



EUROPEAN COMMISSION
Impact Assessment Board

Brussels,
D(2013)

Opinion

Title

DG ENER - Impact Assessment on a Regulation establishing a Network Code on Balancing in Gas Transmission Systems

(draft version of 13 February 2012) *

(A) Context

The Third energy package envisages the development of so called network codes, i.e. detailed EU rules on the technical or commercial operations of gas and electricity transmission networks. Regulation (EC) No. 715/2009 foresees the development of one such code to ensure efficient balancing in gas transmission systems following the unbundling of gas transmission and supply. Currently, gas balancing rules differ widely across Europe, are often not adapted to market players competing in the wholesale gas market and do not facilitate cross-border trade. Network codes are developed by comitology on the basis of the work of the Agency for the Cooperation of Energy Regulators (ACER) and the European Network of Transmission System Operators for Gas (ENTSOG).

(B) Overall opinion: POSITIVE

The report needs to be improved in a number of respects. First, it should better explain why current incentives to achieve balancing by existing network users are not efficient and pose difficulties to new entrants. Second, the report should assess a set of realistic and alternative options for key components of the current preferred option, notably, the definition of harmonised balancing periods and the determination of imbalance charges. Third, the analysis should better describe impacts on different types of stakeholders, administrative burden, third countries and Member States. Finally, the report should better describe the views of the different stakeholders and explain how representative they are.

(C) Main recommendations for improvements

(1) Improve the problem description. The report should better explain why current incentives for network users to balance their own gas inputs and off-takes are not efficient and pose difficulties to new entrants. It should clarify why national regulators do not already address these issues satisfactorily and the extent to which existing balancing rules are 'non-transparent'. The report should also clarify whether difficulties to access the network or to storage capacity fall within or outside the initiative's scope. The problem

* Note that this opinion concerns a draft impact assessment report which may differ from the one adopted.

definition should clearly summarise the characteristics of an optimal balancing regime (including why market based balancing rules would be more transparent and efficient than non-market based ones). Against this background, the report should develop the presentation of the situation in the different Member States (actual price differences, national practices etc.). Adding a problem tree (to visually present the link between drivers, problems and consequences) should be considered. Finally, other initiatives relevant to the planned network code (namely on capacity allocation mechanism and congestion management procedures) should be presented in more detail.

(2) Improve the design of options. The report should present a set of alternative and realistic options. Non-feasible and dis-proportionate rules leaving no room for national arrangements or interim steps (i.e. option 3) should be discarded upfront. Instead, the report should focus on assessing different (sub-)options regarding the content of the current option 2 ("flexible" harmonised EU rules) on the basis of the analysis carried out by ACER. This could include alternatives for the definition of harmonised balancing periods and for the determination of imbalance charges. Finally, the report should explain why option 2 envisages the possibility to use within-day obligations (rather than allowing them only as an interim measure) despite the problems identified with their use.

(3) Better assess and quantify impacts. The report should develop the assessment of impacts in several dimensions. First, impacts on different stakeholders (Transmission System Operators, Distribution System Operators, network users...) should be better explained. Second, quantitative data or, at least, broad orders of magnitude should be provided more systematically. Third, the administrative burden imposed by the envisaged minimum information requirements should be assessed and quantified whenever significant. Fourth, the report should describe how different Member States (and third countries – e.g. gas producers) would be affected. Finally, the report should explain why the need for interim measures would disappear in the future.

(4) Better present stakeholders' views. The report should provide more detail on the positions of the different types of stakeholders and avoid reporting just on the majority or minority views. Stakeholders' views with regard to social impacts, notably on the long-term evolution of employment in the sector, should also be described. In addition, the report should comment on the representativeness of the consultations' responses and describe how the views from Eastern EU countries and gas end-users were sought and taken into account.

Some more technical comments have been transmitted directly to the author DG and are expected to be incorporated in the final version of the impact assessment report

(D) Procedure and presentation

The report should be made more concrete, including examples, and more accessible for the non-expert reader. Technical terms (e.g. balancing, balancing rules/zone/platform, flexible gas, diurnal profile, tolerances...) should be defined and explained. The executive summary should include a monitoring and evaluation arrangements section.

(E) IAB scrutiny process

Reference number	2013/ENER/039
External expertise used	No
Date of IAB meeting	13 March 2013 (Written procedure)