



Promotion of Regional Co-operation (Article 7, Gas Directive)

Common position of European gas industry associations on multi-system operation of the TSOs

CEFIC, EFET, EURELECTRIC, EUROGAS, GEODE and IFIEC EUROPE strongly recommend progressive implementation of multi-system operations by TSOs as a step towards full market integration and improving security of supply.

The promotion of regional market integration means allowing the most efficient market areas to be established throughout the EU, irrespective of national Member States borders and regulatory regimes. Integrating the operation of TSO networks is fundamental to this process.

In gas markets in Europe, there has been some success in combining market areas and system operation within Member States. However, practical examples of gas market integration are few in number and interconnection problems and system incompatibility issues persist. The next step is to ensure that economic and efficient cross-border market areas are delivered.

Therefore we welcome the 3rd IEM package, which states the obligations of the Member States and the regulatory authorities to co-operate for the purpose of integrating their national markets at one and more regional levels, as required by Article 7 of the new Gas IEM Directive (see annex). The Member States will be responsible for establishing system operation at regional level covering two or more Member States for capacity allocation and for checking the security of the network. ACER will be responsible for supervising this co-operation.

A full implementation of the 3rd package – through the active and clearly-defined involvement of all parties – is a prerequisite for achieving the following benefits:

- strengthened competitive effects from efficient use of existing capacity and flexibility;
- improved security of supply by optimised use of interconnections on a European scale through regional operation and regional investments;

- enhanced competition as larger balancing zones with pooling effects reduce risks and attract more players;
- increased transparency and more liquid traded markets due to reduced number of market areas;
- more efficient investment and optimisation of interconnections due to scale effects and better overview of needed capacity; and
- lower administrative costs due to reduction of cross border interfaces.

In order to achieve regional competitive gas markets, with efficient levels of security of supply, the following steps need to be taken now:

- ERGEG should anticipate ACER's responsibility to recommend binding rules for regional co-operation and market integration;
- National regulatory authorities (or Member States where applicable) should review and amend regulatory regimes (including market rules) to ensure consistency and co-operation across Member State borders and take the necessary steps for TSOs to plan and operate combined systems;
- TSOs should identify possibilities for the creation and/or merger of economic cross-border and intra-state market areas;
- GTE+, and then ENTSOG, should help member TSOs to develop action plans and timetables for multi-system operation and creation of large market areas;
- Member States should remove any legislative barriers that are preventing integrated system operation at regional level, particularly for capacity allocation and security of supply; and
- Market participants should actively contribute to achieving regional system operation and markets.

Significant improvements can be made in the next 2 or 3 years if these steps are started now and progressed in a timely way. The associations invite the Madrid Forum to endorse this approach and to report on progress to be made at the next Forum.

European Parliament – Agreed in Plenary 22.04.2009

Article 7

Promotion of regional cooperation

1. Member States ***as well as the regulatory authorities*** shall cooperate among themselves for the purpose of integrating their national markets at ***one and more regional levels, as a first step towards a fully liberalised internal market***. In particular, ***the regulatory authorities where Member States have so provided, or Member States*** shall promote ***and facilitate*** the cooperation of transmission system operators at a regional level, ***including on cross-border issues with the aim of creating a competitive European market***, foster the consistency of their legal, regulatory ***and technical*** framework ***and facilitate integration of the isolated systems forming gas islands that persist in the European Union***. The geographical areas covered by such regional cooperation shall include cooperation in geographical areas defined in accordance with Article 12(3) of Regulation (EC) No .../... *[on conditions for access to the natural gas transmission networks]*. Such cooperation may cover other geographical areas.
 - 1a. ***The Agency shall cooperate with national regulatory authorities and transmission system operators to ensure the compatibility of regulatory frameworks between the regions with the aim of creating a competitive European market in natural gas. Where the Agency considers that binding rules on such cooperation are required, it shall make appropriate recommendations.***
2. Member States shall ensure, through the implementation of this Directive, that transmission system operators have one or more integrated system(s) at regional level covering two or more Member States for capacity allocation and for checking the security of the network.