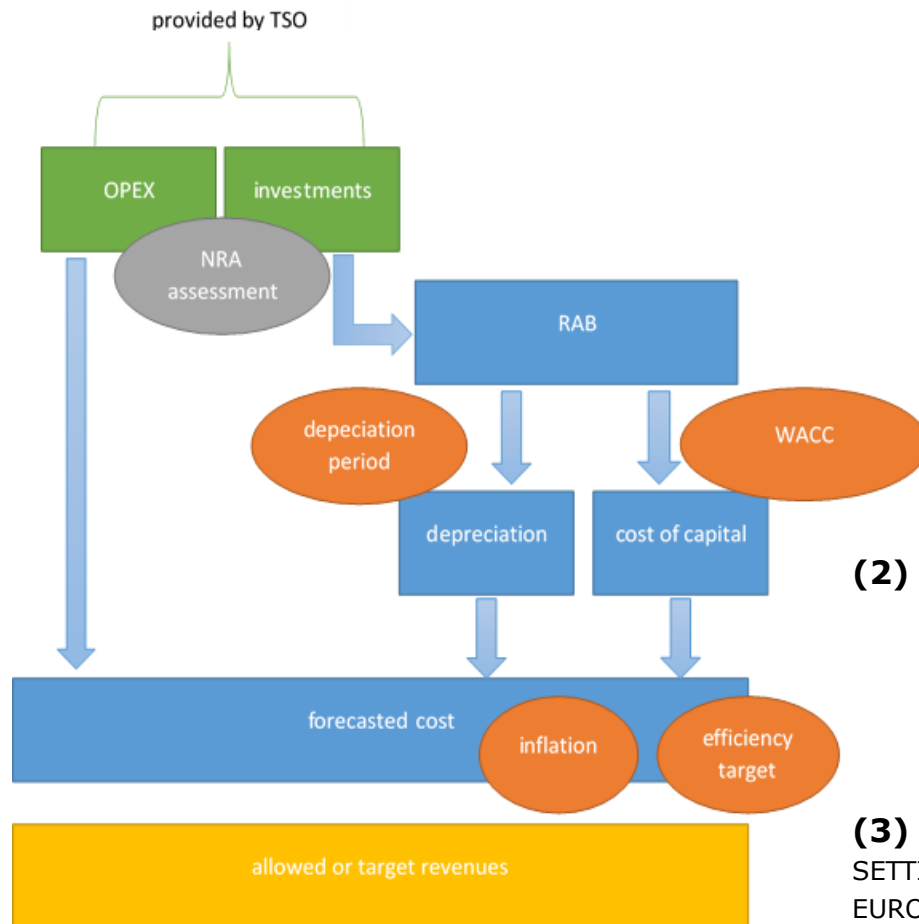


Figure 1 Schematic overview of parameters and cost



**(1)** A DESCRIPTION OF THE METHODOLOGY, INCLUDING AT LEAST A DESCRIPTION OF:

- (a)** the overall methodology, such as revenue-cap, hybrid, cost-plus or tariff benchmarking;
- (b)** the methodology to set the regulated asset base;
  - i.** methodologies to determine the initial (opening) value of the assets;
  - ii.** methodologies to re-evaluate the assets;
  - iii.** explanations of the evolution of the value of the assets;

**(c)** the methodology to set the cost of capital;

**(d)** the methodology to determine the TOTEX or, if applicable, OPEX and CAPEX;

**(e)** the methodology to determine the efficiency of the cost, if applicable;

**(2)** THE VALUES OF THE PARAMETERS (orange):

**(a)** cost of equity and cost of debt or weighted average cost of capital in percentages;

**(b)** depreciation periods in years;

**(c)** efficiency targets in percentages;

**(d)** inflation indices;

**(3)** THE VALUES OF COSTS AND EXPENDITURES THAT ARE USED FOR SETTING THE ALLOWED OR TARGET REVENUE - IN LOCAL CURRENCY & IN EURO (blue) and (green for cost+ regime):

**(a)** The regulated asset base per asset type;

**(b)** The depreciation per asset type;

**(c)** The cost of capital;

**(d)** Operational expenditures.