



# **ERGEG's principles and proposals on CAM and CMP**

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Brussels, 18 February 2009

# Scope and style of the proposals

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- Harmonisation of CAM and CMP needed to facilitate cross-border trading
- Proposals refer to **cross-border points** and to **points connecting markets** only
- Mechanisms to be applied at points with **actual or potential congestion** only
- **No application** at storage and LNG facilities or at exit points to end consumers
- Today's gas markets diverge ➡ Many proposals are not designed to be binding but to be **optional** and available to NRAs concerned

# General aims of the proposals

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1. **Increase available capacity** – both long-term and short-term
  2. **Improve allocation procedures** – ensure transparent and non-discriminatory allocation (FCFS potentially inappropriate)
  3. **Reduce shippers' transaction efforts**
  4. **Improve utilisation rates** of pipes which are currently often quite low by:
    - providing additional short-term flexibility
    - freeing up long-term capacity
- Thus: **Approach satisfies various needs of shippers**

# 1. Increase available capacity (I)



## Proposed measures

- **Co-operation** of adjacent TSOs in order to *inter alia*
  - align capacity offers at both sides of the border
  - increase of available capacity by enhanced co-operation in day-to-day dispatch
- **More dynamic calculation** of available capacity
  - calculation often based on longer-term simulation (e.g. once a year)
  - TSOs to regularly re-calculate available capacity based upon actual technical conditions (e.g. temperature)

# 1. Increase available capacity (II)

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- Application of **commercial means** like
  - overbooking and capacity buy-back
    - TSOs offer specified amount of capacity above the existing technical capacity
    - in case of congestion TSOs buy-back capacity on the market
    - possible fall-back option: procurement of physical energy
  - procurement of physical energy

## 2. Improve allocation procedures

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### Proposed measures

- **Definition of products** having regard to market needs
  - Part of available capacity shall be set aside for **short-term products** (e.g. 10 % - 25 % of technical capacity)
  - Offer of products on a rolling basis
- Allocation during an **open subscription period** (OSP) instead of FCFS
- In case of **demand exceeding available capacity** the OSP is followed by
  - auction or
  - pro-rata
- Facilitation of **secondary markets** needed, but already legally required

### 3. Reduction of shipper's efforts

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#### Proposed measures

- **Compatible products** and **compatible procedures** to be implemented
  - **Alignment** of **contracts** and **codes** for firm and interruptible capacity
  - Implementation of **standardised communication procedures**
- **Bundling of capacity** at all points connecting adjacent systems
- Establishment of joint, anonymous, web-based **platforms** for capacity booking

## 4. Improve utilisation rates – short-term

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### Proposed measures

- **Interruptible day-ahead UIOLI** already legally required
- **Firm day-ahead UIOLI**
  - Requires proper **restriction of re-nomination rights**
    - design to be defined
    - small portfolios to be protected
  - Allows for **re-allocation of non-nominated capacity**
- Offer of day-ahead firm capacity via **explicit auction**
  - **Design of mechanisms** have to be **aligned** with activities on trading markets



## 4. Improve utilisation rates – long-term

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### Proposed measures

- **Long-term UIOLI**

#### **Preconditions *inter alia*:**

- Systematic underutilisation
- No justification given

#### **Procedures:**

- Withdrawal for a specified period or for the remaining term
- Limitation of nomination rights to maximum flows of the previous year

# Conclusions

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## European regulators

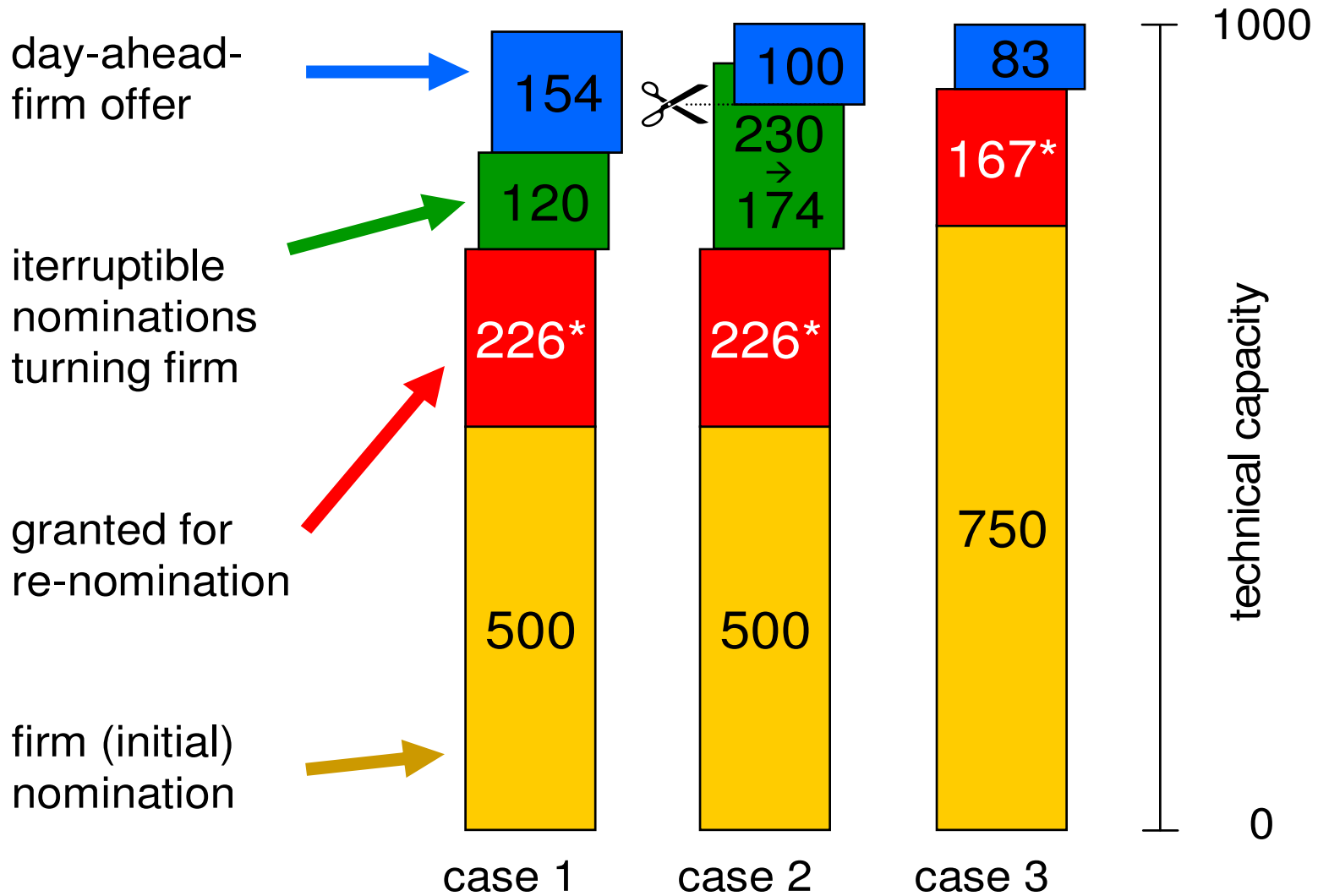
- see urgent need for improvements
- expect proposed principles on CAM and CMP to facilitate cross-border trade

## Two main effects assumed:

- provision of suitable capacity for most shippers
  - increased liquidity of trading hubs
- **Proposals are suited to address main problems known today – further improvements might be needed as markets evolve**

**Thank you!**

# Back up



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