



Capacity Allocation on European Gas Transmission Networks Pilot Framework Guideline

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INFORMATION PAGE

Abstract

On 22 September 2009 the European Commission invited ERGEG to draft a pilot framework guideline on capacity allocation in gas transmission networks. In the context of the pilot project, ERGEG declared its readiness to assume the role assigned to the Agency under Article 6 (2) of Regulation (EC) 715/2009 and to submit a non-binding framework guideline within 6 months of receipt of the Commission's notification.

This document presents ERGEG's final pilot framework guideline on capacity allocation in gas transmission networks and follows an initial impact assessment, public consultation and workshop with stakeholders.

ERGEG believes that the present framework guideline on capacity allocation in gas transmission networks will contribute to non-discrimination, effective competition and the efficient functioning of the market as required by Article 6 (2) of Regulation (EC) 715/2009.

This report is intended as input to ACER, which becomes fully operational on 3 March 2011.

Related Documents

- ERGEG's revised principles on Capacity allocation and congestion management in European gas transmission networks", ERGEG, December 2009, Ref. E09-GNM-10-03
- Pilot Framework Guideline on Capacity Allocation on European Gas Transmission Networks", (Public Consultation Document), ERGEG, December 2009, Ref. E09-GNM-10-05
- Pilot Framework Guideline on Capacity Allocation on European Gas Transmission Networks – Initial Impact Assessment", ERGEG, December 2009, Ref. E09-GNM-10-06
- Recommendations for Guidelines adopted via comitology procedure on Congestion Management Procedures on European Gas Transmission Networks", ERGEG, December 2009, Ref. E09-GNM-10-07
- Recommendations for Guidelines adopted via comitology procedure on Congestion Management Procedures on European Gas Transmission Networks – Impact Assessment", ERGEG, December 2009, Ref. E09-GNM-10-04

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FRAMEWORK GUIDELINE ON CAPACITY ALLOCATION

1. General Provisions

1.1 Scope

The rules in this Guideline apply to cross-border interconnection points between two or more Member States as well as interconnections between adjacent entry-exit-systems¹ within the same Member State, insofar as the points are subject to booking procedures by users. Exit points to end consumers and distribution networks, entry points to supply-only networks, entry points from LNG-terminals and production facilities, and entry/exit points to or from storage facilities are not subject to this Guideline.

This Framework Guideline applies to existing capacity as calculated by transmission system operators. It is recommended that processes for determining incremental capacity are consistent with the provisions of this Framework Guideline. This Framework Guideline applies to capacity developed through open seasons which remains unsold after it has been initially offered via an open season procedure.

This Framework Guideline aims at setting out clear and objective principles for the development of network codes by ENTSO-G under Article 6 (2) of the Gas Regulation. This is without prejudice to the possible following comitology procedure under Article 23 Par. 1 b).

The network code adopted according to this Guideline will be applied by transmission system operators taking into account possible public service obligations. The network code is without prejudice to the regulatory regime for cross border issues pursuant to Article 42 of Directive 2009/73/EC and of the responsibilities and powers of regulatory authorities established according to Article 41 paragraph 6 of Directive 2009/73/EC insofar the network code does not provide for full harmonisation.

1.2 Stakeholders' involvement

The aim of stakeholders' consultations shall be to consider markets needs and conditions before decisions are made. Where detailed decisions have to be taken for a given interconnection point the network code shall set out that stakeholder consultations are undertaken before the decisions on the following elements, at least, are made:

- Breakdown of capacity services and the percentage of available capacity to be set aside for firm short term services in accordance with 2.3.
- The capacity allocation methodology used at each interconnection point in accordance with 3. In case of auction, the design of auction shall also be consulted on.

¹ As provided for by recital 19 and art. 13 (1) al. 4 of Gas Regulation 715/2009

1.3 Adaptation of existing transportation arrangements to the network code

Transmission system operators shall amend all relevant clauses in capacity contracts and/or relevant clauses in general terms and conditions relating to the allocation of capacity at relevant interconnection points, as defined in 1.1, in accordance with the terms of the network code. The relevant clauses shall be amended by six months after entry into force of the network code. This requirement shall apply to regardless of whether the relevant contracts or general terms and conditions provide for such an amendment.

Upon expiry of transportation contracts or gas supply contracts the relevant capacity provisions shall not be subject to tacit extension.

1.4 Contracts and communication

The network code shall define the standardised content of transmission capacity contracts and of general terms and conditions for capacity allocation and capacity services.

The network code shall define standard communication procedures that are applied by transmission system operators to exchange information with network users. Coordinated information systems and compatible electronic on-line communications shall be utilised particularly for capacity booking and transfers of capacity rights between network users.

1.5 Cooperation

The network code shall set out that transmission system operators cooperate with adjacent transmission system operators and shall specify the procedures to:

- harmonise and coordinate capacity services and capacity allocation procedures, including their timing,
- coordinate their maintenance affecting interconnection points subject to this framework guideline in order to optimise network access.

The network code shall define a timetable to implement common communication procedures between transmission system operators which are necessary to comply with the requirements of the network code. The network code shall set out how transmission system operators cooperate with regard to capacity calculation and maximisation.

In order to maximise available capacity, the network code shall set out how adjacent transmission system operators exchange information when planning day-to-day network operation, including forecast entry and exit flows as well as the availability of network components. They shall also exchange information on potential congestions on their respective networks and on the use of congestion management procedures, such as use-it-or-lose-it mechanisms, known transactions on the secondary market, capacity buy-back mechanisms and system balancing energy, if any.

2 Capacity services

The network code shall set out that, at each interconnection point, transmission system operators determine the firm and interruptible capacity² they jointly offer.

The network code shall require that transmission system operators offer firm and interruptible capacity at any interconnection point in both directions; at unidirectional points, backhaul capacity shall be offered at least on an interruptible basis. The published available firm capacity shall be binding on the transmission system operator.

The network code shall define a small set of standardised firm and interruptible capacity services of different durations and starting dates. The same set of services shall be offered at every interconnection point. The capacity services' design shall aim at developing competitive gas markets. It shall regularly be subject to proper consultation with network users.

The capacity offered shall be expressed in energy units per unit of time. The offer and use of separate capacity for transit purposes shall be forbidden. That means that capacity used for transit purpose by shippers shall not be treated differently than capacity used for domestic purposes.

2.1 Interruptible capacity services

The network code shall set out how transmission system operators align interruptible capacity services at every interconnection point in both directions.

Adjacent transmission system operators shall implement procedures, including the definition of interruption lead times, to ensure that interruptions take place in a coordinated manner.

The network code shall define the possible reasons of interruption, classes of interruptibility and the sequence how interruptions take place.

Registered network users are entitled within day to submit nominations on an interruptible basis at any time. This entitlement shall not restrict the allocation of firm capacity by transmission system operators.

2.2 Breakdown and offer of capacity services

Transmission system operators shall determine the breakdown of available capacity between the different long and short term capacity services³. At least 10 percent of the available capacity shall be set aside for firm short term capacity services. The amount of capacity for each capacity service shall be aligned between adjacent transmission system operators and approved by national regulatory authorities for each interconnection point.

² As defined in Art. 2 of the Gas Regulation (EC) No. 715/2009

³ As defined in Art. 2 of the Gas Regulation (EC) No. 715/2009

The network code shall set out the procedures followed by transmission system operators to offer all available capacity in a transparent and non-discriminatory manner as firm long and short-term and interruptible capacity services. The transmission system operators shall offer the firm capacity available plus

- any remaining firm capacity not previously allocated,
- any capacity from previous allocations surrendered by capacity holders and
- any unused capacity released through use-it-or-lose-it mechanisms.

2.3 Cross-border services

2.3.1 Bundled services

The network code shall set out that transmission system operators jointly offer bundled capacity services. The corresponding exit and entry capacity available at every point connecting adjacent entry-exit systems shall be integrated in such a way that the transport of gas from one system to an adjacent system is provided on the basis of a single allocation procedure and single nomination⁴. This bundling of capacity does not apply to capacity allocated before the entry into force of Regulation (EC) No. 715/2009. The entire technical capacity shall be bundled five years after the entry into force of legally binding network codes.

In the meantime, in order to progressively bundle the entire technical capacity at a given interconnection point, capacity becoming available on one side of an interconnection point exceeding the available capacity on the other side of the interconnection point shall be allocated for a duration not exceeding the expiration date of the corresponding capacity on the other side of the border. Transmission system operators shall seek to maximise the bundled capacity and to accelerate the bundling of capacity at interconnection points by encouraging their network users to free up their capacity booked on one side of interconnection points before its expiration date.

2.3.2 Virtual interconnection point

The network code shall also set out that capacity at two or more points connecting the two same adjacent entry-exit systems is integrated into one single capacity service representing one virtual interconnection point. Transmission system operators shall calculate the entire technical capacity of the bundled service.

⁴ Exemptions could be granted for an interconnection point – due to its specific isolated geographic location and with no impact on the integration of markets and dependence on one entry point to meet its total demand and no exit point into another member state - for so long as the relevant regulators and ACER are satisfied that the costs outweigh the benefits. These exemptions should be reviewed no later than 3 years after coming into force.

3 Capacity Allocation

The network code shall set out how transmission system operators offer capacity on a regular basis for all firm and interruptible services. The network code shall define a number of regular points in time for the allocation of firm capacity services. Each of these points in time shall be appropriate with regard to the duration of the capacity service offered at this allocation date. The longer the capacity service duration, the longer its allocation lead time (i.e. the time between the allocation of the capacity and its use). Each allocation procedure shall contain a time window during which capacity is requested.

The network code shall set out that, for the same capacity service, the allocation procedures take place at every interconnection point in Europe in a timely coordinated way.

Capacity allocation procedures shall be designed with regard to market conditions and shall be regularly reviewed and revised if necessary. The aim of the allocation procedures shall be to foster competition and market integration.

The network code shall set out that adjacent transmission system operators apply harmonised allocation mechanisms at interconnection points. It shall require that transmission system operators publish the detailed procedure as well as the capacity offered, its lead time and its duration sufficiently in advance.

Capacity allocations shall not take place outside the standard allocation procedures as applied according to this Guideline.

3.1 Auctions

The network code shall set out that firm capacity services are allocated via auction. The network code shall set out the principles and possible options of anonymous and transparent online-based auction procedures. The network code shall set out the detailed auction design at least for day-ahead capacity. Where the network code does not provide for a fully harmonised auction design a common detailed auction design will be established at least for each interconnection point and shall be subject to review by the regulatory authorities concerned and to regular market consultations.

Auction revenues exceeding the regulated tariffs (or values determined by the national regulatory authority) shall be used for different aims in accordance with national provisions, such as lowering network tariffs, removing congestion by investments or providing incentives to the transmission system operators to offer maximum capacity.

The network code shall not impede potential allocation by means of implicit auctions.

3.2 Pro rata

The network code shall set out that for services other than day-ahead services pro rata allocations may be applied during an interim period, when conditions are not met for efficient

and fair auctions. This might in particular be the case where auctions would result in distorted bidding behaviour. It will be up to the competent regulators to decide whether the conditions are met or not⁵.

According to the pro rata mechanism every shipper is allocated a portion of capacity equal to the proportion of its capacity demand related to the total capacity demanded by shippers during the allocation procedure.

3.3 First come first served

Transmission system operators shall not allocate any capacity according to the first come first served principle unless provided differently in this Article.

Unsold capacity after an allocation window shall be assigned to shorter term capacity services.

Subject to approval by the national regulatory authorities concerned, unsold capacity can be allocated directly to shippers requesting it in the meantime between the capacity allocation window and the next allocation window for shorter term capacity services. This approval can only be granted if the following conditions are fulfilled:

- the concerned national regulatory authorities have made sure that no congestion will occur between two subsequent allocation windows and after market consultation;
- there are at least yearly and monthly capacity allocation windows under the form of either auctions or pro-rata allocations;
- the unsold capacity which is to be offered on a first-come-first-served basis between two subsequent allocation windows shall be published and available to every market participants.

Adjacent transmission system operators shall agree on appropriate common mechanisms for allocating intraday capacity.

3.4 Booking platforms

The network code shall set out that adjacent transmission system operators establish joint, anonymous, web-based platforms for primary capacity allocation and secondary capacity trading. All capacity connecting their systems is to be allocated via this platform, unless allocated by means of implicit auctions. Primary and secondary capacity services shall be offered and allocated jointly on these platforms.

⁵ According to art. 41 (6)c and 9 of the Directive 2009/73/EC, “[T]he regulatory authorities shall be responsible for fixing or approving sufficiently in advance of their entry into force at least the methodologies used [...] and establish the terms and conditions for: [...] access to cross-border infrastructures, including the procedures for the allocation of capacity

The network code shall lay down an action plan to reduce the number of platforms. This plan shall define interim steps and shall include a timetable.