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DIRECTORATE-GENERAL FOR ENERGY AND TRANSPORT  
DIRECTORATE C - Security of supply and energy markets  
The Director

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ERGEG  
Lord John Mogg  
President  
Rue le Titien 28  
1000 Brussels

**Subject: Invitation to draft a pilot framework guideline on capacity allocation in gas transmission networks**

Dear Lord Mogg,

*Dear John,*

ERGEG, GTE+, the stakeholders involved with the European energy market, including those active in the Florence process, and the European Commission all underline the importance of the Framework Guidelines and the Network Codes for the establishment of a European integrated energy market. At the 16<sup>th</sup> Madrid Forum, we reached agreement to work on a pilot code on gas capacity allocation. This pilot follows a dual goal: It should prepare the implementation of the third package by applying the package's provisions during the interim period before their actual applicability on the one hand, and make substantial progress in the area of gas capacity management on the other.

Therefore, the Commission, ERGEG, and GTE+ agreed to draft a Framework Guideline and subsequent codes on capacity allocation. Based on this agreement, the Commission, ERGEG, and GTE+ decided that the issues to be worked out in a pilot Framework Guideline and Network Code process will be those that require TSO cooperation or joint TSO action, and they primarily address capacity allocation procedures. The document by ERGEG of 15 January 2009 shall therefore serve as the basis for this work.<sup>1</sup>

ERGEG has declared its readiness to anticipate the application of the Third Package rules and to use the transitional period of 18 months for working on Framework Guidelines.

In the context of the intended pilot project, I therefore invite ERGEG to assume the role assigned to the Agency under Article 6 (2) of Regulation (EC) 715/2009 ("Gas

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<sup>1</sup> *ERGEG principles: Capacity allocation and congestion management in natural gas transmission networks.* ERGEG has proposed at the 16<sup>th</sup> Madrid Forum that those remaining issues concerning new measures on congestion management be adopted through comitology directly. It is planning to present a way forward at the next Madrid Forum.

Regulation") and to submit a non-binding Framework Guideline within 6 months of receipt of this notification. In order to best facilitate the further trial process and to ensure optimal stakeholder participation, ERGEG is kindly requested to submit a first draft to the Commission at least two weeks ahead of the 17<sup>th</sup> Madrid Forum.

In developing the Framework Guideline, I would ask you to apply the procedures and obligations as defined in the Gas Regulation as if they were already binding and as if you were the Agency, in particular with regard to transparency and consultation obligations.

The goal of the Framework Guideline and Network Code on Capacity is to optimise the use of network capacity across borders, the integration of markets, and enhancement of hub to hub trading through harmonisation of the way capacity is offered and marketed at interconnection points.

On 06 July 2009, my staff met with representatives from GTE+ and ERGEG in order to define more clearly the scope of the Framework Guideline. It was discussed that the scope of the trial Framework Guideline and Network Code process could be as follows:

The Framework Guideline should describe general principles and the scope and level of **TSO cooperation** in capacity-allocation. It should indicate more specific fields of TSO cooperation, including in particular the joint/coordinated offering of capacity on interconnection points of borders and/or systems (e.g. nature, and level of bundling of products), the optimisation of available capacity by enhanced operational coordination, the harmonisation of transportation contracts and codes, and relevant communication procedures.

For a reasonably small set of **capacity products** to be offered to network users, the Framework Guideline should set the framework for harmonisation of the range of capacity products to be developed and applied by all European TSOs, the nature and level of bundling of such products, and the contents, structure, and duration of harmonised capacity contracts, including possible quotas (withhold an amount for shorter term).

Finally, the Framework Guideline should describe the relevant procedures and tools to be applied in the process of contracting capacity (**booking procedure**), including the timeline to be followed (e.g. number of rounds per product, requesting periods, reaction time), the allocation mechanisms to be applied (e.g. auction, open subscription window, first come first served), and the facilitator (e.g. booking platforms) to be used.

This approach would be agreeable to us. I would be grateful if you would confirm that it is also agreeable to you.

The agreement to work on a pilot code is based on the proactive and cooperative spirit in the Madrid Forum, and in particular of ERGEG and GTE+. I wish all actors involved good success with this ambitious task.

I will send a copy of this letter to all associations present in the Madrid Forum, in order to apply the high standards for transparency the new Regulation requires from the Agency and ENTSO-G to the Commission itself. I look forward to working with you as we enter a new era of European gas market cooperation.

*Best regards*

  
Heinz Hilbrecht

c.c.: GTE+, Eurogas, Eurelectric, EFET, OGP, BusinessEurope, Europex,  
Marcogaz, IFIEC, CEFIC, EASEE-Gas, Geode, CEDEC,