

SOUTH SOUTH-EAST GAS REGIONAL INITIATIVE WORK PLAN 2019-2020

(November 2019)

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1 Introduction

1.1 South South-East Gas Regional Initiative (GRI SSE)

The GRI SSE comprises Austria, Bulgaria, the Czech Republic, Croatia, Cyprus, Greece, Hungary, Italy, Poland, Romania, Slovakia and Slovenia. The GRI SSE, launched in 2006, represents a bottom up approach to the completion of the Internal Energy Market (IEM) in the SSE region. In 2014, the GRI SSE launched the cooperation with the Energy Community Secretariat and the Energy Community Contracting Parties (EnC CPs)¹. Setting up this cooperation resulted in the extension of the GRI SSE goals – from the beginning of 2014, the GRI SSE together with Energy Community is focused on deeper integration of markets, as well as on defining a common ground for the harmonized implementation of the Third Energy Package provisions. A forum consisting of the GRI SSE Member States as well as the Energy Community Secretariat and EnC CPs is the most appropriate for an efficient cooperation. Moreover, involving relevant stakeholders in regional cooperation makes the goal of implementation of the EU *acquis communautaire* more realistic and more market oriented. The core activities of the GRI SSE are voluntary pilot projects. Besides the pilot projects, the GRI SSE facilitated the harmonization of Network Codes in the previous period.

The activities under the GRI SSE are intended to:

- facilitate the harmonised implementation of NCs in GRI SSE, but also in EnC CPs
- improve market integration
- address other topics, which are particularly relevant for the region.

So far, a significant number of issues have been successfully discussed within the GRI SSE. These include progress in areas such as the timely implementation of the Third Energy Package, congestion management, capacity allocation and network development, transparency of Transmission System Operators (TSOs) and security of gas supplies.

The essential framework for the creation of a common IEM in the GRI SSE region includes:

- Ensuring the same access conditions and gas market rules in the region
- Establishing a well-functioning, competitive, liquid and transparent gas market in the region.

1.2 Organisational structure

The cooperation under the GRI SSE brings together a wide range of stakeholders such as National Regulatory Authorities (NRAs), TSOs, the Agency for the Cooperation of Energy Regulators (ACER), the European Commission (EC), Member States (MSs), Power and Gas

¹ The Parties of the Energy Community Treaty are: Albania, Bosnia and Herzegovina, Montenegro, North Macedonia, Serbia, Moldova, Ukraine, Kosovo* and the EU (also 17 EU Member States have the individual status of participant in the main bodies of the Energy Community).

*This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Advisory Opinion on the Kosovo declaration of independence.

Exchanges (PXs), capacity platform operators, shippers and other market participants from all countries in the SSE region and the Energy Community. In order to ensure the efficient execution of the GRI tasks and projects, an appropriate organisational structure is required.

The regional cooperation is co-chaired by two NRAs. In 2014 and 2015, the GRI SSE co-chairs were URE (PL) and ANRE (RO). From October 2015 until December 2016, the GRI SSE co-chairs were ANRE (RO) and HEA (HU). From 2017, the GRI SSE co-chairs were HEA (HU) and AERS (SRB) and from 2018, co-chairs are AERS (SRB) and ERU (CZ).

To ensure equal representation of different points of view and that each NRA is equally involved in the work of the region, the NRAs have agreed to implement a rotation rule for the co-chairmanship. The SSE co-chairs shall not be simultaneously replaced, so to ensure continuity of the GRI SSE activities. Each co-chair shall serve for a mandate of two years. A co-chairing NRA can serve for a second mandate, if this NRA wishes to do so. In case more than one candidate is available for the position of co-chair, the SSE NRAs will be asked to express their preferences based on a one-country-one-preference rule. If no candidates volunteer, a rule of offering/asking NRAs in alphabetical order will be followed.

During the period of 2019 - 2020, two groups carry out the work of the GRI SSE:

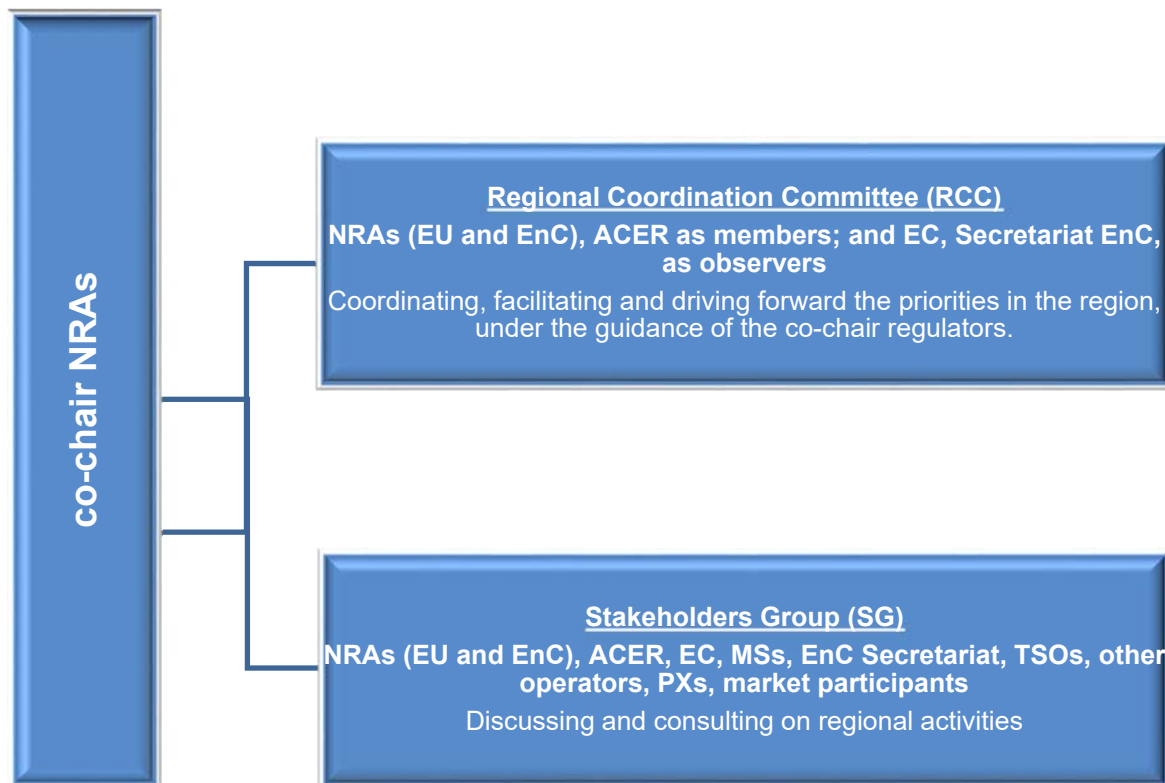
- The **Regional Coordination Committee (RCC)**
- The **Stakeholders Group (SG)**

The **Regional Coordination Committee (RCC)** is composed of the representatives of the NRAs of the EU Member States and ACER, (as members) and representatives of the EC, NRAs of Energy Community Contracting Parties, and the Secretariat of Energy Community (EnC) (as observers). The RCC coordinates and determines the priorities of all GRI SSE activities.

The **Stakeholders Group (SG)** provides a forum for discussion and cooperation between all stakeholders involved in the GRI SSE.

In addition, to ensure the proper realisation of the pilot projects, each pilot project included in the Work Plan 2019-2020 shall be represented by the **project promoter** (NRA). The project promoters shall regularly report on the current state of work of the project in RCC and SG meetings, or upon the request of co-chairs. The RCC shall ensure the coordination between pilot projects, when needed, and push for their timely implementation.

Chart 1: GRI SSE organisational structure



All GRI SSE bodies such as the RCC and SG aim to ensure the sustainable implementation and appropriate supervision of the existing projects, as well as to create the incentives for establishing new pilot projects. It is important to ensure that each pilot project has an achievable goal within a foreseeable timeframe. It is also crucial to define clear deliverables, specifying deadlines for the main milestones, so to ensure progress and facilitate monitoring and assessment.

2 Work Plan 2019-2020 of the GRI SSE

2.1 ACER guidelines for cooperation under GRI

The Agency is of the view GRI SEE still has to focus on:

- completing the implementation of the NC provisions that still present some challenges in the regions
- fostering market integration by monitoring and facilitating market integration projects
- considering infrastructure-related activities, if resources are sufficient and if there is no overlap with the other already existing regional forums
- preserving its value as a regional forum for discussing EU regulatory developments, and sharing experiences and best practices among NRAs, TSOs and other stakeholders.

2.2 Scope and objectives of the GRI SSE Work Plan 2019-2020

A project-oriented approach is necessary to establish a common gas market in the region. Furthermore, in carrying out the identified activities, the SSE region will put an emphasis on the cross-regional perspective. The GRI SSE aims at strongly cooperate with the Member States and EnC CPs to identify potential cross-regional priorities and pilot projects which can be implemented on a cross-regional basis, or shared across different regions. By sharing best practices and experiences, the aim of this cross-regional approach is to foster convergence with the work done by the other GRI regions and the Energy Community.

At the beginning of 2014, the GRI SSE decided to intensify its cooperation with the Energy Community. This cooperation was supposed to take a twin-track approach. Firstly, representatives

of the EnC Secretariat and representatives of the EnC CP NRAs were invited to take part in GRI SSE RCC and SG meetings, and representatives of the GRI SSE shall take part in the Energy Community Regulatory Board (ECRB) Gas Working Groups meetings. Secondly, the cooperation projects focussed on concrete projects between two or more countries from both the GRI SSE and EnC. Having gathered experience from this cooperation, at a next stage also formal extension of the GRI SSE to the EnC CPs was established. This cooperation is particularly important to address the issues arising between the EU Member States and neighbouring CPs when the CPs progress with the implementation of the 3rd Package².

Following the approval of the Regulation (EU) no 347/2013 of the European Parliament and of the Council of 17 April 2013 on Guidelines for Trans-European energy infrastructure³ and the establishment of ad hoc groups for the evaluation of Project of Common Interest (PCI), NRAs decided to discontinue the work on infrastructures within the SSE region. The NRAs' support will be given to initiatives like CESEC or others, if required.

To facilitate further market integration in the SSE region, the pilot projects included in Work Plan focus analysis of market conditions on storages and LNG terminals, supplier switching procedures, market integration between countries and the harmonised implementation of network codes on IPs between GRI SSE EU and EnC countries.

Finally, it is important to underline that the list of pilot projects included in this Work Plan is non-exhaustive and can evolve. As in previous years, the co-chairs will regularly update the GRI SSE Work Plan 2019-2020.

² In this respect, the Commission issued a Recommendation of 29 October 2014 on the application of internal energy market rules between the EU Member States and the Energy Community Contracting Parties encouraging closer cooperation between the Regulators from the EU and the Contracting Parties.

³ Regulation (EU) no 347/2013 of the European Parliament and of the Council of 17 April 2013 on guidelines for trans-European energy infrastructure and repealing Decision No 1364/2006/EC and amending Regulations (EC) No 713/2009, (EC) No 714/2009 and (EC) No 715/2009.

3 Deliverables for 2019-2020 Working Plan

The following sub-paragraphs provide a general description of the pilot projects that will be undertaken in the SSE GRI. More detailed project plans, if provided by the project promoters, are available in the tables at the end of the document.

3.1 Survey on storage and LNG

The survey aims at exploring the different legal settings in place in the Member States of the SSE region and the Contracting Parties regarding the regulation of LNG and storages. The questionnaire is designed to compare the different practices encountered and to give a general overview and comparison of the regulations applied in the countries. The primary goal is to increase the sensitivity of the stakeholders in this matter.

3.2 24 h supplier switching

3.2.1 Background

Choosing a reliable energy supplier is important if a customer wants to benefit well from the service provided and avoid any pitfalls in the future.

It is expected that the change of supplier would most likely have a high degree of similarity over the member countries. Besides, the aim of this task is to acquire information about this process in countries of the SSE region and in the Energy Community contracting party. We would like to identify the best practices used in each of concerned country. It shall result in recommendation on processes driving the switching process to be concluded in order to conduct the change of supplier within the shortest possible timeframe.

It is expected that this supplier change will ideally take one day (24 hours) and so fulfills the idea granting customers the right to switch its supplier in the shortest time possible while reflecting costs on the system.

3.2.2 Next steps

The draft of the questionnaire will be prepared for the next Regional Coordination Committee meeting. It will be shared in advance with NRAs.

Reflecting comments and discussion the questionnaire will be published on website. The statistical evaluation and first results will be discussed during the following GRI SSE RCC meetings. Discussion on identification of the best practices will take part in the next stage.

3.3 Market integration AT-IT

ARERA and E-Control are evaluating the possibility of merging the Italian and Austrian gas market areas to a single trading region. The basic idea behind market merging is that two markets can gain wholesale market volumes and better efficiency by combining their demand and supply volumes into a single wholesale market. This structural reform is suggested by ACER in the amended Gas Target Model (AGTM) to improve efficiency and the functioning of gas markets as it improves its liquidity.

The model and designing of market mergers is open to a case-by-case assessment, for which the AGTM provides different model suggestions (market merger, trading region, satellite market) which are complemented by a model (implicit allocation) with the aim of establishing more efficient market connection.

According to some preliminary analysis, the Trading Region option looks like the most promising and preferable tool in the case of IT and AT integration, as it seems to combine the possibility to improve market efficiency while meeting also the goal of "simplicity" or, at least, reduction of the degree of complexity.

3.4 NCs Implementation on IPs between SSE EU and EnC TSOs

The implementation of Network Codes (NCs - BAL NC⁴, IO NC⁵, CAM NC⁶ and TAR NC⁸) together with Regulation 715/2009⁹ and their amendments¹⁰ are key for market integration in the region. NCs are implemented in SSE EU, however, not at the same level. EnC also adopted NCs (BAL NC should be adopted in 2019) and Regulation 715/2009 and its amendments which define congestion-management and transparency obligations of TSOs.

⁴ Commission Regulation (EU) No 312/2014 of 26 March 2014 establishing a Network Code on Gas Balancing of Transmission Networks.

⁵ Commission Regulation (EU) 2015/703 of 30 April 2015 establishing a network code on interoperability and data exchange rules.

⁶ Commission Regulation (EU) No 2017/459 of 16 March 2017 establishing a Network Code on Capacity Allocation Mechanisms in Gas Transmission Systems and repealing Regulation (EU) No 984/2013

⁸ Commission Regulation (EU) No 2017/460 of 16 March 2017 establishing a Network Code on harmonised transmission tariff structures for gas

⁹ Regulation (EC) No 715/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the natural gas transportation networks and repealing Regulation (EC) No 1775/2005

¹⁰ Commission decision of 10 November 2010 amending Chapter 3 of Annex I to Regulation (EC) No 715/2009 and Commission decision of 24 August 2012 on amending Annex I to Regulation (EC) No 715/2009

However, SSE EU countries have had an obligation to implement these rules in their countries and on interconnection points (IP) with other EU countries. EnC countries also have had an obligation to implement these rules in their countries and on interconnection points (IP) with other EnC countries. A legal gap exist due to lack of obligation to implement NCs and Regulation 715/2009 on IPs between transmission systems from EU and EnC countries. The future implementation of the above-mentioned network codes in the EnC, on top of other factors, also depend on the cooperation between the NRAs and TSOs from EnC and the neighbouring EU Member States.

These IPs are important for the gas market integration in the region because there is significant natural gas flow through them. Possibility for NCs and Regulation 715/2009 implementation on these IPs will be higher by the end of the year when some long-term contracts expire. New IPs between EU and EnC TSOs will be established. It would be very useful to implement NCs and Regulation 715/2009 on them from the very beginning.

Pilot project will collect data about existing practise on these IPs from the questionnaire, ACER reports about NCs implementation on IPs between EU TSOs and ECRB EnC reports about NCs implementation on IPs between EnC TSOs.

Analysis of actual rules will be a good basis for recommendation of further steps for simultaneous NCs implementation on both sides of IPs between EU and EnC TSOs.

The implementation of NCs and Regulation 715/2009 on these IPs will help the development of wholesale gas market in EnC countries, increase liquidity of cross-border trade between EU and EnC countries and promote regional gas market in SSE Europe.

3.5 Short survey about public procurement rules applied at national leves by the TSOs of the SSE Member States and Contracting parties

The regulation of energy infrastructure the sector, where naturally monopolies are present, should set focus on transparency of the procurement activities (supply, works or service contracts) performed by TSOs.

The main goal of the project is to collect information about the public procurement obligations in place in the single countries of the regions. TSOs procurement activities should fall under the provision of the Directive 2014/25/EU and the local national transposition, except exception is granted. An overview of the local rules should hence shed light on the procurement obligations of the TSOs .

4. Detailed projects plans

This section contains the project plans for all pilot projects. The projects promoters developed the plans according to a template agreed by NRAs following the 28th Regional Coordination Committee Meeting of GRI SSE, on 19 November 2015. Participants agreed on the need to provide more details in terms of project scope, description, responsibilities, timelines, etc. Such a structure will facilitate the assessment of interim results.

Pilot Project I: Survey on storage and LNG

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| Task | 4 th questionnaire in the framework of the GRI SSE dedicated to reflecting the main peculiarities of LNG and storage systems in the region through a general overview of the different regulations |
| Responsible | E-Control (started together with ARERA) |
| Purpose of the Project | <p>The legal approach to the LNG and storage systems adopted by single countries based on the general permissive regulatory European framework has developed into different regulations, which presents peculiarities and diversities not comparable to those at TSO level.</p> <p>LNG and storage systems can be strictly regulated, as well as market based. The need perceived by the stakeholders to get a general overview of the different approaches in the region stimulated the initiative to survey the different practices by means of a questionnaire.</p> <p>The approach adopted by E-Control and ARERA for the GRI questionnaires makes them flexible to tackle specific topics to give a general comparison of different traditions to the stakeholders.</p> |
| Inputs | E-Control prepared a questionnaire to be dispatched to all the GRI SSE regulatory authorities in March 2019. The proactive participation of all the interested Member States and Contracting parties is expected. |
| Additional requirements | <p>Link to the survey: https://surveys.acer.europa.eu/eusurvey/runner/LNG and storage settings</p> |

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| Timeline | <p>The initiative to pursue a 4th questionnaire, aimed at describing the regulatory framework adopted for LNG and storage systems in the single countries, was taken by E-Control and ARERA in 2017. Due to the complexity of the topics discussed, the drafting of the questionnaire has suffered delays due to the need to consult stakeholders as EFET, storage system operators, ACER and to perform several rounds of presentations and gathering of comments among the GRI SSE members.</p> <p>According to the present state of accomplishment of the task, the outcomes of the questionnaire will be presented to the stakeholders in November 2019 in occasion of the GRI SSE in Prague.</p> |
| Related documents | <p>Questionnaire document was dispatched to the NRA involved in March 2019. The answers are collected online by means of a survey tool put at disposal by ACER. The aggregated answers were delivered to E-Control in form of a excel file to facilitate the next phase of analysis. The outcome of the questionnaire will be summarized in a presentation to be held at the GRI SSE in Prague. The final document will be uploaded to the ACER web site.</p> |
| Additional notes | <p>Not all the Member States and the Contracting Parties involved have LNG or storage infrastructures. The different approaches to LNG and storages adopted in the region made difficult to create a homogeneous survey document.</p> |

Pilot Project II: 24 h supplier switching

| Task | Description |
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| Responsible | ERU |
| Purpose of the Project | <p>Monitor processes driving and conducting the change of supplier in involved countries. It is expected that the change of supplier most likely has a high degree of similarity; there is still space to explore processes among countries and identify the best practices.</p> |

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| Inputs | A questionnaire to be dispatched to all the GRI SSE regulatory authorities. The participation of all the interested Member States and Contracting parties is expected |
| Additional requirements | |
| Timeline | The questionnaire shall be dispatch in first quarter of 2020. The first result – statistical evaluation and the remarks shall be shared with NRAs during the GRI SSE RCC meetings in 2020. |
| Related documents | <i>tbd</i> |
| Additional notes | - |

Pilot Project III: Market integration AT-IT

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| Task | To explore potential benefits of a market integration between the Austrian and Italian gas markets, and to set the path to a potential real market integration between the two countries. |
| Responsible | E-Control also on behalf of ARERA |
| Purpose of the Project | The project's goal is to verify the boundaries for a wholesale gas market integration and to put in place all the necessary resources to verify the feasibility of such integration. |
| Inputs | E-Control has pursued the goal to analyse potential market integration with neighbouring countries and the resulting benefits since the first target model was published by ACER. According to the preliminary study carried out by a consultant in the in 2017, and focusing on the verification of potential benefits of market integration with all single Austrian neighbouring countries, the cooperation with Italy resulted in the possible best outcome. |

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| | <p>Therefore E-Control and ARERA decided to cooperate and to start exploring different combined market design and to evaluate pros and cons of the integration of the wholesale Italian and Austrian gas markets focusing on the hub-trading region design. This solution is deemed the most suitable because of the reduced burdens it generates.</p> <p>The activities foresee different phases, which will be pursued only if the previous phase outcomes will be deemed positive by both NRAs. The consultation of the direct involved stakeholders is foreseen as soon as the preliminary results will be positively concluded</p> |
| Additional requirements | --- |
| Timeline | <p>The timeline of the project has not been established strictly, but it will be progressively scheduled in function of the goals set and the outcome achieved.</p> <p>The next milestone will be the results of the consultancy study tendered by E-Control and ARERA to analyse in detail economic gains/losses resulting from a merge of the two VTPs according to the hub trading region model.</p> |
| Related documents | <p>The GRI SSE Stakeholders will be kept updated of the development of the market integration by means of regular presentations.</p> <p>Historical documents: https://www.e-control.at/publikationen/publikationen-gas/studien/cross-border-market-integration</p> |
| Additional notes | Although initiated by E-Control and ARERA, the active participation of other NRAs is welcome. |

Pilot Project IV: NCs Implementation on IPs between SSE EU and EnC TSOs

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| Task | Determine actual practice and make recommendations about implementation of Network Codes (NC) on IPs between SSE EU and EnC TSOs. |
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| Responsible | AERS |
| Purpose of the Project | Get an information about actual rules applied on IPs between SSE EU and EnC TSOs. The list of potential questions: are there reasons why NC implementation is missing and when will they expire, which capacity products exist, how capacity is allocated, which congestion management procedure is implemented, units and reference conditions for volume and GCV, content of IA, tariff determinations on IPs and etc.). The aim is also to give the recommendation about necessary steps for the full NC implementation on IPs between SSE EU and EnC TSOs. |
| Inputs | Information will be required from NRAs (Poland, Slovakia, Hungary, Romania, Bulgaria from SSE EU countries and Ukraine, Serbia, Moldova and North Macedonia from EnC countries). Questionnaire will be circulated in 3 rd quarter of 2019 and deadline for sending responses will be 4 th quarter of 2019. First version of report will be prepared in 1 st quarter of 2020 and final version in 2 nd quarter of 2020. |
| Additional requirements | It is possible that some additional information will be needed and clarification could be asked from TSOs. ACER's and EnC Secretariat's help in communication with TSOs may be necessary. |
| Timeline | <p>Project promoter will prepare the first version of the questionnaire until the end of June 2019 and send it to ACER for review.</p> <p>The second version of the questionnaire will be sent to NRAs for their comments and review until the end of July 2019.</p> <p>The final version of the questionnaire will be sent to NRAs until the end of September 2019. NRAs will send completed questionnaire to Project promoter until the end of November 2019. Project promoter will potentially send additional question to NRAs or directly to TSOs until the end of December 2019.</p> <p>Project promoter will send the first version of the Report about IPs between SSE EU and EnC TSOs to ACER to review until the end of February 2020.</p> <p>Project promoter will present the second version of the Report about IPs between SSE EU and EnC TSOs on the GRI SSE spring meeting in 2020.</p> |

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| Related documents | NC INT, NC CMP (Annex I to Regulation (EC) No 715/2009), NC CAM and NC TAR and EnC Permanent High Level Group decision to implement these NC in EnC countries from January and November 2018 . |
| Additional notes | Gas flows in SSE include flows through IPs between SSE EU and EnC TSOs. Implementation of NC on that IPs will help in development of wholesale markets in EnC countries but also increase possibility for better functioning wholesale markets in SSE EU countries and promote regional gas market. |

Pilot Project V: Survey about the national applications of public procurement rules

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| Task | To explore how local TSOs perform their procurement activities under national rules. |
| Responsible | E-Control |
| Purpose of the Project | The project's goal is to verify the under which conditions and national rules TSOs carry out their procurement activities and if they have an exemption from the national public procurement rules for utility sector |
| Inputs | E-Control will prepare a short survey document to be shared with the NRAS of the region to investigate under which conditions TSOs carry out their procurement and to evaluate if best practices can be share at regional levels. |
| Additional requirements | |
| Timeline | The questionnaire should be prepared in Q4 2019 and dispatched in Q1 2020. Presentation of the outcomes will be done in Q2 2020. |

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| Related documents | <p>The presentation of the outcome will be held at the first suitable GRI SSE (presumably in Q2 2020). The presentation and the related document will be upload on ACER web site.</p> <p>Reference European Documents: Directive 2014/25/EU: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014L0025&from=EN</p> |
| Additional notes | <p>The proactive cooperation of the NRAs of the region is foreseen. E-Control would like to share the responsibility for the preparation and presentation of the survey with the NRAs willing to cooperate</p> |