

Developing an Incremental Proposal for EU gas transmission

Draft Project Plan

Contents

1. Background	3
2. Objective	4
3. Scope.....	4
3.1. Themes covered in the Incremental Proposal.....	4
3.2. Relation with other network codes.....	5
4. Key assumptions	6
5. Project phases.....	6
5.1. Project plan development (Phase 1)	7
5.2. Incremental Proposal development (Phase 2)	8
5.3. Incremental Proposal decision making (Phase 3).....	9
6. Key deliverables and milestones.....	10
7. Stakeholder involvement.....	11
8. Document management	13
9. Risks.....	16
10. Consultation Questionnaire	16
11. Appendix A – Project Plan Incremental Proposal	18

1. Background

Regulation (EC) no 715/2009 defines the process for the development of framework guidelines and network codes.

The Network Code for Capacity Allocations Mechanisms (CAM NC) focuses on capacity allocation for already existing capacity at Interconnection Points (IPs) in gas transmission systems. The Madrid Forum has recommended that processes are established by which capacity demand beyond the offer of existing capacity can be satisfied in a market-based manner. ACER has therefore been requested to elaborate procedures for market-based identification and allocation of capacity at existing IPs. These procedures provide a guidance on the basis of which ENTSOG will develop a proposal to amend the CAM NC that includes technical rules and a chapter on tariff levels and economic test that will feed into the Tariff network code (TAR NC) development. The combination of these two procedures will in this document be termed incremental proposal (Incremental Proposal).

The rules for the amendment of an EU Regulation that is based on a Network Code are defined in Article 7 (1) of EU Regulation 715/2009, which states that ACER shall assess amendment proposals and be able to recommend them to the Commission for adoption. For the case of including the offer of incremental and new capacity in the CAM NC, ACER has asked ENTSOG to draft an Incremental Proposal based on the guidance provided by ACER. This guidance of the Incremental Proposal for the CAM NC is defined in the 'ACER guidance to ENTSOG on the development of amendment proposals to the Network Code on Capacity Allocation Mechanisms on the matter of incremental and new capacity' (ACER Guidance) which was published by ACER on 3 December 2013. Commission invited ENTSOG to provide the Incremental Proposal for the amendment of the CAM NC in combination with the provision of the TAR NC until 2 January 2015.

Tariff related issues to the process of offering incremental and new capacity shall not be included in the amended CAM NC, but will be part of the TAR NC. ACER Guidance on provisions on the economic evaluation of incremental and new capacity projects is therefore not given in the ACER Guidance to the CAM amendment but in ACERs Framework Guidelines on rules regarding harmonised transmission tariff structures for gas. These Framework Guidelines were published by ACER on 3 December and ENTSOG was officially invited by the European Commission to draft a Network Code until 2 January 2015.

The timescale for developing the Incremental Proposal is very tight and could have potentially high impact on all stakeholders who are affected by investment in new infrastructure at existing or new IPs. A well-organised interaction with all stakeholders is therefore essential to develop an Incremental Proposal that is acceptable to all and meets the objectives of the ACER guidance. To meet this challenge, it is vital to have a robust, inclusive and transparent process that ensures the elaboration of a well-considered Incremental Proposal.

2. Objective

The purpose of this document is to define a project plan for the Incremental Proposal. The document lays out the objectives, key assumptions, internal time constraints, deliverables and project life-cycle. The time table of the process is also provided in this document. This aim is to explain the key milestones and to provide a high level assessment of the development process of the Incremental Proposal in 2014 and to ensure the necessary participation and commitment from relevant stakeholders. The chapter on tariff levels and the economic test shall be put into the draft TAR NC. This project plan has therefore aligned its major milestones with the project plan for the development of the TAR NC.

3. Scope

3.1. Themes covered in the Incremental Proposal

The scope of the project is limited to developing an amendment to the CAM NC for additional capacity through investment in pipelines, compressors and similar infrastructure investments between member states to form interconnections. The Incremental Proposal will be based on the contents defined in the ACER guidance as invited by the Commission ..

As a consequence, the project will focus on the following topics:

- Definitions
 - Existing capacity; Incremental capacity; New capacity; Open Season Procedures
- When to offer incremental capacity (process trigger)
 - Conditions for offering incremental capacity
 - Gap identification in the TYNDP; no yearly capacity products based on the existing capacity is offered; network users non-binding indication need and willingness to underwrite incremental or new capacity.

- Co-ordination requirements
 - TSO-NRA cooperation
 - Cross-border cooperation
- Information provision
 - Information regarding volume of offered standard bundled capacity products offered; rules used for securing network users' binding commitments; necessary economic commitment from network users; tariff and methodology used by TSOs; timing and publication of economic test results and final capacity allocations.
- Integration of incremental and new capacity into the CAM NC annual yearly capacity auctions
 - Application of principles regarding methodology for offering bundled incremental and new capacity; integrated with the offer of existing capacity; possibility to accommodate different starting prices.
- Open Season Procedures
 - To be applied when extended across more than two market areas, or when due to size and/or complexity auction could appear not to be a robust approach.
- Economic test
 - To validate the project's financial viability considering network user's binding commitments to purchase incremental or new capacity
- Tariff related issues
 - In case reference prices as determined by the cost allocation methodology in the tariffs NC would lead to a situation where the economic test could not be passed, tariff adjustments could be considered.

3.2. Relation with other network codes

The Incremental Proposal will consist of two parts:

1. An amendment proposal to the CAM NC
2. Chapter of the Tariff NC

The first part, the Incremental Proposal to the CAM NC will contain the following topics: When to offer, Coordination requirements, Information provision, Integration of incremental and new capacity into the new CAM NC long-term allocation procedure and Open Season Procedures.

The second part, chapter to the Tariff NC, will cover the economic test, tariff issues related to incremental capacity and the relevant information provision. Both these constituting parts of the Incremental Proposal will be developed by ENTSOG's incremental capacity group; all other elements of the Tariff NC will be dealt with by ENTSOG's tariffs work group. In terms of project planning, both projects have closely aligned. This is done in order to ensure coordination, but also for practical reasons. ENTSOG hopes this will lower the threshold for stakeholders to participate.

The project phases are fully aligned; this means that consultations run jointly and meeting are scheduled back-to-back. This allows for resources in terms of travel and working hours to be spent as efficient as possible. The Incremental Proposal will be developed taking account, where relevant, of the provisions of Transparency Guidelines, Congestion Management Procedures (CMP) Guidelines and the network codes on Capacity Allocation Mechanisms in Gas Transmission Systems (CAM NC), Gas Balancing of Transmission Networks (BAL NC) and Interoperability and Data Exchange Rules (INT NC). It is assumed that BAL NC and INT NC will be adopted in line with current provisions but any changes to these network codes may have an impact on the development of the Incremental Proposal.

4. Key assumptions

This project plan overview covers the development of the Incremental Proposal that consists of amendments to the CAM NC and delivers the chapter to the Tariff NC that relates to incremental capacity. It is assumed that the Incremental Proposal process will be executed until the end of the 12-month period after the start date set by Commission's invitation letter expected in the beginning of 2014. Deliberations within the Gas Advisory Council and the update of the Gas Target Model process are not expected to alter the Incremental Proposal process significantly.

5. Project phases

The dedicated network code development period is divided into three different phases as illustrated below:



5.1. Project plan development (Phase 1)

Feedback from this general project plan consultation will define the key participation in the main Incremental Proposal period. During this stage stakeholders can respond to the project plan consultation. Stakeholders are asked to indicate their level of involvement in the Incremental Proposal development process (see chapter 8).

Preparatory Works

ENTSOG focuses on preparing the work before the official process starts. This includes developing this detailed project plan and several scope related sub-papers on content structure, on changes to auction design and on in-depth understanding of the economic test principles.

Launch Documentation Publication

A Launch Documentation detailing the initial views on the content of the Incremental Proposal will be issued to the market in January shortly after the kick-off workshop. This document will focus on the content issues of the document such as the structure of the Incremental Proposal, changes to auction design and in-depth understanding of the economic test principles.

Project Planning

In this initial stage, ENTSOG invites stakeholders to consult on the draft Project Plan before commencing the project. The final Project Plan including feedback from the consultation will be published at the end of January 2014.

Preliminary Project plan development overview (18 December 2013 - 30 January 2014)

Date	Activity
18 Dec 2013 – 20 Jan 2014	Consultation on draft Project Plan
Tue 14 Jan 2014	Kick-off workshop
Tue 21 Jan 2014	Publication of Launch Documentation

Thu 30 Jan 2014	Publication of final Project Plan
-----------------	-----------------------------------

5.2. Incremental Proposal development (Phase 2)

This phase is an intense interaction period involving stakeholders to deliver a first Incremental Proposal for consultation.

Stakeholder involvement

The content of the Incremental Proposal will be interactively developed with the market during the Stakeholder Joint Working Sessions (SJWS) and during bilateral meetings with specific stakeholder groups. The objective is to test market views on detailed parts of the Incremental Proposal in order to fine-tune the proposed solutions and get early support for the work. In parallel, a consolidated version of the Incremental Proposal has to be developed in order to produce a draft that will be consulted upon.

SJWS

The SJWS are working sessions which will enable exchange and development of ideas for inclusion in the Incremental Proposal. During this phase of the Incremental Proposal activity ENTASOG envisages substantial interaction with all stakeholders. These sessions will be open to all and will be held at regularly intervals as specified in the Project planning session in chapter 7. The SJWS' for the Incremental Proposal are aligned with the Tariff network code development process and will be held either the day before or after the Tariff SJWS' in order to facilitate stakeholder involvement.

Formal consultation

This phase of the work is dedicated to the formal consultation on the draft Incremental Proposal. During this consultation, responses will be gathered and where necessary supported by bilateral meetings with specific stakeholders. Based on these, an analysis document will be produced, together with a new validated version of the Incremental Proposal.

Consultation workshop

Midway through the consultation period ENTASOG will organise a workshop on the initial Incremental Proposal. The aim is to provide an overview of the results from the SJWS and rationale behind the draft Incremental Proposal. This initial development effort will support the draft ENTASOG Incremental Proposal justified in the context of the wider stakeholder engagement and will also be the subject of a formal consultation. ENTASOG will communicate

with any respondent requesting a discussion and may make contact with any respondent where such contact might assist to understand the consultation responses and better inform the final Incremental Proposal.

Incremental Proposal development overview (1 February 2014 – 31 July 2014)

Date	Activity
Mon 10 Feb	SJWS 1: Definitions; Co-ordination Requirements; Information Provision; Economic Test; Tariff-related Issues
Wed 26 Feb	SJWS 2: When to offer; Auctions, Open Seasons
Thu 11 Mar	SJWS 3: Definitions; Co-ordination Requirements; Information Provision; Economic Test; Tariff-related Issues
Tue 25 March	SJWS 4: When to offer; Auctions, Open Seasons
Tue 8 April (if necessary)	SJWS 5: (if necessary)
Fri 30 May	Publication of first draft Incremental Proposal for consultation
Tue 24 June	Consultation workshop
Mon 28 July	Publication of consultation responses

5.3. Incremental Proposal decision making (Phase 3)

This part of the process is designed to deliver a final Incremental Proposal for approval.

Refinement workshop

The refinement workshop will allow for stakeholders to contribute to the refinement of the Incremental Proposal before it will be passed on to the stakeholder support process.

Stakeholder support process and finalisation

This stage consists in presenting the validated version of the Incremental Proposal to the market for endorsement. After this process the final document will then be submitted to the EC.

Incremental proposal decision making (1 August 2014 – 2 January 2015)

Date	Activity
1 Aug - 22 Sep	Development of first text for refined Incremental Proposal
Tue 23 Sep	Refinement workshop
9 Oct - 30 Oct	Modification of first text for modified Incremental Proposal
Thu 6 Nov	Publication of refined Incremental Proposal

7 Nov - 21 Nov	Stakeholder support process (SSP)
Mon 24 Nov	Publication of SSP responses
Fri 2 Jan 2015	ENTSOG submission of to CAM NC

6. Key deliverables and milestones

The key ENTSOG deliverables during the whole incremental process are:

Phase 1

- Final Project Plan to be refined after consultation
- Draft Project Plan
- The Launch Documentation

Phase 2

- For each SJWS: Invitation, Agenda, Supporting Material and Minutes
- Bilateral and Group meeting material as agreed between the parties
- Draft version of Incremental Proposal, including supporting Material submitted for market consultation
- Draft version submitted for consultation by the market
- Consultation Responses

Phase 3

- Consultation Responses Analysis Report
- Refined Incremental Proposal
- Final Incremental Proposal approved by ENTSOG (and endorsed by Stakeholders) recommended for adoption by ACER, EC and MS

Overview of milestones and deliverables

Phase	Description	Deliverables	Target Date
1	Publish Launch Documentation	Launch Documentation	21 Jan 2014
1	End of draft Project Plan Consultation	Final Project Plan	30 Jan 2014
2	Development of supporting document to Draft incremental proposal	Supporting Document to the Draft Incremental Proposal	21 May 2014
2	Publish initial draft Incremental Proposal after ENTSOG Board approval	Initial Draft Incremental Proposal	30 May 2014
2	End of consultation process	Publication of consultation responses	28 July 2014

3	Start of Decision-making process	Consultation responses analysis report	8 Aug 2014
3	Refinement period	Publication of Refined Incremental Proposal	6 Nov 2014
3	Stakeholder Support Process	Publication of SSP responses and endorsement report	24 Nov 2014
3	Incremental Proposal published and recommendation for adoption by ACER	Letter and Incremental Proposal submitted to ACER + Press Release published	2 Jan 2015

7. Stakeholder involvement

As stated in the Regulation (EC) 715/2009, ENTSOG is required to “conduct an extensive consultation process, at an early stage in an open manner, involving all relevant market participants”. Unless otherwise publically announced, all meetings will be held in Brussels. ENTSOG will inform the participants on the exact venue and will publish meeting material in due time prior to such meetings on its website.

Prime movers

ENTSOG invites all stakeholders to indicate their intended level of participation so that ENTSOG will be able to manage the logistics of the process. To manage stakeholder involvement ENTSOG therefore identifies four different levels of stakeholder commitment and will ask respondents to indicate the level at which they intend to commit themselves. The table below identifies the different levels of commitment.

Level	Description	Comments
1	Prime Mover	Committed to work on a bilateral basis and dedicate a lot of resources to assist formulate and evaluate/refine ideas/proposals for SJWS consideration – commitment to be intensive and involving many days during intensive phases of the network code development
2	Active SJWS Participant	Expected to attend all SJWS and to read and review all material prior to meetings and to be prepared to explore detail within the SJWS – commitment of around 3 days per months during intensive period of activity
3	Consultation Respondent	Will respond to consultations
4	Inactive	Expected not to actively contribute to the development effort or to participate in the formal consultations

SJWS and workshops

As detailed in the timeline overview for chapter 7, ENTSOG plans to have several Stakeholder Joint Working Sessions in which concepts outlined in this document are discussed thoroughly and further developed to inform and shape the development of the incremental proposal. The table provides a list of the planned sessions where stakeholder participation is foreseen for both the Incremental Proposal as for the tariffs NC.

Stakeholder key dates for incremental capacity and tariffs

Activity	Dates for incremental capacity development in 2014	Dates for Tariff NC development in 2014
Kick-off workshop	Tue 14 Jan	Wed 15 Jan 2014
SJWS 1	Mon 10 Feb	Tue 11 Feb
SJWS 2	Wed 26 Feb	Thu 27 Feb
SJWS 3	Thu 13 Mar	Fri 14 Mar
SJWS 4	Tue 25 Mar	Wed 26 Mar
SJWS 5	Tue 8 April (if necessary)	Wed 9 April
Consultation workshop	Tue 24 Jun	Wed 25 Jun
Refinement workshop	Tue 23 Sep	Wed 24 Sep

ENTSOG recognises the significant challenge associated with the communication and the development of mutual understanding of all stakeholders' positions during the entire twelve month process. ENTSOG will therefore ensure that all stakeholders are kept up to date by mailings and via ENTSOG website updates. All formal meetings will be documented and action logs will be maintained, updated and published as appropriate.

Bilateral meetings

In addition to the planned interactions with stakeholders during the Incremental Proposal development ENTSOG is open to interaction with stakeholders on a bilateral basis both before and during all phases of the project. This will contribute to the understanding of different perceptions of the issues, challenges and opportunities during the development phase and to prepare concepts for further SJWS or subsequent considerations for the draft Incremental Proposal.

An effective process will require engagement with stakeholders throughout the process, possibly involving either bilateral or multilateral meetings with associations and individual

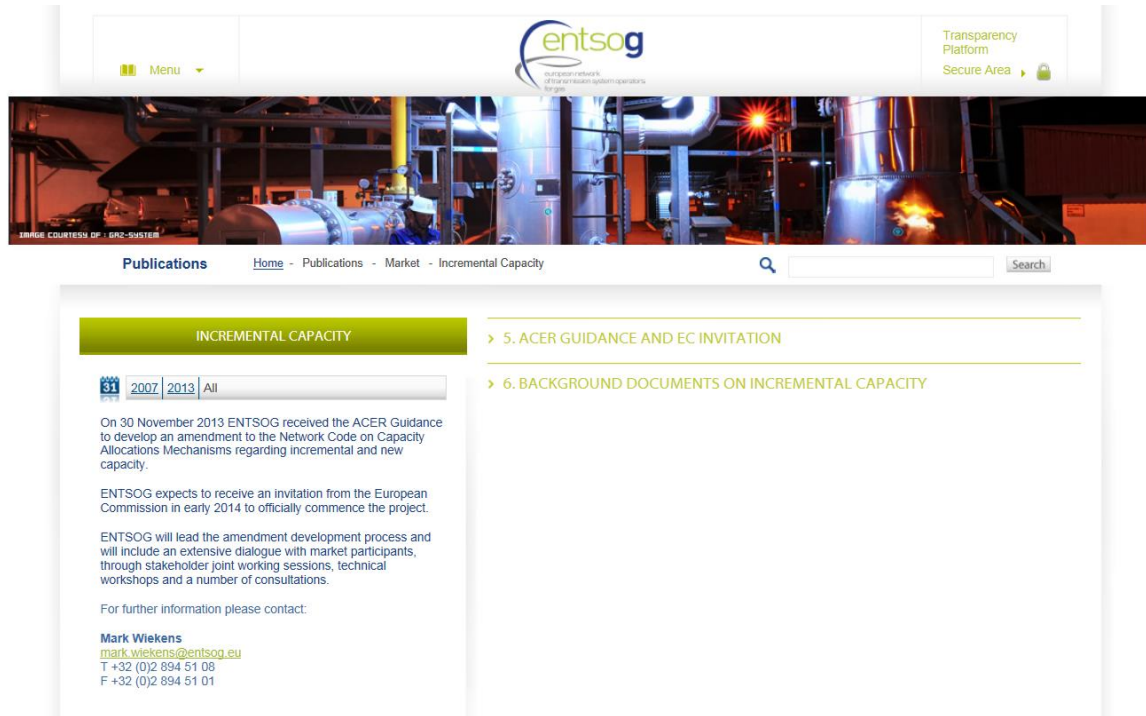
companies. ENTSOG would welcome views from respondents about how to best facilitate discussions about specific issues and to allow stakeholders to raise any issues or ideas they may wish to explore.

8. Document management

According to this project plan and to the Guidelines on Stakeholder Engagement Process, ENTSOG conducts the Incremental Proposal development project in an open and transparent manner. Stakeholders' involvement both during the interactive design phase and the formal consultation phases secures the openness of the process. Other means of assuring a transparent process consist of comprehensive publication of all discussed and developed material throughout the process.

ENTSOG will make extensively use of its website to make available all material relevant to the development of the Incremental Proposal at the following location: <http://www.entsog.eu>

A page on this website will be structured according to different phases of the process, all documents remaining available at all time, and the most relevant ones at a given time being highlighted. The picture below illustrates the organisation of the CAM NC process and how the different sections have been organised. The same type of web page is under construction for the development of the Incremental Proposal and will be available shortly.



Menu Transparency Platform Secure Area

Publications Home - Publications - Market - Incremental Capacity Search

INCREMENTAL CAPACITY

2007 2013 All

On 30 November 2013 ENTSOG received the ACER Guidance to develop an amendment to the Network Code on Capacity Allocations Mechanisms regarding incremental and new capacity.

ENTSOG expects to receive an invitation from the European Commission in early 2014 to officially commence the project.

ENTSOG will lead the amendment development process and will include an extensive dialogue with market participants, through stakeholder joint working sessions, technical workshops and a number of consultations.

For further information please contact:

Mark Wiekens
mark.wiekens@entsog.eu
 T +32 (0)2 894 51 08
 F +32 (0)2 894 51 01

> 5. ACER GUIDANCE AND EC INVITATION
 > 6. BACKGROUND DOCUMENTS ON INCREMENTAL CAPACITY

This list of background documents all feed into to the development of the Incremental Proposal and provide a basis for the content that is reflected in the incremental proposal.

List of related documents:

Nr	Document title	Reference	Date	Issued by:
1	EU Regulation on conditions for access to the natural gas transmission networks and repealing Regulation	EC 715/2009	13 July 2009	EC
2	EU Regulation on establishing a Network Code on Capacity Allocation Mechanisms in Gas Transmission Systems	EC 984/2013	14 Oct 2013	EC
3	ACER guidance to ENTSG on the development of amendment proposals to the Network Code on Capacity Allocation Mechanisms on the matter of incremental and new capacity		3 December 2013	ACER
4	ACER Framework Guidelines on rules regarding harmonised transmission tariff structures for gas	01/2013	3 December 2013	ACER
5	CEER Blueprint on Incremental Capacity	C13-GIF-06-03	23 May 2013	CEER
6	Draft ANNEXES to the CEER Blueprint on Incremental Capacity	C13-GIF-06-03a	24 June 2013	ACER
7	ERGEG Guidelines for Good Practice on OS procedures	C06-GWG-29-05c	21 May 2007	ERGEG
8	Impact assessment of policy options on incremental capacity for EU gas transmission		February 2013	Frontier Economics (prepared for ACER)
9	Invitation letter by ACER to amend CAM NC			
10	Invitation letter by EC to draft TAR NC			

9. Risks

Developing the Incremental Proposal is a complex process which will take its starting point in the ACER Guidance. Interpretation will be an important issue and ENTSOG will work with those who have written the ACER Guidance to ensure a common understanding. Early understanding of those elements that might be conflicting is crucial to ensure the timely development of the Incremental Proposal.

The participation of a significant number of stakeholders with potentially divergent interests combined with a tight and firm deadline could be a challenge for the development of the Incremental Proposal. Early and thorough engagement of stakeholders is a key measure to mitigate this risk as much as possible.

Finally it must be noted that the processes for the development of the Incremental Proposal and the TAR NC are interdependent, as certain tariff-related issues of the Incremental Proposal will be included in the draft TAR NC. A delay in one of the two processes would therefore unavoidably impact the other as the two legislation proposals can only be provided to ACER in combination.

Regardless of this, the deadlines for finishing the projects are firm and ENTSOG must ensure that the tight timelines are kept, asking stakeholders to respect this.

10. Consultation Questionnaire

ENTSOG is looking forward to an open and productive working relationship with all stakeholders towards the goal of completing the Incremental Proposal.

In order to ensure the best possible work process, ENTSOG would like to receive stakeholders' feedback on the proposed draft project plan for Incremental Proposal development process. Stakeholders are therefore invited to answer the following questions via an online response form:

1. What do you expect to be your organisations' level of involvement during the Incremental Proposal development (see chapter 8 for further information)?
 - (a) Prime mover
 - (b) Active SJWS participant
 - (c) Consultation Respondent
 - (d) Observer

2. In your opinion, does the draft project plan for the development of an Incremental Proposal contained in this document provide sufficient basis for quality stakeholder involvement given the timelines within which this project must be delivered? If the response is no, please propose some improvements for consideration.
3. What do you think of the proposed timeline, including the frequency and number of public meetings? Are any changes needed?
4. What do you think of the proposed topics of the incremental proposal? What other topics might be included?
5. Do you think it would be a good idea to establish live streaming of the SJWSs? Do you have any other suggestions that might enhance this participation?

ENTSOG invites you to complete and submit the Consultation questionnaire on the draft project plan which can be consulted here <https://www.surveymonkey.com/s/3C7M2KN>.

We would be happy to receive your responses before **Monday 20 January 2014 at 12:00** and look forward to working together with you in 2014 during the development of the Incremental Proposal.

11. Appendix A – Project Plan Incremental Proposal

