



# **Work Programme 2005**

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## EREG Work Programme 2005

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# 1 INTRODUCTION

## Goals and Themes

Promoting effective competition and the successful liberalisation is at the heart of European regulators' work, both in terms of high level policy and detailed recommendations or guidelines. The European Regulators Group for Electricity and Gas (ERGEG) is the route by which the European regulators provide formal advice to the European Commission. The typically takes the form of (a) detailed technical advice on the rules which Regulators' see as necessary for the effective implementation of the legislative framework and (b) the reporting of the actual state of implementation on the ground of the relevant rules and guidelines and on the actual level of competition in energy markets. The themes of the 2005 Work Programme reflect the ERGEG's goals and the regulators' view of the Commission's expectation of the ERGEG in 2005:

- 1. Non-discriminatory Access to Network and Associated Infrastructure.** The CEER vision involves gas and electricity firms competing to supply consumers using regulated networks on an open and non-discriminatory basis. To that end, a large part of the ERGEG 2005 work programme includes technical work to develop and monitor the rules for non-discriminatory third party access to electricity and gas transmission and distribution grids (for example on gas storage). This work should ensure that all players can access networks on an equal basis, in terms of availability, quality and pricing of transportation services. This should instil confidence in new entrants that they will receive fair and non-discriminatory treatment.
- 2. Cross Border Trade and Transits.** Regulators wish to ensure that market rules foster pan-EU competition and the development of the internal energy market, and that every market player can have access to an appropriately organized energy market. Rules relating to cross border flows have to be developed. The ERGEG 2005 work programme therefore includes a continuation of work already begun (in both electricity and gas) that consider the appropriate form of market rules to reduce barriers to cross-border trade (such as operational standards, electricity balancing markets, capacity

calculation and allocation, and congestion management). An appropriate long term inter-Transmission System Operation (Inter-TSO) compensation mechanism (ITC mechanism) for electricity must be developed for implementation from 1 January 2006. Further analysis for any necessary cross-border harmonisation on network tariffs will also be undertaken. Similarly in gas, access charges (including the methodology of how they are calculated is important. In 2005, work will continue on developing (methods for) common tariffication rules in order to ensure a harmonised approach. A key priority for electricity is for the comitology procedure to begin in 2005 for three sets of Guidelines to Regulation 1228/2003 proposed by the European Commission on tariff harmonisation, ITC and congestion management respectively.

- 3. Monitoring of Regulatory and Market Developments.** This involves careful monitoring of the implementation by market players of relevant legislation and voluntary agreements, of the extent to which non-discriminatory network access is a reality on the ground, and of the actual level of competition in energy markets. It will also involve significant interaction with national and European competition authorities and close collaboration with the work being undertaken by the CEER.
- 4. Customer Choice.** Regulators' ultimate vision is for all customers to be able to choose their supplier/shipper and to do so, customer must have easy access to objective information so as to be able to make informed decisions. A greater emphasis in 2005 will be placed on customer issues through the creation of a specific workstream which will focus primarily on customer protection and switching issues. The ERGEG's work in 2005 will include looking at the implementation of Public Service Obligations (PSOs) and the protection of customer rights contained in the new Directives, examining also customer's attitude towards new electricity and gas supply services and to the quality of supply, as well as developing guidelines for customer switching and price transparency. Where appropriate the Customer Focus Group will also work with other bodies to ensure appropriate business processes and information models are in place which will enable customers to change suppliers.

**5. Consistent Regulatory Framework.** The ERGEG is committed to facilitating the development of the internal energy market through the design and implementation of a flexible, transparent and consistent regulatory framework. This regulatory framework shall ensure that the EU legal framework applicable to electricity and natural gas translates into a coherent and efficient set of rules governing the behaviour of system operators, network operators, market operators and market participants in all Member States. Central to this is the effective monitoring of the implementation of the rules within the regulatory framework.

### **Regulators Work in 2005**

Before the establishment of the ERGEG, the Council of European Energy Regulators (CEER) has already been active in a number of work-streams which are now more appropriately addressed by the ERGEG. Consequently this ERGEG Work Programme 2005 contains numerous references to work which had been initiated by regulators in the CEER but which is being continued by the ERGEG. The CEER will continue to advance issues of interest to regulators (see the CEER Work Programme 2005, [www.ceer-eu.org](http://www.ceer-eu.org)), which complements (and does not duplicate) the work activities of the ERGEG. While many of the members are common to the two bodies, the ERGEG and the CEER each having separate working groups (which in the ERGEG are called Focus Groups) and separate work programmes. It is through the ERGEG, that Regulators provide formal advice to the Commission while it is through the Council of European Energy Regulation (CEER), that they provide informal advice to the European Commission through the development of policy positions on internal market matters.

## **Types of Work of the ERGEG**

The two main types of work proposed in the ERGEG Work Programme can be categorised as:

1. Detailed development of policy proposals and rules

Work of this type will involve developing detailed “guidelines” or “rules” on specific issues and seeking to establish these either as voluntary agreements with the European industry, or as proposals for binding guidelines to be adopted via the comitology procedure. In this way Regulators will recommend to the European Commission proposals within the regulatory framework (such as expert commentaries on codes being developed by other bodies, or specific guidelines or rules proposed by regulators themselves) which they see as necessary to support the practical implementation of the European energy Directives and Regulations.

Some practical examples within the ERGEG 2005 Work Programme are the development of Guidelines for Good Practice on; Third Party Access to Gas Storage; Electricity Balancing Markets and expert advice to the European Commission on the Operational Rules being developed by UCTE. There will also be further work and refinement of the (ITC, Tariffs and Congestion Management) Guidelines under the Electricity Regulation.

2. Monitoring of regulatory and market developments

European energy markets are already subject to existing and currently proposed Directives and Regulations, together with national laws and regulations, and voluntary agreements proposed or in place. The new Directives (2003/54/EC and 2003/55/EC) foresee reports to be submitted from Member State authorities to the European Commission on issues such as security of supply, monitoring of market and competition issues. To this end, the Regulators are working with the European Commission on standardising and harmonising the structure of and data collection for the European and national country reports required from 2005 onwards. A close collaboration between the European Commission (DG TREN and DG COMP) and national regulatory authorities is essential in this field in this the first year of the new reporting requirements.

Regulators will devote significant resources in 2005 to monitoring the effects of functional and accounting unbundling; of market based congestion management and to examining the degree of competition in markets. The ERGEG Monitoring TFs will monitor and report on the technical (as distinct from legal) implementation and the modes of operation of the Directives and Regulations and ERGEG recommendations the effect that these rules and guidelines are having on the ground. ERGEG's work will focus on Guidelines in place or being developed as well as network access conditions and charges.

### **Individual Work Groups (Focus Groups)**

The ERGEG's work for 2005 is organised across three different work groups, called Focus Groups (FGs). The Electricity Focus Group and the Gas Focus Group were already established in 2004 and their work in 2005 is a mix of work in progress and new issues which Regulators' view as important under the new (and proposed) Directives and Regulations. Additionally, a new Focus Group has been created, called the Customer Focus Group (CFG), to address customer protection and customer switching issues. Within the Electricity and Gas groups, three specialist Task Forces (TFs) have been created, two of which reflect common themes; Monitoring, and Cross Border Trade (CBT). In Electricity the third task force deals with System Operation and Congestion Management issues, and in Gas there is specific task force for Gas Storage. The Focus Group/Task Force (FG/TF) structure is shown in Appendix 1.

In electricity, the five priority issues are operational standards, balancing, inter-TSO compensation, tariff harmonization and locational signals and congestion management. In gas, there are four priority topics; gas storage Guidelines for Good Practice (GGP), monitoring the implementation of of GGPs, benchmarking transmission tariffs, and cross border trade. For the new Customer Focus Group, the key deliverables will be a guidebook of definitions, customer protection issues in the Directives, best practice for customer switching and transparency issues.

A summary table of the expected deliverables of the Focus Groups can be found in Appendix 2. The rest of this document expands on the issues to be addressed in 2005 within

the Electricity Focus Group (EFG), the Gas Focus Group (GFG) and the Customer Focus Group (CFG) respectively, highlighting those issues which are envisaged to be subject to public consultation in 2005.



## 2 ELECTRICITY FOCUS GROUP (EFG)

### Issues to be addressed

- A. ERGEG discussion position on: (i) standards and rules for interconnected electric power system operation within a synchronous area; (ii) interdependencies of the operational standards and rules within the electricity market and related requirements; (iii) development and harmonization of operational standards and rules within all of the Internal Energy Market in line with supply needs and the requirements of the market. An emphasis in 2005 is to be put on the development of the UCTE Operational Handbook, the Multi Lateral Agreement, the 4<sup>th</sup> Guidelines as indicated below in B and other relevant issues. Beyond 2005, the focus is to be extended also to the exchange of information and differences/commonalities of operational rules & standards of interest for the market between the different synchronous areas, as indicated under B below. In the discussions, the regional approach to congestion management and the work of the regional “mini-fora” shall be taken into account in an appropriate way.
- B. Comparative analysis of the operational rules in UCTE, Nordel, UKTSOA and ITSOA. There is also a need to develop the scope and contents of the Security and Reliability Guidelines according to the Article 8 of the Regulation 1228/2003; to develop an “Implementation Roadmap”; to examine the need for harmonization (if any) e.g. on national grid codes continuing in 2005 and 2006.
- C. Ancillary services requirements and procurement (consistency of primary and secondary reserves requirements with the analyzed and identified requirements on balancing). This shall be based on the results of the (CEER) System Operation TF studies in 2004.
- D. Harmonization of the rules of Balancing markets: examine experiences & lessons learned in the “merging” of balancing markets so far; the development of Recommendations and Guidelines on Good Practice for electricity balancing markets (based on the results of first survey and report of the CEER System Operation TF in 2004); drafting a Proposal for harmonization and possibly a more formal (or legal) framework at the EU level for balancing markets.

- E. Coordinated Capacity Calculation & Allocation in line with Regulation 1228/2003 and Congestion Management Guidelines (in the “making”). This will involve coordination of work and information exchange in the context of regional “Mini fora”; compilation and presentation of the results of “Mini Fora”; further advice to the European Commission on the design and contents of the Congestion Management Guidelines for putting them to the comitology procedure.
- F. Conceptual and practical comparison of alternative methods for the Inter-TSO Compensation (ITC) so that a proposal for the longer term mechanism will be ready to be implemented by 1st January 2006; Discussion of the proposal with the European Commission and other stakeholders; and supervision of the process to implement the mechanism.
- G. Specification and implementation of the procedure for reporting to the European Commission on the ITC implementation and European flow patterns of cross border electricity.
- H. Monitoring of the implementation of the Directive and Regulation plus the ERGEG’s recommendations.
- I. Further analysis on network tariff harmonisation and locational signals
- J. The Electricity Focus Group shall provide all necessary support to the ERGEG during the public consultation process.

## **Background**

The Electricity Focus Group should monitor activities coming from the EU Directives and Regulations on electricity issues and through ERGEG advise the European Commission.

The main areas of work for 2005 are:

- Operational Standards
- Balancing markets
- Inter TSO Compensation
- Further analysis of network tariff harmonisation and locational signals

- Congestion Management

## **Organisation**

The work under the list of issues mentioned above shall be distributed between the following Task Forces (TF):

- Monitoring TF
- System Operation TF
- Cross Border Trade (CBT) and Inter Transmission System Operator (ITC) TF

## **Resources**

The European Commission has allocated approximately 600,000€ for consultancy services in the following areas:

- Security & reliability rules
- Congestion Management
- Balancing
- Inter-TSO Compensation.

The tendering process for the studies on Security & Reliability Rules and on Balancing has already been initiated. The tendering processes for the studies on Congestion Management and Inter-TSO Compensation are under preparation.

## 2.1 Monitoring Task Force

### Issues to be addressed

- Monitoring of the implementation and the mode of operations of the three sets of guidelines (on congestion management, Inter-TSO compensation and Tariffs) that have been prepared by the European Commission.
- Co-operating with the European Commission and the CEER on the information needs for the fulfilment of the reports required under the new Directives.

### Background

The European Commission closely monitors the implementation of the Directives through their annual (benchmarking) report on the implementation of the gas and electricity internal market. This initiative started in response to the request by the Barcelona European Council in 2002 and the fourth benchmarking reports relates to 2004. In June 2003 new Electricity and Gas Directives (2003/54/EC and 2003/55/EC) were approved together with a Regulation (1228/2003) on Electricity Cross Border Trade. However few Member States had transposed the Directives by the required date, 1<sup>st</sup> July 2004. Also important is the need for monitoring the degree of implementation and compliance by the stakeholders with rules and voluntary agreements which are a necessary part of the regulatory framework and which support the implementation in practice of the principles of the legislative framework.

The Commission has asked the regulators to assist them in by monitoring and reporting back on the degree of implementation on the ground of the legislative and regulatory framework including any set of recommendations issued by ERGEG.

Monitoring the evolution and implementation of EU legislation and guidelines is a responsibility for the ERGEG's Focus Group within their own sphere of competencies. To this end, the guidelines (Congestion Management, ITC and Tariffs) that have been prepared by DG TREN in collaboration with the Electricity Focus Group are of particular interest for the

work of this TF. Therefore this shall be the area of work of this TF. These activities of the Monitoring TF will start after the guidelines that have been prepared by DG TREN in collaboration with the EFG came into force. In this the first year of the new reporting requirements under the Directives, the Electricity Focus Group through an appointed representative from the Monitoring TF) will also actively participate in the *ad hoc* Reporting TF and provide expertise on electricity issues (see Section 5 below).

### **Approach**

- The Monitoring TF should start by discussing and agreeing which issues included in the Directive and the Regulation should be monitored first and if necessary, sorting them according to a priority level.
- The TF shall prepare any relevant questionnaire/s to be sent to regulators and if deemed necessary to the relevant stakeholders.
- The ERGEG (Electricity) Monitoring TF will ensure a close collaboration with European Commission on the information needs for the drafting of the European and national country benchmarking reports on the implementation of the Directives and Regulations in 2005 and beyond by actively participating in the *ad hoc* Reporting TF.

## 2.2 Electricity System Operation Task Force

### Issues to be addressed

- Discussion & position on the UCTE Operational Handbook and Multi Lateral Agreement (MLA), as initiated in 2004, to continue in 2005
- Comparative analysis of the operational rules in UCTE, Nordel, UKTSOA and ITSOA. Also to develop the scope and contents of the Security and Reliability Guidelines according to the Article 8 of the Regulation 1228/2003; to develop an "Implementation Roadmap"; and to examine the need for harmonization (if any) e.g. on national grid codes continuing in 2005 and 2006.
- Ancillary services requirements and procurement (consistency of primary and secondary reserves requirements with the analyzed and identified requirements on balancing). This shall be based on the results of the (CEER) System Operation TF studies in 2004.
- Harmonization of the rules of balancing markets: examination of experiences & lessons learned in the "merging" of balancing markets thus far; the development of Recommendations and Guidelines on Good Practice for electricity balancing markets (based on the results of first survey and report of the CEER System Operation TF in 2004); and drafting a Proposal for harmonization and possibly a more formal (or legal) framework at the EU level for balancing markets.
- Coordinated Capacity Calculation & Allocation in line with Regulation 1228/2003 and Congestion Management Guidelines (in the "making"). Coordination of work and information exchange in the context of regional "Mini fora"; Compilation and presentation of the results of "Mini Fora"; and further advice to the European Commission on the design and contents of the Congestion Management Guidelines for putting them to the comitology procedure.

## **Background**

### Operational standards

The strong interdependency of various aspects of the electricity markets and the operational rules and standards for the interconnected operation of electric power systems (especially concerning operational security) is becoming even more visible. The development of the UCTE Operational Handbook has particular importance for the Transmission System Operator (TSO) members of UCTE.

The key rationale behind the work of the ERGEG Electricity Focus Group and System Operation TF on this issue is:

- to ensure the informed and qualified position from the regulatory viewpoint on all the issues under discussions;
- to act and react appropriately and in a timely manner on all the proposed standards, rules and other definition documents coming from UCTE and/or other stakeholders, concerning the operational standards and system interconnection in general, and especially where the market requirements must be taken into account
- to regularly exchange views and discuss ongoing developments with the UCTE and other stakeholders;
- to perform for the regulatory (internal) purposes comparative and in-depth (where necessary, supported by the external consultant) analyses;
- to advise the European Commission as appropriate on key aspects of the Operational Handbook.

### Balancing

The regulatory framework for cross-border electricity trade and congestion management has been laid by the Regulation 1228/2003. When the Guidelines (Article 8) are developed and completed, balancing markets and their specific requirements and aspects of merging/harmonization must be considered with high attention. This work was initiated by CEER in 2004 and will be continued by the ERGEG in 2005.

## Congestion Management

Since 1 July 2004, the Electricity Regulation (1228/2003) is applicable. Consequently all network congestion problems should be addressed with non-discriminatory “market based solutions”. In 2004, the ERGEG report (September 2004) on the situation of congestion management at the borders of the EU Members States revealed that in many cases market based mechanism are not in place.

## **Approach**

### Operational standards

After the initial presentation of the Regulators (CEER) position at the Regulatory Forum in Rome on 17 September 2004, three meetings have already taken place between the CEER and UCTE to discuss the available sections of the UCTE “Security package”. The Security Package includes three elements; the Operational Handbook (i.e. the actual technical rules), the Compliance, Monitoring and Enforcement Process (which is the tool intended to monitor and assess the implementation and observation of these rules) and finally and the Multilateral Agreement (which is the contract that will make the rules binding on to the UCTE members). In 2005 it is intended that there should be regular (approx. every 2 months) meetings with UCTE to discuss the specific aspects and changes needed from the regulatory viewpoint.

Internally (only for regulators' internal use) the System Operation TF will complement the existing detailed works on the UCTE Operational Handbook with respect to the emerging policies:

- Comparative analysis of the “old” UCTE rules & new (related) policies
- Issues to be discussed and resolved with UCTE in direct meetings

Beyond that, the contents and framework of the Multi Lateral Agreement will be analyzed in-depth when it becomes available from UCTE. It is necessary that this document (since it will be containing many components on liability and mutual responsibilities of the TSOs also in case of disturbances, blackouts or non-compliance with the defined rules) is reviewed carefully by the regulators and the European Commission and accepted only when all ambiguities or unclear aspects are resolved.



Special attention will be paid to the exchange of experiences, views, lessons-learned and co-operation of the colleagues from “non-UCTE” countries in order to account for the future aspects of relevance for the whole IEM, beyond the single synchronous area view.

Finally, the System Operation TF will support the European Commission in the preparation of the “4th Guidelines” on minimum safety and operational standards for the use and operation of the network under (Article 8) Regulation 1228/2003.

### Balancing

Following the preparatory work (surveys, comparative analysis of balancing systems in Europe, transparency requirements, recommendations) in 2004, the CEER System Operation TF produced an internal report containing a detailed comparative analysis of all the balancing systems in Europe. Beyond that, the requirements on transparency and the first layout for general recommendations have been defined. This work shall form the basis of the future work for the ERGEG (the System Operation TF) on balancing in 2005 and the focus shall be on:

- Specific requirements and questions on merging balancing markets
- Harmonization
- Exchange of information & data
- Development of Guidelines for Good Practice on balancing

To this end the ERGEG System Operation TF shall in 2005

- Complete the first set of requirement recommendations on balancing and the merging of balancing markets
- Complete the transparency requirements in an integrated manner
- Produce guidelines for good practice for balancing markets and on merging of the balancing markets
- (to be extended after 2005) Producing further inputs and basis for any possible more formal framework concerning balancing markets and especially dependencies between balancing and congestion management

### Congestion Management

- In 2005 the ERGEG will follow closely the regional “mini-fora” on congestion management. This work needs to be in line with the already developed stage of the congestion management guidelines and the operational compatibility between different regions needs to be ensured.
- Beyond that, the final version of Congestion Management Guidelines to be proposed to the European Commission needs to be completed.

To this end the System Operation TF shall

- on completion of each Mini Fora work, perform a “compliance check” with the Congestion Management guidelines and in relation to the other regional Mini Fora. For that purpose a precise and specific list of issues to be covered needs to be developed by the SO TF.
- on completion of each “check”, produce a report for the Electricity Focus Group to ensure compatibility and common approach.

This work on the results of the mini-fora will also be communicated by the Electricity Focus Group to the CEER, which has a Single Energy Market Working Group undertaking work on regional approaches including roadmaps and methods used for co-ordinated congestion management.

The Electricity Focus Group will use the results of the regional mini-fora to propose a refinement of the current Draft Guidelines on Congestion Management.

## 2.3 CBT & Inter-TSO Task Force

### Issues to be addressed

- Conceptual and practical comparison of alternative methods so that a proposal for the longer term Inter-TSO Compensation (ITC) mechanism will be ready to be implemented by 1st January 2006. Discussion of the proposal with the EC and other stakeholders. Supervision of the process to implement the mechanism.
- Specification and implementation of the procedure for reporting to the European Commission on the implementation of the ITC mechanism and European flow patterns
- Further analysis on network tariff harmonisation and locational signals

### Background

Regarding the ITC mechanism, at present ETSO uses a temporary system to address the costs of hosting cross-border flows. This system has now been in use for three years. Based on this temporary mechanism the European Commission made a proposal for ITC Guidelines in Spring 2004, which were revised in August 2004 with a view to adopting the amended guidelines in accordance with Regulation 1228/2003. In particular, the draft Guidelines include the requirement for costs to be based on long-run-average-incremental-cost (LRAIC) and proposed that this figure be submitted by national regulators. It was agreed at the XI<sup>th</sup> Meeting of the European Electricity Regulatory Forum (September 2004) that further modelling work is needed and the results obtained with the 2003 and 2004 ITC mechanisms should be analysed. Also the concepts of LRAIC and cross-border flows need clarification.

Regarding tariff harmonisation, the European Commission presented draft guidelines on tariff harmonisation in Spring 2004 to adopt and amend guidelines according to Regulation 1228/2003. A revised draft was established at the beginning of September 2004. The objective of these guidelines is a first step in a harmonisation of the level of transmission charges paid directly by generation. These draft guidelines state the current position as a starting point for harmonisation. However, further work on this issue, notably with respect to the improvement of the concept of the “average national G” and the development of long-term locational signals, is needed.

### **Approach**

Regarding the ITC mechanism, the ultimate goal is to have a longer-term ITC mechanism designed, agreed among stakeholders and implemented accordingly from the 1<sup>st</sup> January 2006. A definition of the key elements for long-term ITC mechanism to be included in ITC Guidelines is important to achieving this major goal. It is the view of the ERGEG that these key elements include:

- Payments, where procedures for determining which TSOs are liable to pay compensations and which TSOs shall receive compensations are defined.
- Payment procedure, where the specification to actual payment procedure to reflect actual costs incurred is defined.
- Methodology for determining the cross-border flows; where
  - different models should be further examined
  - results obtained with 2003 and 2004 data are analysed
  - concept of cross-border flows is to be clarified and
  - comparison to present ETSO method is made
- Costing methodology; where methods for determining the costs and benefits incurred as a result of hosting cross-border flows are defined
  - extent of network to host cross-border flows
  - costing methodology, where concept of long-run-average-incremental-cost (LRAIC) needs more clarification and
  - losses

- External countries; where specification for treatment of electricity from originating or ending in countries outside the EEA are defined
- Merchant lines; where participation of systems interconnected with DC lines are considered

These key elements of ITC shall be evaluated in terms of:

- Consistency with other regulatory measures
- Information system to be developed for collection of required data

Discussion and co-operation with EC, ERGEG and ETSO will be continued to provide revised draft ITC Guidelines.

Regarding tariff harmonisation it is necessary to:

- Search for better suited parameters than the proposed “National average G” for the inter-regional harmonisation steps.
- Better assess the actual need for long term locational signals (short term can be delivered by congestion management methods and reflection of losses on costs) and the range of tarification means to send such signals.
- Search for an appropriate method (if any) to send effective long term locational signals by the use-of system tariffs G component.

### Outputs and Deliverables of the Electricity Focus Group

Point	Description of Action	Basis	Next Step	Output	Deadline
<b>Electricity Monitoring TF (EM)</b>					
EFG-1	Monitoring of the implementation of the Directive and Regulation plus ERGEG's recommendations.	Directive (200/54/EC)  Regulation 1228/2003  4 <sup>th</sup> European Commission Benchmarking report on implementation of the internal energy markets	Appointment of representative to the ad hoc Reporting TF.	Harmonised approach to the information needs for the drafting of the European and national g reports required under the Directive and Regulation in 2005 and beyond.	Q2 2005  Work to be continued in 2006
<b>Electricity System Operation TF (SO)</b>					
EFG-2	Discussion & position on UCTE Operational Handbook (OH)  Consideration of the Multi-Lateral Agreement (MLA)	Dynamic version of the UCTE "Security package": the OH, the Compliance, Monitoring and Enforcement process and MLA	Periodic meetings with UCTE as scheduled on each policy issue of the "Security package"  Co-operation with non-UCTE countries.	Informed ERGEG position from regulators viewpoint of all issues under discussion of the "Security Package" (i.e. the technical rules, the tools for monitoring and assessing its implementation, and the MLA contract)  Advice to the European Commission on the "Security Package"	December 2005

Point	Description of Action	Basis	Next Step	Output	Deadline
EFG-3	<p>Comparative analysis of the operational rules in: UCTE, Nordel, UKTSOA, ITSOA.</p> <p>Scope and contents of the Security and Reliability Guidelines according to the Article 8 of the Regulation 1228/2003; etc.</p>	<p>Ongoing results from EFG-2 above</p> <p>Outcome of the study on the "4<sup>th</sup> Guidelines"</p>	<p>Initial discussion and definition of detailed work steps at the 1<sup>st</sup> System Operation TF meeting in 2005</p> <p>Common meeting with the European Commission on the study on the "4<sup>th</sup> Guidelines"</p>	<p>Comparative analysis document (internal) of the operational rules in: UCTE, Nordel, UKTSOA and ITSOA.</p> <p>Inputs to the European Commission in preparation of the 4<sup>th</sup> Guidelines" on minimum safety and operational standards for the use and operation of the network</p>	<p>December 2005</p> <p>Work to be continued in 2006</p>
<b>System Operation TF (SO)</b>					
EFG-4	Ancillary services requirements and procurement	Requirements and recommendations on balancing	<p>Definition of detailed work steps at the 1<sup>st</sup> SO TF meeting in 2005</p> <p>Following internal analysis document and recommendations, external : issues to be resolved with the TSO associations</p>	<p>Analysis document (internal) on ancillary services requirements and procurement</p> <p>Recommendations (internal)</p>	June 2005
EFG-5	Harmonization of the rules of balancing markets: experiences & lessons learned in "merging" of balancing markets so far;	Requirements and recommendations on balancing from the CEER in 2004	<p>Completing the first set of requirements recommendations on balancing</p> <p>Guidelines of Good Practice (GGP) for balancing</p> <p>Stakeholders position on GGP for balancing</p> <p>ERGEG public consultation on the Guidelines for Good Practice for balancing</p>	<p>Development of Guidelines on Good Practice for electricity balancing markets</p> <p>Proposal for harmonization and possibly more formal (or legal) framework at the EU level for balancing markets</p>	<p>2005 (to be extended in 2006)</p> <p>December 2005</p>

Point	Description of Action	Basis	Next Step	Output	Deadline
EFG-6	Coordinated Capacity Calculation & Allocation in line with the Regulation and Congestion Management Guidelines (in "making")	Guidelines on Congestion Management Congestion Management Mini Fora	List of key issues Comparative analysis cf. Congestion Management Guidelines and list of key issues Exchange of information with the WG SEM TF Producing comparative analysis and reports (internal for ERGEG)	Compilation and presentation of the results of Mini Fora  Final preparation of the Congestion Management Guidelines, to be proposed to the European Commission for putting them to the comitology procedure	December 2005
EFG-7	Conceptual and practical comparison of alternative methods so that a proposal for the longer term ITC mechanism will be ready to be implemented by 1st January 2006	European Commission Draft Guidelines on ITC Study commissioned by the EC to develop an ITC model Discussions with EC and stakeholders	Definition of key elements for longer term ITC Consistency with other regulatory measures Discussion of the proposal with the EC and other stakeholders. Supervision of the process to implement the mechanism.	Proposal for revised ITC draft Guidelines Consultation with stakeholders Implementation of ITC guidelines by 1st of January 2006	2005 – 2007
EFG-8	Specification and implementation of the procedure for reporting to the European Commission on the ITC implementation and European flow patterns	Present status of reporting	Information needs for the new ITC mechanism	Procedures for reporting to the European Commission on the ITC implementation and European flow patterns and information exchange	2005 – 2007
<b>Electricity CBT and Inter Transmission System Operator (EITC) TF</b>					
EFG-9	Further analysis on network tariff harmonisation and locational signals.	European Commission Draft Guidelines Discussion with European Commission and stakeholders Studies	Parameters for inter-regional harmonisation steps Assessment of need for long term locational signals Methods to apply effective long term locational signals	Proposals for revisions in European Commission Draft Guidelines Consultation with stakeholders	2005



In order to develop the work in relation with the above mentioned issues, a series of discussions with different stakeholders are planned. This includes dialogue with ETSO in respect of the works related to the ITC mechanism and Eurelectric as regards the works on tariff harmonisation issues. Revised ITC guidelines and possible revisions in Tariff harmonisation guidelines shall be subject to an ERGEG public consultation process.

### **3 Gas Focus Group (GFG)**

#### **Issues to be addressed**

- A. The Guidelines for Good Practice Storage System Operators (GGPSSO) are expected to be implemented at least partially by 1st April 2005. Therefore the Storage TF will start the monitoring of this implementation, working closely with the Gas Monitoring TF to develop an effective monitoring process.
- B. Monitoring implementation of Guidelines for Good Practice (GGP)
- C. Benchmarking Tariffs. The focus lies in comparing transmission tariffs all in (including balancing) for standard consumption patterns.
- D. Cost and Tarification rules. A position paper will contain recommendations on how to regulate Cross Border Trade.

#### **Background**

The Gas Focus Group should monitor activities emerging from the EU Directives and Regulations on gas issues and advise the European Commission. The main areas of work for 2005 are the following:

- Storage
- Benchmarking of Transmission Tariffs
- Transit and Cross-Border Transport
- Monitoring of the implementation of the GGP

#### **Organisation**

The work under the list of issues above mentioned shall be distributed between the following proposed Task Forces (TF):

- Storage TF
- Monitoring TF
- Cross Border Trade (CBT) TF

## Resources

No consultancy needs are envisaged for the Storage and CBT task forces.

As no money is available from the European Commission, it is proposed that the 33.000 € allocated by the CEER for gas issues is assigned to this ERGEG TF for its consultancy needs on the benchmarking of transmission tariffs. This will be used for the comparison of the efficient costs between the TSOs. A call for additional funding to deepen this issue will be addressed to individual members.

## 3.1 Storage Task Force

### Issues to be addressed

- To ensure the introduction of the Guidelines for Good Practice for Storage System Operators by April 2005
- Following the planned introduction of the GGPSSO, to set up the monitoring of their implementation in 2005.
- In case of further initiatives of the European Commission (e.g. a Gas Regulation), the TF will prepare the reactions or provide ERGEG's input as appropriate.

### Background

The Guidelines for Good Practice for Storage System Operators are expected to be come into being by 1<sup>st</sup> April 2005. The Storage TF will liaise closely with the Monitoring TF (Implementation) on monitoring the implementation of the GGP in due course.

### Approach

The primary objective is the introduction of the Gas Storage Guidelines by April 2005. A second objective is the monitoring of the implementation of Storage Guidelines. The latter consists of two parts. First, it is desirable to obtain information on the implementation of Storage Guidelines. Second, it can be used to push Storage System Operators (SSOs) who lag behind on implementation, to take adequate measures. It is proposed that monitoring of the implementation of GGPSSO is used as a pilot study to test the common approach to monitoring developed under the Monitoring (Implementation). The actual assessment of and reporting on implementation will be carried out by the Storage TF. It is expected that a questionnaire will be developed and sent to all Member States with storage sites and which focuses on the main conditions for access to storage (negotiated or regulated); the existence of secondary markets and their facilitation and issues of confidentiality, information provision, and service provision.

To fulfil this monitoring task, the Task Force will send out a questionnaire. The deliverables should be made in cooperation with storages operators and storages users. Among others, storage users will be asked for their opinion on whether for each storage operator there is competition with other flexibility services.

## 3.2 Monitoring Task Force

### Issues to be addressed

- Co-operating with the European Commission and the CEER on the information needs for the fulfilment of the reports requirements under the new Gas Directive (2003/55/EC).
- Benchmarking of Gas Transmission Tariffs
- Monitoring the implementation of Guidelines for Good Practice (GGP)

### Background

The European Commission closely monitors the implementation of the Directives through their annual benchmarking reports on the implementation of the internal market. This initiative started in response to the request by the Barcelona European Council in 2002 and the fourth benchmarking reports relates to 2004. In June 2003 new Electricity and Gas Directives (2003/54/EC and 2003/55/EC) were approved together with a Regulation (1228/2003) on Electricity Cross Border Trade. However few Member States had transposed the Directives by the required date, 1<sup>st</sup> July 2004. Also important is the need for monitoring the degree of implementation and compliance by the stakeholders with rules and voluntary agreements which are a necessary part of the regulatory framework and which support the implementation in practice of the principles of the legislative framework.

The Commission has asked the regulators to assist them in by monitoring and reporting back on the degree of implementation on the ground of the legislative and regulatory framework including any set of recommendations issued by ERGEG. Monitoring the evolution and implementation of EU legislation and guidelines is also a responsibility for the ERGEG's Focus Group within their own sphere of competencies. To this end, the Guidelines for Good Practice that have been prepared by the ERGEG are of particular interest for the work of this TF. In 2005 the (Gas) Monitoring TF will also focus will be on two key issues, the benchmarking of transmission tariffs, and setting up a standard approach for monitoring the

implementation of the GGPs. In this the first year of the new reporting requirements under the Gas Directive, the Gas Focus Group (through an appointed representative from the Monitoring TF) will also actively participate in the *ad hoc* Reporting TF, by providing expertise on gas issues (see Section 5 below).

### Benchmarking Tariffs

The CEER presented a report on application of the road map and the checklist to entry-exit systems to the Madrid Forum in July 2004. The report showed a significant move towards entry-exit systems in Member States, although shortcomings remain.

In a number of Member States (for example DK, NL) the regulator in his assessment of transportation tariffs being based on efficient costs also assesses whether tariffs are significantly higher than they are in comparable markets. Aside from the regulators, some TSOs are also doing a regular tariff benchmarking exercise to compare their own tariffs. The European Commission Benchmarking Report on the implementation of the Internal Energy Market contains limited information on gas network tariffs (only charge ranges).

The goal of this task force is, in the first place, to help the national regulators to develop more knowledge and experience in using benchmarks for their tariff regulation. Secondly, the benchmark can be used to identify differences in tariff levels which can then be investigated further.

### Monitoring of the Implementation of GGPs

Monitoring the implementation of the Guidelines for Good Practice (GPP) will be a crucial area of work for ERGEG and it is important that a robust and consistent method & process are developed. This can then be used by the relevant TFs, (be it the Monitoring TF itself or another TF) for monitoring the implementation of GGPs. For example, in 2005 the monitoring of the Gas Storage Guidelines will be carried out by the specialist Storage TF rather than the (gas) Monitoring TF.

It is not the purpose of the TF to actually carry out specific monitoring of GGPs this current year, although it could have a coordinating role in helping to ensure consistency across different TFs. If the Gas Storage guidelines (GGPSSO) are agreed, it is proposed that implementation of these GGP be used as a pilot study to test the standard approach to monitoring, with the actual monitoring being conducted by the Storage TF itself.

## **Approach**

Regarding the information needs for the European and national country reporting requirements under the new Directives in 2005 and beyond, the Gas Monitoring TF will appoint a representative to the ad hoc Reporting TF. ,

The Monitoring TF shall create two sub-work-streams to conduct the work activity on the two substantive issues described below

### **1. Benchmarking of transmission tariffs**

The Gas Monitoring TF shall conduct a comparison of transmission tariffs all-in (including balancing) for standard consumption patterns. Due to practical reasons and workability (and lack of external resources), the benchmark is primarily limited to TSOs with an entry-exit tariff and capacity system. The TF will also realise a benchmarking of the tariff methodologies, with special attention to penalties of all kind. The focus will be more on the cost components rather than the global tariff figures.

To keep this (pilot) project within workable limits, the number of participating countries should be limited. The proposed TSOs are from Belgium, Denmark, France, Italy, The Netherlands and optionally the United Kingdom.

The primary focus of the work should be on the structure and values of transmission tariffs. On tariff structure, information about the split between entry/exit and capacity/commodity part will be collected. The value of transmission tariffs will be compared on the basis of 'standard-users' profiles. Where possible, reasons for tariffs differences will be investigated.



On a highly aggregated level, a benchmark on the costs of the network will be done. This should be on a general level that excludes physical characteristics, but includes capital costs and operational costs. For example, the benchmark can result in a comparison of the costs per distance pipeline or transported volume and capacity.

As a contribution to this benchmark, the study DTe is now performing on the Regulation of European gas transmission system operators can be used. This study has already information about the different methodologies for capital costs from different TSOs (WACC, RAB).

The benchmark on the costs of the network will be a major part of the work for an external consultant. Their task will be the development of a simple “basic” tool/model for the comparison of the costs of the TSOs with their output. Past experiences with the development of a benchmark for electricity TSOs showed that the development of a model is the most difficult part. Depending on resources for consultants allocated to the TF the consultancy work could also include 1) the elaboration of a questionnaire which would ensure the maximum consistency between model and the collected data and 2) the modelling of the collected data. The data collection and the drafting of a report with the outcomes of the comparison will be done under the authority of the CEER.

## 2. Monitor the implementation of the GGP (Monitoring TF – Implementation)

The 2005 ERGEG WP does not envisage monitoring reports on specific gas issues before 2006. Nevertheless it seems advisable to start working in 2005 on defining a robust and consistent method and process for monitoring – using (if implemented) the guidelines on Gas Storage as a ‘pilot study’ of how to monitor compliance. It is important that implementation of GGP are carried out robustly and consistently. To this end the Monitoring TF (Implementation) will work with the Storage TF to identify a process for taking this forward, which can then be implemented by the Storage TF, who developed the guidelines initially. High level terms of reference for this work are outlined below. The work of the TF, in terms of the implementation of GGPs, in 2005 will focus on:

- Developing the process for monitoring implementation – timings and key responsibilities;

- Information collation – the form of information that will need to be collated; how this will be collated (form of questionnaire/development of information templates)
- Assessing implementation – how the extent of implementation should be assessed, e.g. how to deal/assess derogations
- Reporting on implementation – developing the way in which ERGEG should report on implementation progress, e.g. the form and timings of reports produced by ERGEG

### **3.3 CBT Task Force**

#### **Issues to be addressed**

- Recommendations and guidance for (methods for) common tariffication rules for cross border gas flows and a more harmonised approach for cross border trade.

#### **Background**

Cost and tariffication rules related to cross border gas flows have to be developed in the light of the implementation of the proposed new Gas Regulation in 2006. At the VIII<sup>th</sup> Madrid Forum ERGEG was tasked with presenting a report with respect to the issue of compatibility of transit and transportation tariffs, outlining how to deal with transit under a regulated access regime. The work of the TF carries over from 2004. The TF had already been established in 2004 and discussed successive drafts of a study/report on "Cross Border Transport and Transit- Evaluation of framework, with particular regard to tariffication". The work will be focused on the remaining tasks from 2004 work programme, and will be carried out by the Cross Border Trade (CBT) TF. An ERGEG position paper will be developed which will contain recommendations on how to regulate CBT. It will also contain rules to be included in the Annex of the European (draft) Gas Regulation after 1<sup>st</sup> January 2007.

#### **Approach**

The CEER had already identified the issue of transits of gas as important. This ERGEG TF considers in a robust manner the interaction of transit and domestic transportation, after analysing the different approaches in Member States. Issues to consider are the possible justified/unjustified differential treatment of transit from domestic transportation; the possible problems for small countries; issues concerning long-term contracts, interconnection of systems and cases of isolated transit pipelines.

The TF will prepare a document outlining (methods for) common tariffication rules and a more harmonised approach for cross border trade. These principles are intended to form general cost and tariff principles for cross border flows as practical implementation of the future Gas Regulation.

The new Gas Directive (2003/55/EC) institutes a regulated TPA (rTPA) regime for (future) transit. With regard to these transit volumes, the following questions may be considered:

- Is there a need for a "special treatment" of these international flows within the system of regulated tariffs? That is, under which conditions is it justified/appropriate to set different tariff structures for different networks overlapping the same area, owned or not by the same system operator? Also the question of how to deal with pipelines without any physical link with the country's network will be addressed.
- Is it advisable to establish special categories of contracts with different tariff structures? If so, what might be recommended as criteria to justify such a category and subsequently use different calculation methodologies for the tariff? If so, how will the alignment be managed with the contracts that are based on different tariff structures? What are the subsequent pitfalls one has to bear in mind in this respect?
- How should the tariff be structured to increase the efficiency in the usage of the pipeline? How to avoid undue "pan caking"?

The study would further look at how entry-exit areas would actually interact; identifying possible remaining distortions to cross-border transport, building on work already undertaken by the CEER; produce an impact assessment in each area of the extent to which the interaction has the potential to distort the relevant markets; and an assessment of the relative priority that should be given to addressing each interaction in order to minimise the resulting distortion.

It will also be necessary to examine the extent to which interactions can potentially undermine security of supply.

The TF will prepare:

- 1) A background document outlining the context and analysing the problems. This study will contain data concerning the existing practices and will assess the need for harmonisation. Although this study is not meant to be a position paper, it could be

submitted for public consultation for background information only, in order to allow interested stakeholders to understand ERGEG's underlying reasoning.

- 2) A position paper containing all the recommendations and tariffication rules. These principles are intended to form general cost and tariff principles for cross border flows as practical appliance of the Gas Regulation. Probably the Gas Regulation will not allow the addition of tariffication guidelines to its Annex. It will be up to the Regulators to adapt the agreed rules, when exercising their powers.

Deadlines could be revised to streamline with the Madrid Forum process.

### Outputs and Deliverables of the Gas Focus Group

Point	Description of Action	Basis	Next Step	Output	Deadline
<b>Storage TF</b>					
GFG-1	Introduction of GGPSO		Meeting with stakeholders, ERGEG advice to European Commission by	Introduction of Gas Storage Guidelines	April 2005
	Set up the monitoring of the GGP in due course		Develop questionnaire and approach alongside Gas Monitoring TF Undertake review of implementation	Questionnaire Report on implementation	Autumn 2005
<b>Gas Monitoring TF</b>					
GFG-2	Co-operation with CEER on the monitoring of the implementation of the Directives and Regulation plus ERGEG's recommendations.	Directive (200/54/EC)  4 <sup>th</sup> European Commission Benchmarking report on implementation of the internal energy markets	Appointment of representative to the ad hoc Reporting TF.	Harmonised approach to the information needs for the drafting of the European and national reports required under the Directive in 2005 and beyond.	Q2 2005 Work to be continued in 2006
GFG-3	Benchmark of gas transmission tariffs for standard consumption patterns		Description of tasks for consultant	Terms of Reference for Consultant	January 2005
			Development of basic comparison model of tariff methodologies	Model	May 2005
			Preparation of questionnaire	Questionnaire	May 2005
			First draft of report	Working document on Benchmarking Gas Transmission Tariffs to be approved by the Gas Focus Group	October 2005
GFG-4	Defining a robust and consistent method and process for monitoring implementation of GGPs		Outline of key issues/outline of proposed report		Early summer 2005
			Initial draft of key	Initial draft of key	Late

Point	Description of Action	Basis	Next Step	Output	Deadline
			recommendations on monitoring process	recommendations on monitoring process	summer 2005
			Final report on monitoring process	Final report on monitoring process	Late summer – autumn 2005
			Gas Storage pilot (to be confirmed)	Defining a robust and consistent method and process for monitoring	Autumn 2005
<b>CBT TF</b>					
GFG-5	EREGEG Position paper on Guidelines for Tariffs and their underlying methodologies for calculation of cross border transport and transit	Continuation of work from 2004 – Draft Report on Cross Border Transport and Transit.  The need for general cost and tariff principles for cross border flows as practical application of the Gas Regulation	Build on work already undertaken by CEER on how entry- exit areas work, and distortions to cross border transport.  Discussing drafts in the Focus Group and bilateral consultations  Background document outlining the context and analysing the problems  Position paper (conclusion of the CBT study) and Guidelines (results of CBT study)	Consultation documents (for approval by ERGEG)	February 2005  deadlines could be revised to streamline with Madrid Forum)
			EREGEG internal rules: consultation procedure	EREGEG position paper containing recommendations and guidance for (methods for) common tariffication rules for cross border gas flows	April 2005  (deadlines could be revised to streamline with Madrid Forum)

## 4 CUSTOMER FOCUS GROUP (CFG)

### Issues to be addressed

- A. Development of "Guidebook of Definitions"
- B. Evaluation and development of best practice for customer-protection related measures as stated in Directives 2003/54/EC and 2003/55/EC.
- C. Evaluation and development of best practice of the switching process
- D. Evaluation and development of Transparency of energy prices in contracts, energy bills, advertisements and commercials.

### Background

The ultimate objective of the liberalisation process is to enable final customers to be able to choose their supplier. To do so, customers must have easy access to objective information so as to be able to make informed decisions. At the same time there is a need to devote attention to the reliable provision of public service obligations. Directive 2003/54/EC and Directive 2003/55/EC concerning common rules for the internal market in electricity and gas respectively, provide for the final dates for the various stages of market opening and also emphasize, among other goals, the protection of small and vulnerable consumers. ERGEG considers customer issues to be very important and consequently has created a Customer Focus Group. In the first year, ERGEG's work in this field will include looking at implementation of the Public Service Obligations (PSOs) and the protection of customer rights contained in the new Directives, examining customer's attitude towards new electricity and gas supply service and to the quality of supply, as well as developing guidelines for customer switching and price transparency.

### Organisation

The work will be undertaken by the Consumer Protection & Customer Switching TF which will meet five times a year.



## 4.1 Consumer Protection & Customer Switching Task Force

### Issues to be addressed

- Development of “Guidebook of Definitions”
- Evaluation and development of best practice for customer-protection related measures stated in Directives 2003/54/EC and 2003/55/EC.
- Evaluation and development of best practice for the switching process
- Evaluation and development of Transparency of energy prices in contracts, energy bills, advertisements and commercials.

### Background

The Directive 2003/54/EC concerning common rules for the internal market in electricity and Directive 2003/55/EC provides for the protection of households and small businesses through the right to use universal services, i.e. the right to energy supplies at reasonable and transparent prices. Article 3 and Annex A of the Directive 2003/54/EC lay down in detail measures on customer protection. The evaluation of if and how the Directive has been implemented in each single member state so far will be a main task of the Task Force. Another important issue will be the development of a best practice solution for the switching process. The possibility to switch to a new supplier within a short period of time and without obstacles and disadvantages for the customer is an essential prerequisite for a functioning and efficient market. In order to allow customers to choose between different energy suppliers, transparency of prices is also needed. Without easy verification of energy prices, separated from other components such as use-of network prices or taxes, it is impossible to make a useful price comparison.

## Approach

The evaluation of if and how the customer protection aspects of the Directives have been implemented in each single member state so far will be a main task of the Task Force. Regarding the information needs for the European and national country reporting requirements under the new Directives in 2005 and beyond, the Customer Focus Group will appoint a representative to the *ad hoc* Reporting TF (see section 5 below). There will be a customer perspective inquiry, in collaboration with the European Commission to address issues such as commercial quality, dispute settlement, supplier of last resort, terms and conditions, and the perceived benefits of liberalization.

Concerning the customer switching process, the task force will begin by examining the procedures in place at national level and in particular efficient and low cost mechanisms which facilitate switching procedures and price transparency (such as smart meters, two-way communication etc.). The task force will also collaborate with other interested parties in a coordinated effort to ensure business processes and information models are used which enable customers to change suppliers. The steps will include a best practice workshop on customer switching, a questionnaire, a benchmarking report and a best practice report by January 2006. The key outputs are deliverables will be:

- Guidebook of definitions
- Evaluation report on Consumer Protection and Switching Process
- Best Practice Report on Consumer Protection and Customer Switching Process

## Resources

It is anticipated that funding may be available from the European Commission for a customer perspective study.

### Outputs and Deliverables of the Customer Focus Group

Point	Description of Action	Basis	Next Step	Output	Deadline
<b>Customer Focus Group (CPS TF)</b>					
CFG-1	Development of Guidebook of definitions	Definitions Article 2, Directive 2003/54/EC & 2003/55/EC	Proposal for a Guidebook	Guidebook of definitions to have a common understanding for further discussions	Q2 2005
CFG-2	Customer protection: 2.1 Commercial Quality of Supply 2.2 Dispute Settlement 2.3 Supplier of Last Resort 2.4 Terms and Conditions concerning the supplier 2.5 Terms and Conditions concerning the grid	Measures on consumer protection Annex A Directives	Evaluation (Questionnaire) Inquiry (ask consumers about their view regarding 2.1, 2.2, 2.3, 2.4, 2.5, 2.6 in cooperation with European Commission  Regarding quality of supply, the focus will be on the commercial issues in 2005. In 2006 this could extend to researching customer perspective on willingness to pay (WTP) or willingness to accept (WTA) compensation for quality.	Evaluation report  Report on Best Practice for Customer Protection be used /published by regulators	Questionnaire March 2005  Benchmarking Report: October 2005  Best Practice: January 2006
CFG-3	Questions concerning Customer Switching Process: 3.1 Switching Process 3.2 Removal of Customers 3.3. Conditions of metering (how often, costs, smart meters?) 3.4. Access to data concerning consumption	Same legal framework plus different rules according to different systems in each country	Collect and evaluate information (from CEER Members and other sources) and papers on procedures approved at national level and the development of efficient and low cost mechanisms for customer switching	Common basic rules for each topic  Evaluation Report Workshop  Best Practice Report on Customer Switching Process	Workshop: February 2005  Questionnaire: March 2005  Benchmark report: October 2005 Best Practice : January 2006

Point	Description of Action	Basis	Next Step	Output	Deadline
CFG-4	Transparency of Energy Prices, Bills/ Receipts, Contracts	Evaluation	Workshop	Evaluation report Best practice Report on Transparency of energy prices, bills/receipts and contracts	End 2005

## 5 *Ad hoc* Reporting Task Force

### Issues to be addressed

- The new reporting requirements imposed on the European Commission and the member states under the Directives

### Background

The Electricity and Gas Directives provide for new reporting activities (on security of supply, monitoring of the market and competition issues) at both EU and national level. Two of the three national reports (competition and security of supply) must be submitted by the competent authority of the Member State to the European Commission by 31 July 2005. Already a strong collaborative activity between DG TREN and regulators exists on the European Commission's annual report on the implementation of the electricity and gas internal markets. As 2005 is the first year of these new reporting requirements, the European Commission have invited regulators to co-operate in building a harmonised approach for the national reporting which is consistent with the reporting by the European Commission itself under the Directives.

### Approach

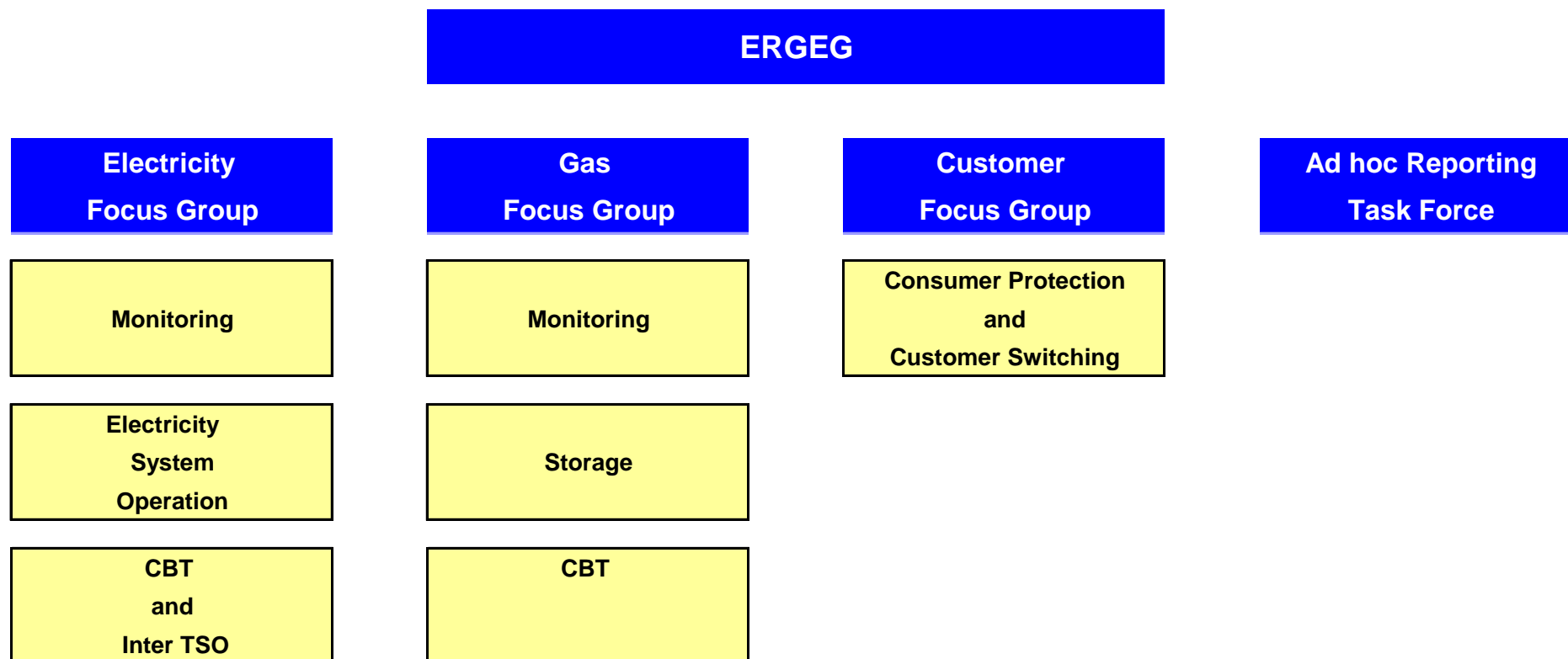
An *ad hoc* task force on Reporting will be set up within the ERGEG comprising representatives from the European Commission (DG TREN and DG COMP), and representatives from each of the ERGEG Electricity and Gas Monitoring Task Forces and the Customer Focus Group. A core objective for 2005 is to ensure that the collection of data at a national level is prepared in a standard way across member states and that this information will be aggregated by the European Commission for their reporting requirements.

- The *ad hoc* Reporting TF shall assist the European Commission in preparing a structure and outline content for the national and European reporting.

- The next step is for the ad hoc TF to identify the relevant indicators and statistics to be used in the reporting. This may extend to specifying the methodologies and if necessary preparing standard questionnaire/s to be sent by regulators for the collection of data. The *ad hoc* Reporting TF will ensure a close collaboration with CEER's new Information, Training and Benchmarking Working Group on this issue.
- The data collection itself and quality control of the data will be undertaken on a national basis by the national regulatory authority. ,
- In order to ensure coherent follow up of the national reports and drafting of the European reports on the implementation, this TF will if required by the European Commission, assist in the interpretation and analysis of national data.

Point	Description of Action	Basis	Next Step	Output	Deadline
<b>Ad Hoc Reporting TF</b>					
Rep TF-1	Co-ordinated approach to the reporting requirements of the Directive and Regulation.	European Commission's Annual report on implementation of the internal energy markets and the new reporting requirements under the Directives	Co-ordination by regulatory authorities and the European Commission on the structure and content of the reports,	Drafting the structure of the reports.	March 2005
				Specification of the statistics and the common methodology identification of the indicators to be used and preparation of any necessary questionnaires.	April 2005
				Collection of data at a national level	May 2005
				Submission of national reports	July 2005
				Coherent follow up for the drafting of the European and national country reports required under the Directives and Regulations in 2005 and beyond.	July- Dec. 2005

## Appendix 1: FOCUS GROUP and TASK FORCE STRUCTURE 2005





## Appendix 2: The ERGEG Deliverables and Outputs 2005

ISSUES TO BE ADDRESSED	DELIVERABLES AND OUTPUTS	DEADLINE
<b>Electricity Focus Group</b>		
Monitoring of the implementation of the Directive and Regulation plus ERGEG's recommendations	<ul style="list-style-type: none"> <li>▪ Final report with the results and conclusions of the monitoring of the implementation of the Directives and Regulations and the guidelines.</li> <li>▪ Co-operate with the European Commission and on the information needs and follow up required for the drafting of the European and national country benchmarking reports on the implementation of the Directives and Regulations in 2005 and beyond.</li> </ul>	<p>July 2005 for the national reports</p> <p>Work to be continued in 2006</p>
Discussion & position on UCTE Operational Handbook (OH) Consideration of the Multi-Lateral Agreement (MLA)	<ul style="list-style-type: none"> <li>▪ Informed ERGEG position from regulators viewpoint of all issues under discussion of the "Security Package" (i.e. the technical rules, the tools for monitoring and assessing its implementation, and the MLA contract)</li> <li>▪ Advice to the European Commission on the "Security Package"</li> </ul>	December 2005
Comparative analysis of the operational rules. Scope and contents of the Security and Reliability Guidelines according to the Article 8 of the Regulation 1228/2003; etc.	<ul style="list-style-type: none"> <li>▪ Comparative analysis document (internal) of the operational rules in: UCTE, Nordel, UKTSOA, ITSOA.</li> <li>▪ Inputs to the European Commission in preparation of the "4<sup>th</sup> Guidelines" on minimum safety and operational standards for the use and operation of the network</li> </ul>	<p>December 2005</p> <p>Work to be continued in 2006</p>
Ancillary services requirements and procurement	<ul style="list-style-type: none"> <li>▪ Analysis document (internal) on ancillary services requirements and procurement</li> <li>▪ Recommendations (internal)</li> </ul>	June 2005
Harmonization of the rules of Balancing markets: Experiences & lessons learned in "merging" of balancing markets so far;	<ul style="list-style-type: none"> <li>▪ Development of Guidelines on Good Practice for electricity balancing markets</li> <li>▪ Proposal for harmonization and possibly more formal (or legal) framework at the EU level for balancing markets</li> </ul>	<p>2005 (Work to be extended in 2006)</p> <p>December 2005</p>
Coordinated Capacity Calculation & Allocation in line with the Regulation and Congestion Management Guidelines	<ul style="list-style-type: none"> <li>▪ Compilation and presentation of the results of congestion management "Mini Fora"</li> <li>▪ ERGEG proposal to the European Commission on Final Congestion Management Guidelines with a view to putting them to the comitology. This will include consultation with stakeholders.</li> </ul>	July 2005
Conceptual and practical comparison of alternative methods so that a proposal for the longer term ITC mechanism will be ready to be implemented by 1st January 2006.	<ul style="list-style-type: none"> <li>▪ ERGEG proposal to the European Commission on draft ITC Guidelines, with a view to Implementation of ITC guidelines by 1st of January 2006</li> </ul>	September 2005

ISSUES TO BE ADDRESSED	DELIVERABLES AND OUTPUTS	DEADLINE
<b>Electricity Focus Group</b>		
Specification and implementation of the procedure for reporting to the European Commission on the ITC implementation and European flow patterns	<ul style="list-style-type: none"> <li>▪ Procedures for reporting to the European Commission on the ITC mechanism implementation and European flow patterns</li> </ul>	2005 – 2007
Further analysis on network tariff harmonisation and locational signals.	<ul style="list-style-type: none"> <li>▪ ERGEG Proposals for revisions in European Commission's Draft Guidelines on Tariff Harmonisation. This will include consultation with stakeholders.</li> </ul>	July 2005
<b>Gas Focus Group</b>		
Introduction of GGPSO	<ul style="list-style-type: none"> <li>▪ Introduction of Gas Storage Guidelines</li> <li>▪ Set up (with the Monitoring TF) the monitoring of the GGPSO in due course</li> </ul>	April 2005 Autumn 2005
Co-operation with CEER on the monitoring of the implementation of the Directives and Regulation plus ERGEG's recommendations.	<ul style="list-style-type: none"> <li>▪ Co-operate with the European Commission and CEER on the information needs and coherent follow up required for the drafting of the European and national country benchmarking reports on the implementation of the Directives and Regulations in 2005 and beyond.</li> </ul>	July 2005 for the national reports Work to be continued in 2006
Benchmark of gas transmission tariffs for standard consumption patterns	<ul style="list-style-type: none"> <li>▪ Working document on Benchmarking Gas Transmission Tariffs to be approved by the Gas Focus Group</li> </ul>	October 2005
Defining a robust and consistent method and process for monitoring implementation of	<ul style="list-style-type: none"> <li>▪ Defining a robust and consistent method and process for monitoring</li> </ul>	Autumn 2005
<b>Customer Focus Group</b>		
Development of Guidebook of definitions	<ul style="list-style-type: none"> <li>▪ Guidebook of definitions to have a common understanding for further discussions</li> </ul>	Q 2 2005
Customer protection	<ul style="list-style-type: none"> <li>▪ Benchmarking Report on Best Practice for Customer Protection be used /published by regulators</li> <li>▪ Best Practice</li> </ul>	October 2005 January 2006
Customer Switching Process:	<ul style="list-style-type: none"> <li>▪ Workshop on Customer Switching</li> <li>▪ Benchmarking Report on Best Practice for Customer Switching be used /published by regulators</li> <li>▪ Best Practice</li> </ul>	October 2005 January 2006
Transparency of Energy Prices, Bills/ Receipts, Contracts	<ul style="list-style-type: none"> <li>▪ Best practice Report on Transparency of energy prices, bills/receipts and contracts</li> </ul>	End 2005
<b>Ad hoc Reporting TF</b>		
Coordinated approach to the reporting requirements of the Directive and Regulation	<ul style="list-style-type: none"> <li>▪ Harmonised and standardised approach for the collection of information and coherent follow up for the drafting of the European and national country reports required under the Directives and Regulations in 2005 and beyond.</li> </ul>	July 2005 for submission of national reports