

The Road to Creating an Integrated Market – Network Code implementation

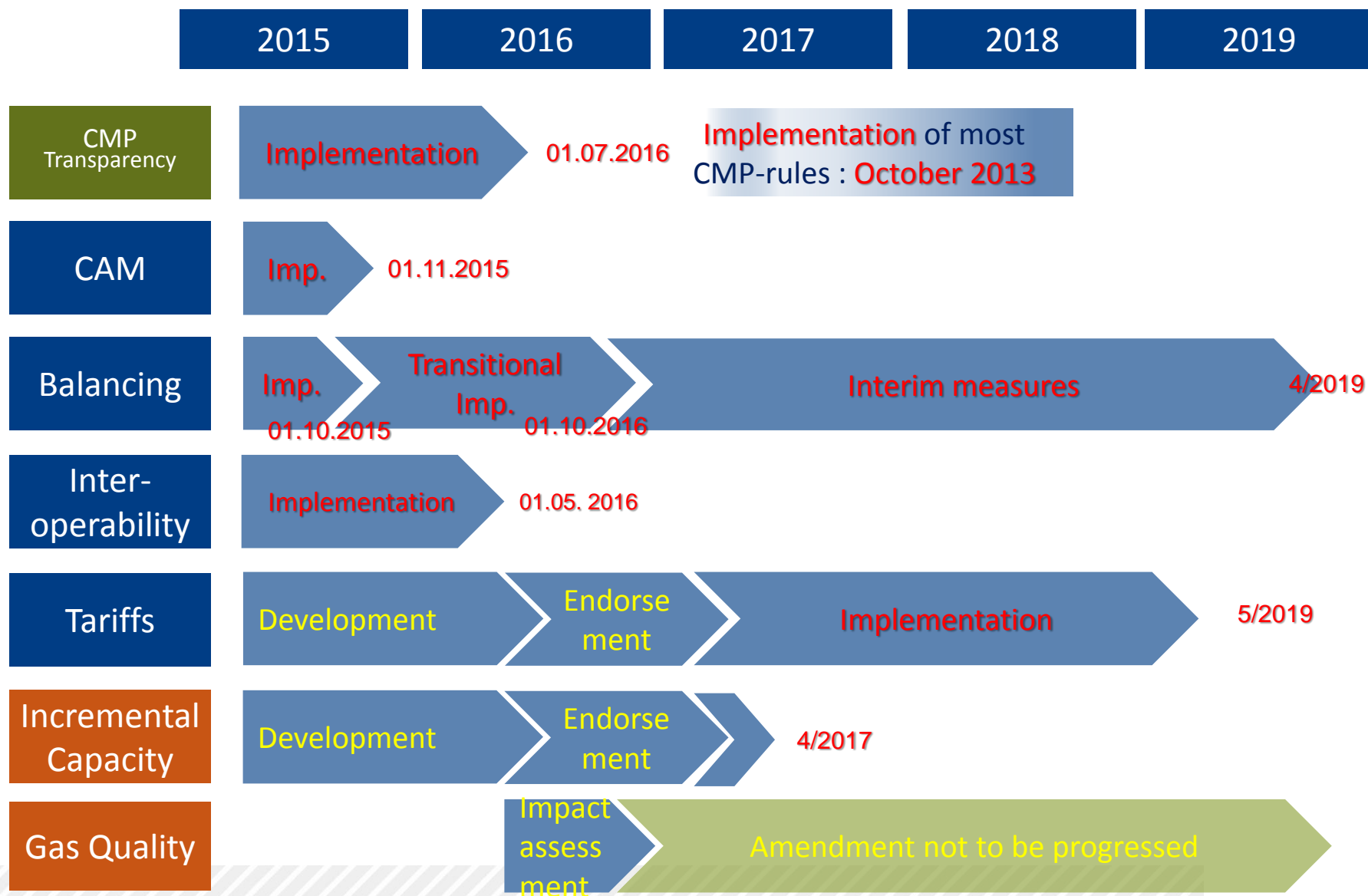
ICIS European Gas Conference 2016, Amsterdam

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How far have we come with the NCs?





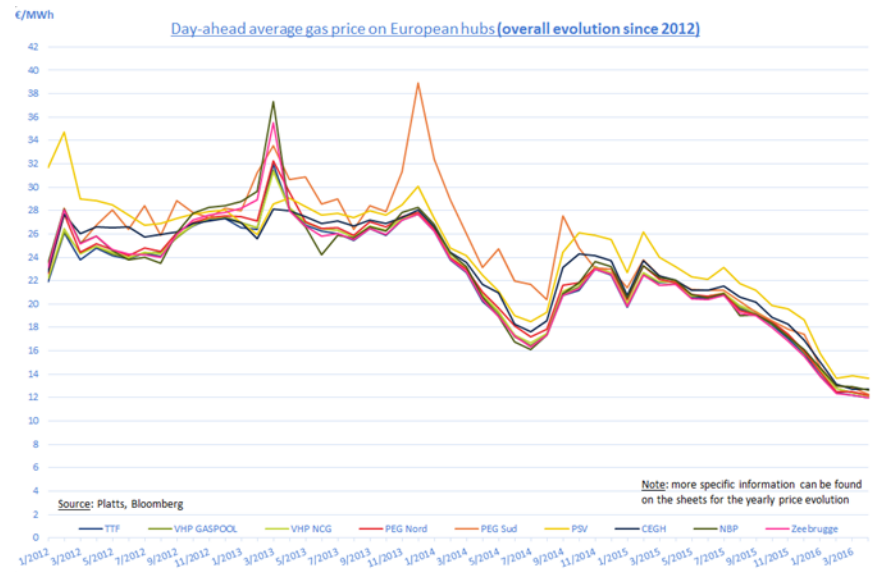
Visible Impact on the Internal Market



Rules and tools

- Improved transparency
- Booking platforms
- Decreased congestion (contractual /physical)
- Standard products (short term & bundled capacity)
- Liquid gas hubs
- Hub price convergence
- European TYNDP/ Outlooks / Stress Tests
- Joint view on needed infrastructure projects

Measurable impact





Market Integration

Gas price convergence indicates functioning markets

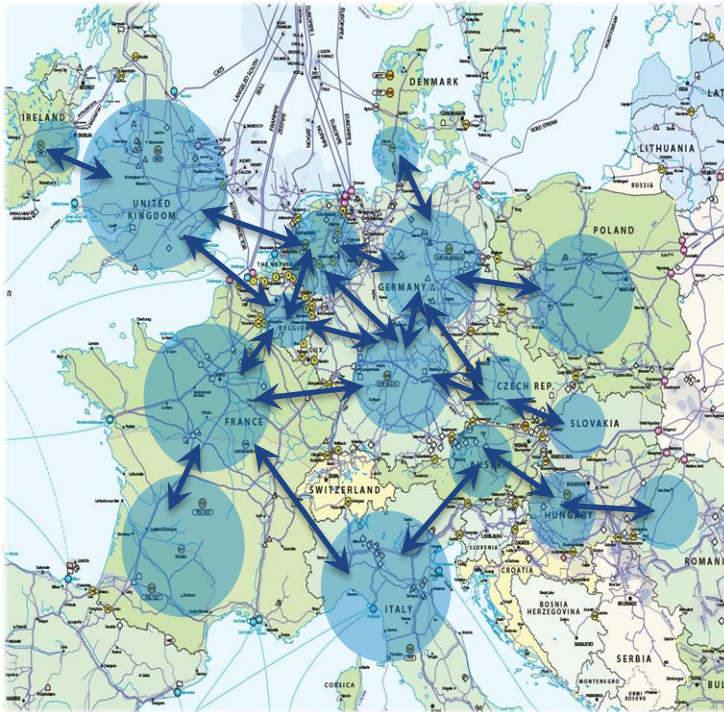
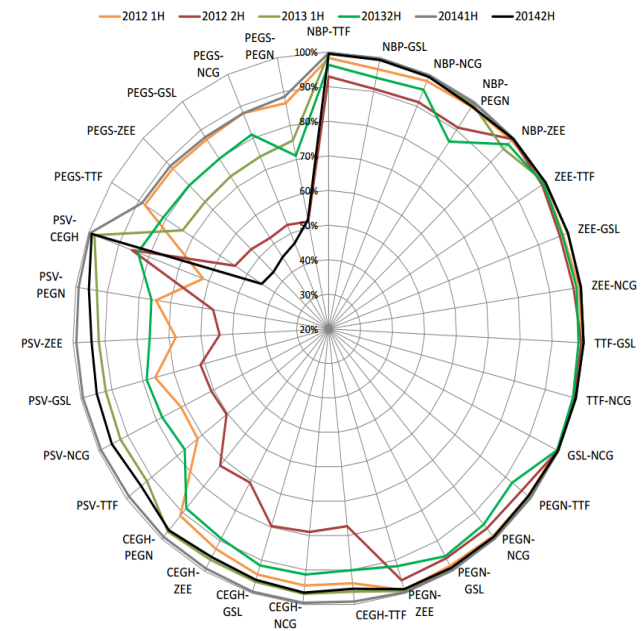


Figure 8: Cross correlations between OTC day ahead daily prices (Pearson coefficients %)



Note: Only correlation coefficients significant at the 5% level or better are displayed.
Source: Tankard Parties, author's analysis

Source: Oxford Institute of Energy Studies Paper NG 101 "[The cost of price de-linkages between European gas hubs](#)" by Beatrice Petrovich



Impact of NCs – ACER's MMR 2016

> Positive Gas Market development

- Market functioning based on indicators
- Positive impact of the NCs
- Full implementation to realise the full benefits

> Improving market integration assessed by ACER via Welfare Loss

- Gross welfare loss calculated as €4.3 bn. (Reduced by 60% since 2012) → better integration
- Net Welfare Loss calculated as €0.4 bn. (*Gross welfare loss – IP transportation costs*)

> Contrasting hub development in Europe

- Growing volumes traded, with increased price convergence
- Growing gap between advanced and emerging hubs

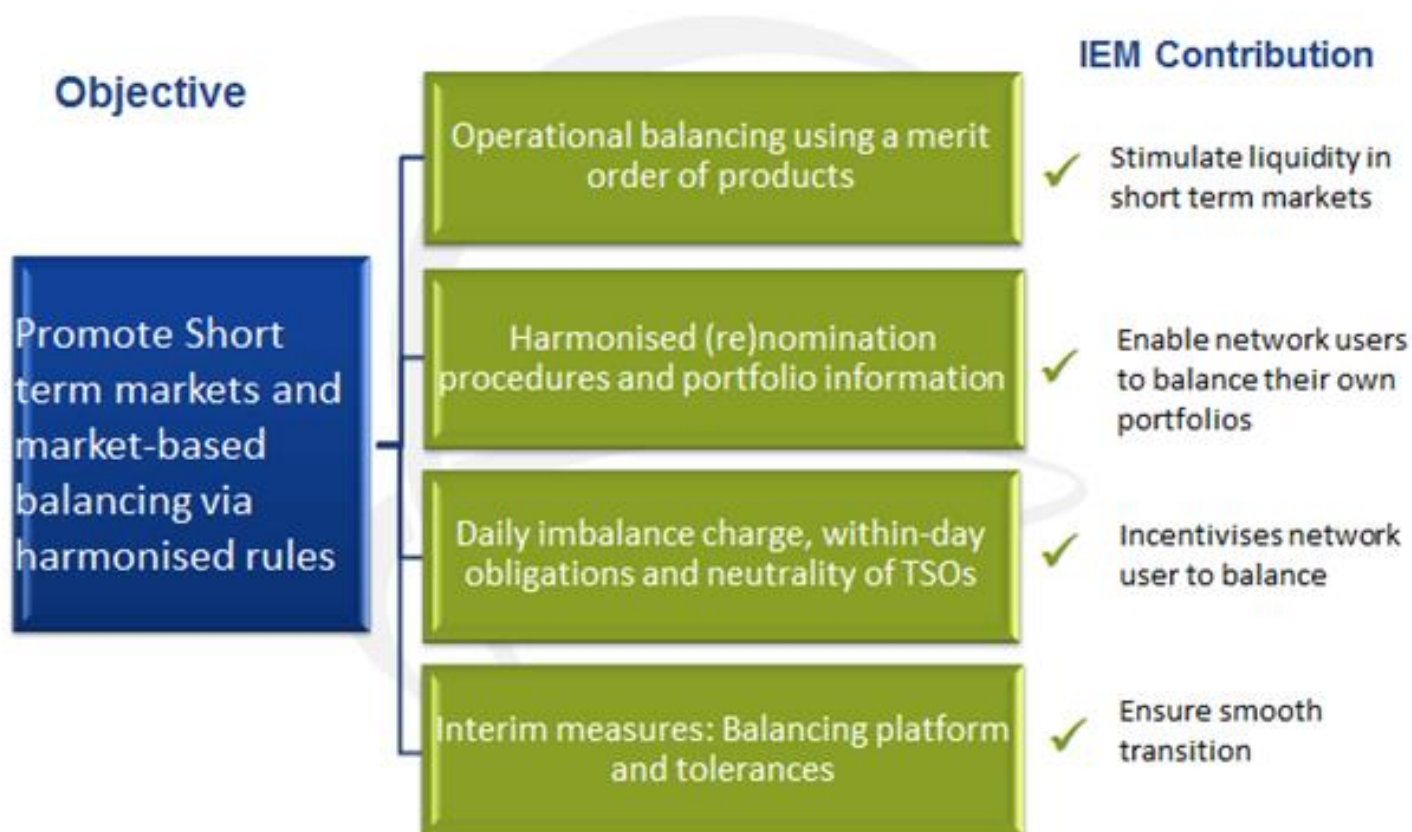




Balancing - NC BAL



Balancing (BAL NC)

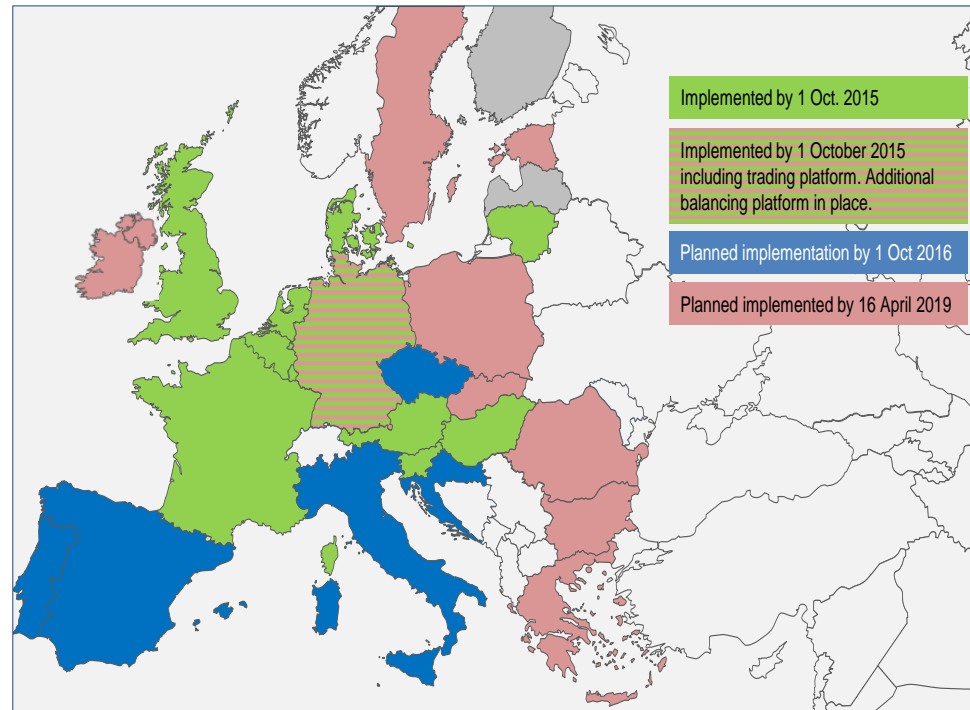




BAL NC – 3 implementation deadlines

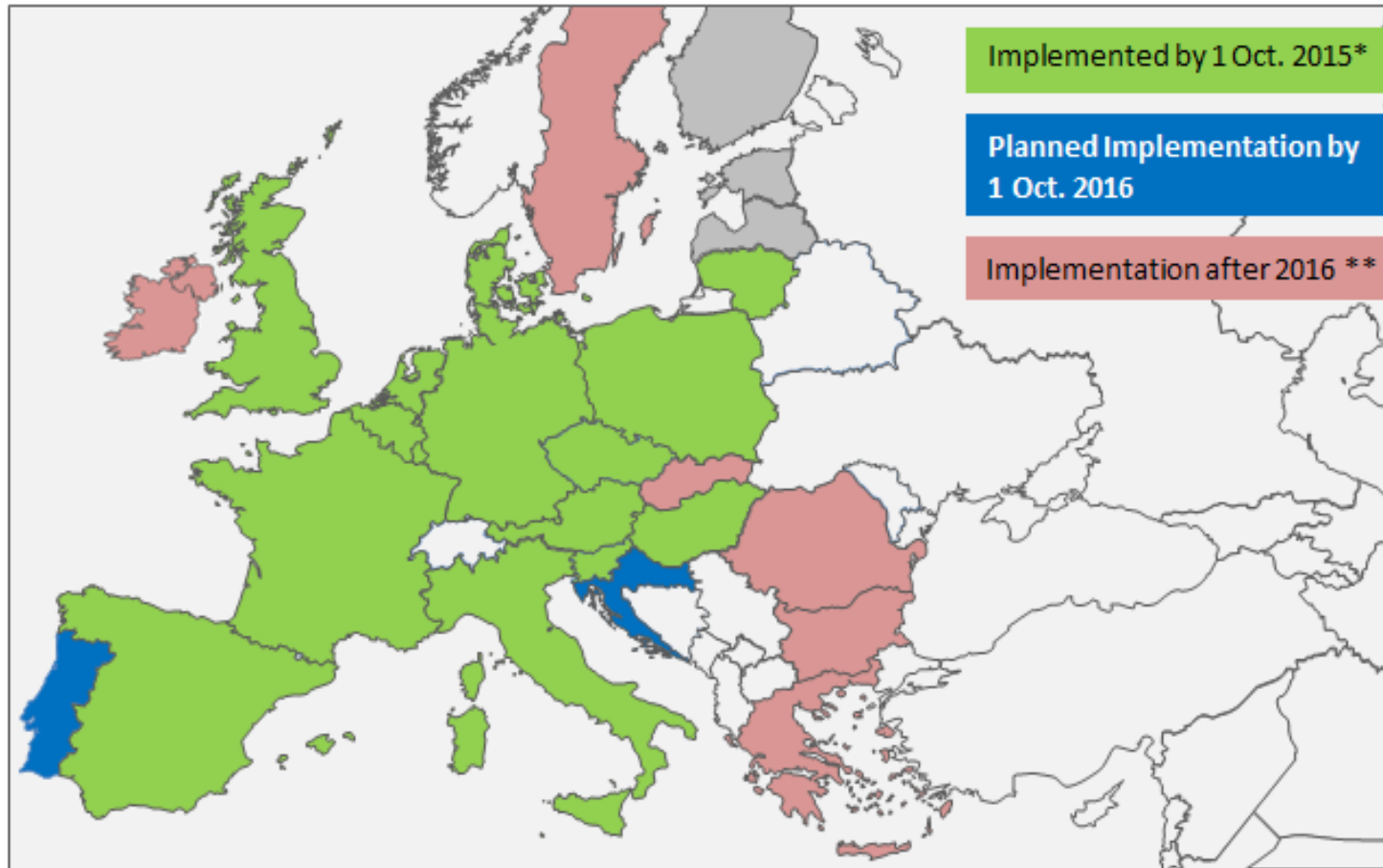
The BAL NC provides a high degree of flexibility to NRAs and TSOs in their implementation, as gas networks and markets differ from each other in their characteristics.

1. The BAL NC is applicable as of **1 October 2015**.
2. Possibility to postpone its application until **1 October 2016** (transitory period option)
3. **Interim measures** can be implemented for up to 5 years (i.e. until **16 April 2019**).





Implementation of trading platform for balancing

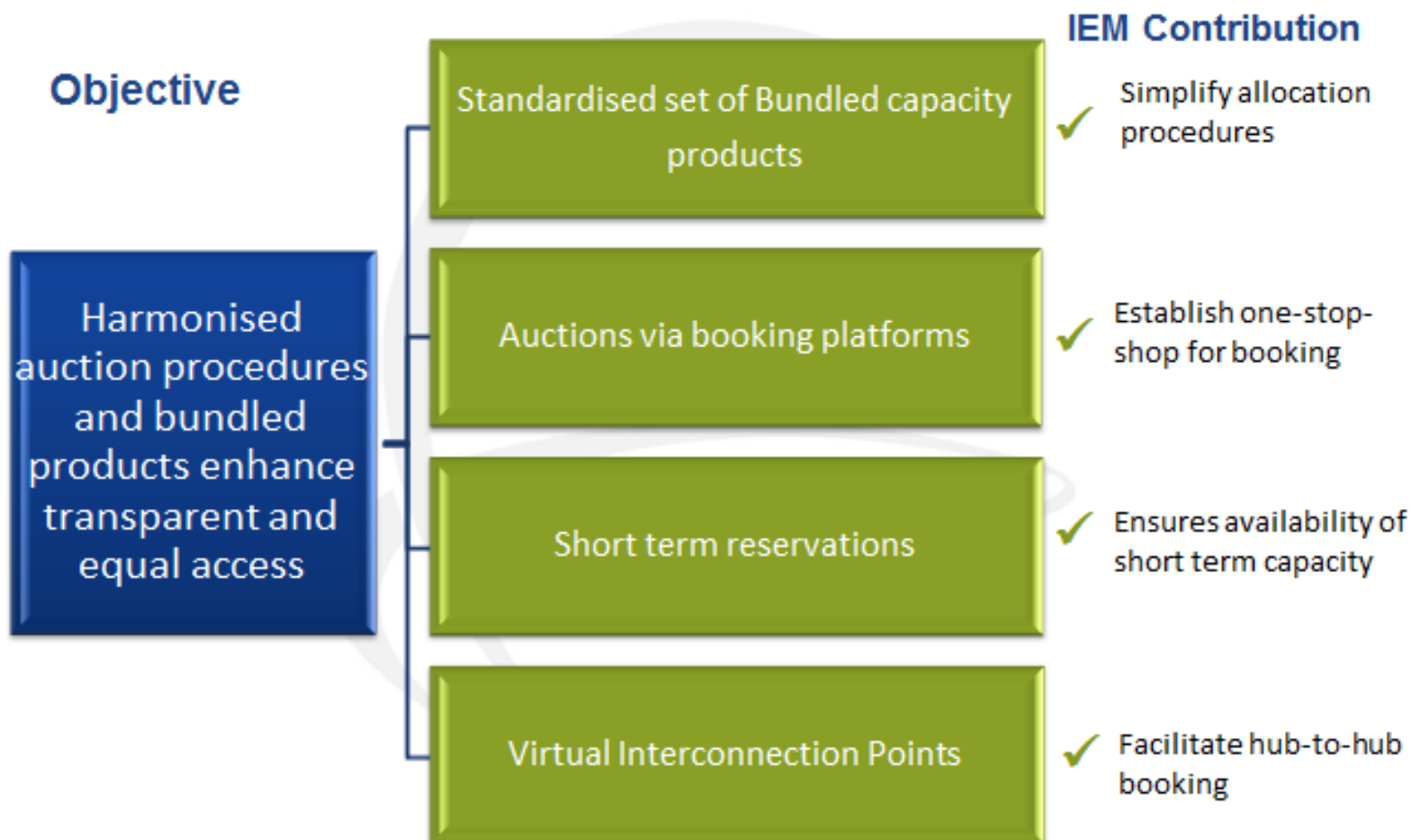




Capacity – NC CAM

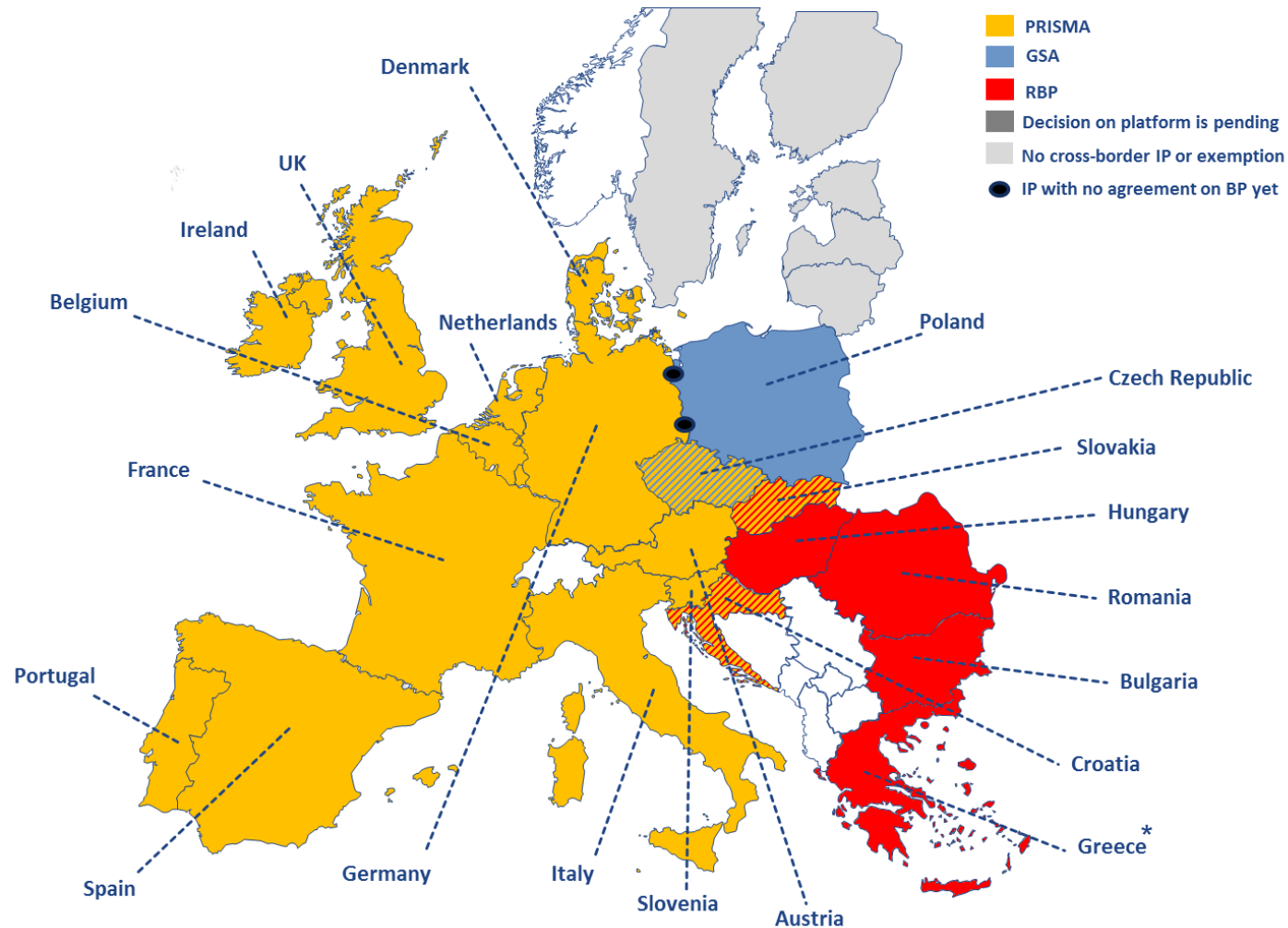


Capacity Allocation Mechanisms NC





Booking platforms in EU – Q3 2016



* DESFA is in a process to join RBP, aiming to get online in Sep-Oct/2016



Future Development on NCs



Path to improved Market Integration



**What more
is needed to
bridge the gap?**

TAR

INT

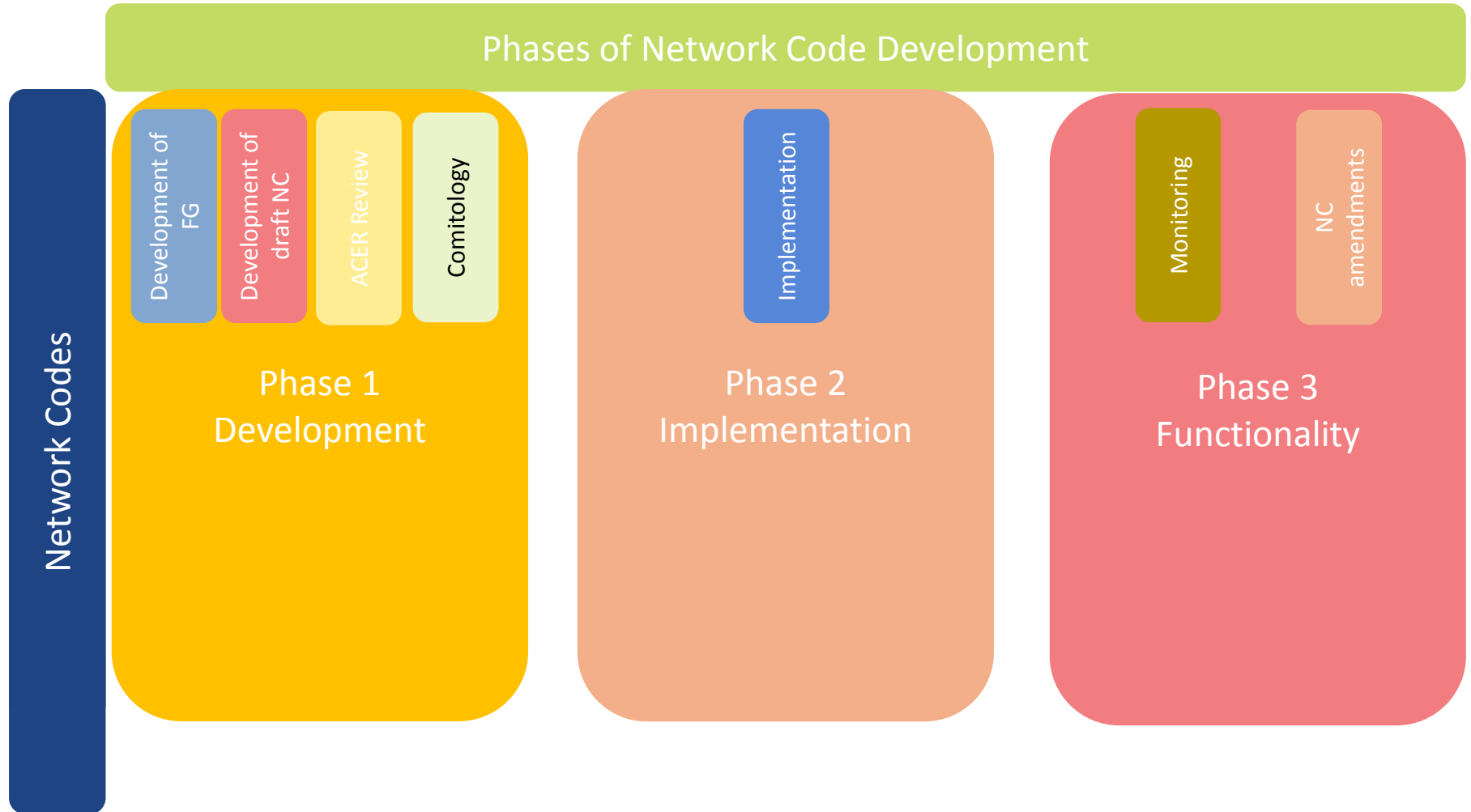
BAL

CAM

CMP

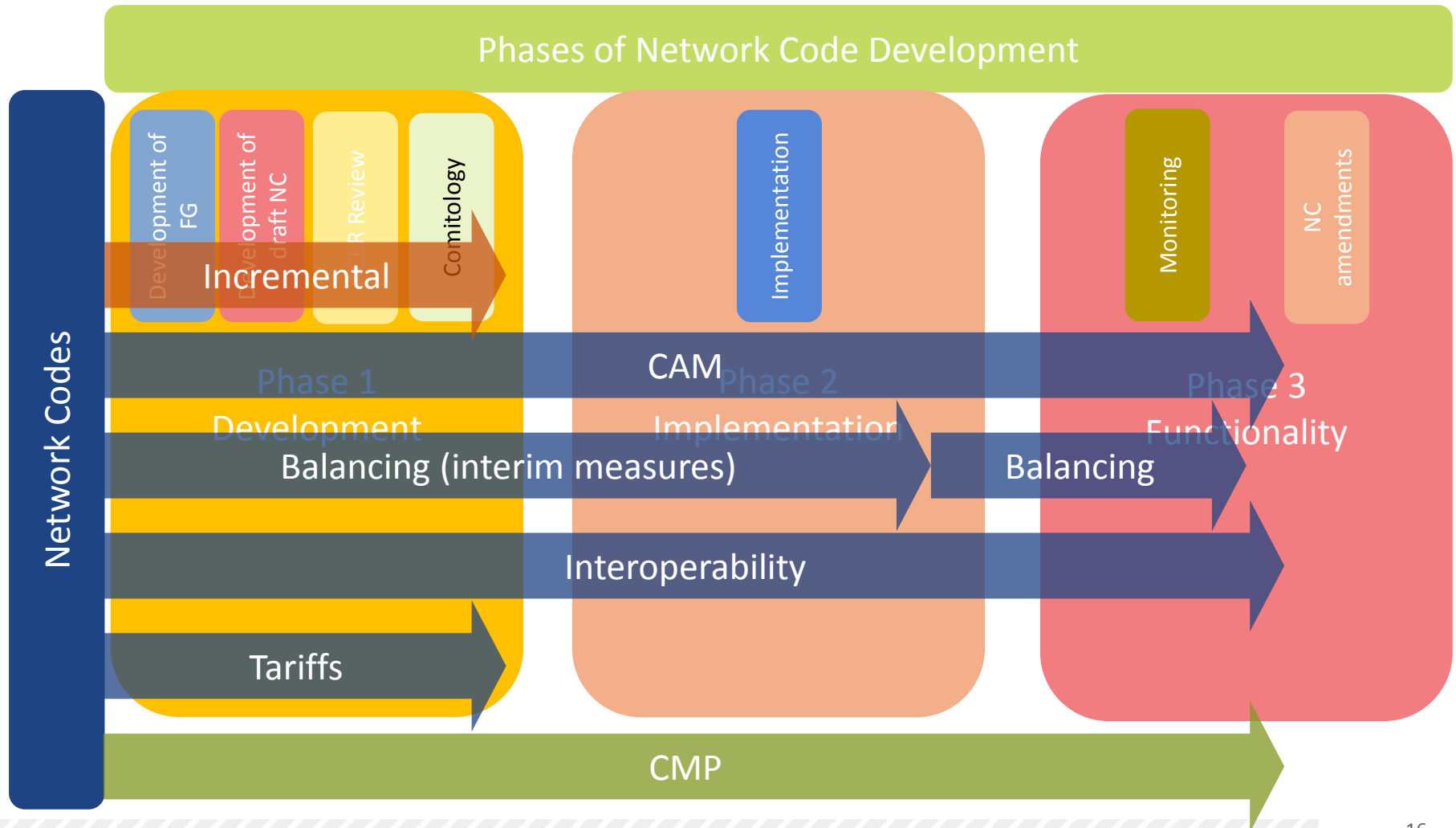


Network Code Development Process





Network Code Development Process

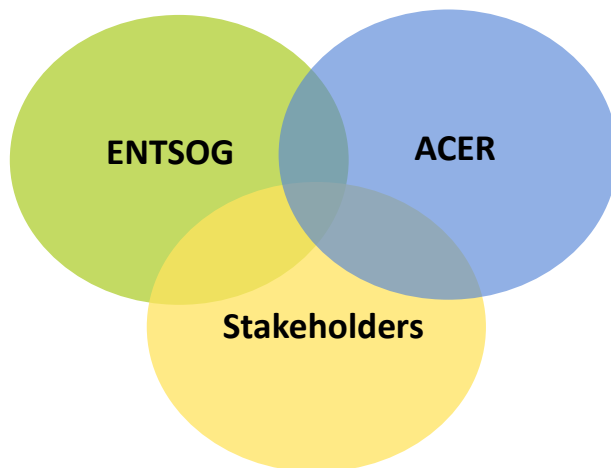




Life after the Network Codes?

1. Monitoring by ACER & ENTSOG

From **implementation** monitoring
to **effect** monitoring



2. *Functionality*

Check and ensure NCs work properly

Stakeholders involvement:

- Stakeholders to provide input
- Access to reported issues incl. status
- Involvement in development of solutions (consultations, workshops, expert groups)
- Joint Functionality Platform can be found here: www.gasncfunc.eu



What might be next?

- > Network code implementation is key to ensure the Internal Gas Market – and should have highest priority
- > Functionality of Network codes to be ensured

<http://www.gasfuncnc.eu>

- > ENTSOG transparency platform - technical and commercial data on transmission points

<http://transparency.entsog.eu>



Thank You for Your Attention

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