



Publishing date: 22/09/2014

Document title:

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GTM003-14
16th June 2014

ENTSOGs Response to ACERs Bridge to 2025 Consultation

ENTSOG welcomes the opportunity to give its response to the Bridge to 2025 consultation document issued by ACER April 29, 2014. In this letter ENTSOG has highlighted its principal comments.

ENTSOG finds that the Bridge to 2025 document provides a good overview of the situation and the challenges for the energy sector for now and in the near future. It is a complex picture with different challenges within the electricity and gas sectors, respectively – and capturing the outlook and the trends beyond the next few years is rather uncertain.

Even within the next couple of years – besides the market uncertainties, i.e. on the supply/demand situation - the market framework is undergoing substantial changes, in particular related to the development and implementation of a number of network codes. ENTSOG finds that ACERs analysis of the gas market situation only to a limited extent includes the expected effects which the already decided network codes will have on the gas market development.

ENTSOGs basic view is that the existing legislation – mainly the 3rd Energy Package – already provides and will continue to provide a sound basis for further market development within the foreseeable future. The first priority for ENTSOG is the development and full implementation of the already decided network codes. Furthermore, it is ENTSOGs view that initiatives on new regulation or revision of existing regulation should be based on an assessment of the effects of the already decided network codes under implementation and/or development – in order to ensure a relevant targeting of such initiatives, as well as to ensure a stable and reliable regulatory framework.

A stable regulatory framework is important in order for the market players to have confidence in and predictability of the conditions that they are operating within. In

particular for ENTSOG a stable regulatory framework is essential to provide a robust environment for new investments, including market-based support for such investments by longer term user commitments as well as ensuring an appropriate risk-reward balance for the investors.

ENTSOE finds it important to include the basic market structures – including the supply and demand structures as well as the status on unbundling, role of regulators etc. - in the analyses of potential need for regulatory initiatives. In this context ENTSOG supports the idea of a ‘one size does not fit all’ implementation approach – to allow addressing national/regional situations – with the aim to ensure a more even implementation of the Internal Gas Market across Europe.

A particular concern of ENTSOG in relation the Bridge document is ACERs indicative proposal for new governance introducing ‘regulatory oversight’ – or even control – on the ENTSOs. ENTSOG finds it is relevant to emphasize the fact that ENTSOG since 2010 has been delivering the expected results – content-wise as well as time-wise – by performing very comprehensive consultation processes with a deep and engaged involvement of all stakeholders. In ENTSOGs view this success is closely related to the existing governance structure of ENTSOG, where the members – the TSOs – together with the stakeholders have taken the responsibility to deliver the agreed work programme results. ENTSOG do not think that further ‘regulatory oversight’ or ‘centralized’ developments represents the way forward – but rather that the continued development of the Internal Gas Market should be based on a continued dedicated engagement of ENTSOG and all stakeholders, as well as letting the market work to provide the solutions, the product development and the prices of a well-functioning market – within the overarching framework established by the 3rd energy package.

Based on these considerations it is the view of ENTSOG that new regulatory initiatives for the gas wholesale sector should be based on assessment of the effects of the ongoing implementation of network codes – and that it is too early to identify relevant new initiatives before such assessment. Furthermore, it is ENTSOGs opinion that there may still be opportunities within the existing legal framework – mainly the 3rd Energy package – which has not yet been fully exploited and applied.

Even though ENTSOG in general is not recommending initiatives for new regulatory initiatives to be taken for the time being on gas wholesale markets, ENTSOG would like to point out a few issues where new activities could be considered – though not necessarily in the form of new regulation.

One issue is to explore the possibilities to improve the interface between the electricity and gas sectors in order to support the situation for gas-fired power plants. Such exercise should include a proper remuneration to the gas sector for services provided to the electricity


sector and ensure that other gas users are not burdened with the costs. However, it should be noted that the commercial challenges for the gas-fired power stations are much related to coal prices, carbon prices, demand situation etc. than to system access conditions. Furthermore, the integration of renewables in the market functioning – and avoidance of the substantial market distortions – has to be solved as well in order to make the Internal Energy Market to work properly.

A second issue is to share the understanding of the roles and responsibilities for initiating, developing, implementing, monitoring and enforcing the 3rd energy package – and in particular in relation to the roles and responsibilities of ACER and ENTSOG in the upcoming monitoring and enforcement of network codes.

In addition to the basic view-points addressed above, ENTSOG has attached an annex including specific comments and proposals to the ACER Bridge to 2025 document, including some comments on the Gas Target Model update process.

ENTSOE will continue to contribute constructively to the processes related to the Bridge to 2025 and the Gas Target Model update. ENTSOG is of course available for questions or further elaboration of the presented view-points.

Yours sincerely,



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