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**GTE comprehensive comments
on the ERGEG's draft Guidelines for Good Practice
for Storage System Operators (GGPSSO) dd. 6 October 2004**

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Introduction

GTE supports the principle of developing voluntary GGPSSO ensuring transparency and non-discriminatory access to storage facilities taking into account technical constraints, economical feasibility along with market needs.

GTE organised with Eurogas Storage Workshops in April and June 2004 in order to facilitate the dialogue between all involved parties and prepare the Madrid Forum VIII held in July 2004. GTE and Eurogas organised a third Workshop on 5 November in order to prepare the Madrid Forum IX scheduled for 3 December 2004. GTE also issued the following position papers:

- Access to storage facilities (ref. 04ST004) on 13 April 2004;
- Main comments on ERGEG's draft GGPSSO (ref. 04ST078) on 2 July 2004;
- Comprehensive comments on ERGEG's draft GGPSSO (ref. 04ST086) on 2 July 2004.

The goal of this document is to contribute to the ongoing discussion between Storage System Operators (SSO), users of storage facilities, the EU Commission and ERGEG in order to come to an agreement with regard to GGPSSO. The key issues identified by GTE are market up in red.

GTE recommends a pragmatic approach: the TPA services and transparency requirements should reflect the real market needs, the technical constraints and the economical feasibility. The timetable for implementation should be considered on a service-by-service basis.

GTE proposals and comments

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0.	Scope and objective of GGPSSO	
	<p>The GGPSSO are forward looking and should be flexible enough to account for developments in market arrangements. They intend to give a minimum common set of requirements for the organization of the storage facilities and operators.</p> <p>They are addressed to all Storage System Operators (SSOs) falling under the scope of the European Directive 2003/55/EC (the Gas Directive) as well as to the users of these systems.</p> <p>The purpose of these GGPSSO is to ensure that SSOs provide the services needed by storage users on a fair and non-discriminatory basis, taking into account technical constraints. Systems and processes shall facilitate the sustainable development of competition in gas supply <u>and economic feasible use and marketing of storage services.</u></p> <p>It shall be incumbent upon the SSOs, on a case by case basis, to demonstrate to the relevant national authorities that arrangements at storage facilities meet the following guidelines in terms of the desired outcomes <u>and timetable</u>. The regulatory authorities should check that results in both regimes (nTPA and rTPA) are <u>equivalent</u> equal in terms of non-discrimination, transparency and competition.</p> <p>An overriding principle is that storage systems and processes implemented by the SSOs maintain secure, reliable and efficient operation of the storage system (Article 8(1.a) of the Gas Directive).</p> <p><u>Implementation of a specific requirement of the GGPSSO may in exceptional circumstances not be required if that specific requirement contravenes the respective national legislation.</u></p>	<p>Economical feasibility should be taken into account along with market needs.</p> <p>It is important to recall the legal context in the scope of GGPSSO, in particular the term “equal” is not legally appropriate.</p> <p>Such an addition would avoid the necessity to refer to this topic in many sections and was agreed on within the GGP concerning access to the transmission networks.</p>
1.	Roles and responsibilities of SSOs	
1.1	SSOs, be they separate entities, part of a combined operator in the sense of Article 15 of the Gas Directive, or part of a vertically integrated company in the sense of Article 2(20) of	

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	<p>the Gas Directive, shall act in accordance with the principle of non-discrimination, transparency and competition. They are responsible for the provision and management of technical storage capacity, storage services and information as well as the technical integrity and safety of storage facilities.</p>	
1.2	<p>SSOs shall among others:</p> <ul style="list-style-type: none"> a. operate and maintain under economic conditions secure, reliable and efficient storage facilities; b. offer third party access services on a non-discriminatory and transparent basis to all storage users requesting access to storage, including own affiliated companies, either using standard storage contracts or a storage code, developed by the SSOs, including proper consultation with users and overseen by the national regulatory authorities; c. establish rules on the use of capacity aimed at ensuring <u>facilitating</u> competitive and efficient use of that storage facility by system users, in particular to discourage storage capacity hoarding; d. treat confidential information <u>carefully</u>, especially with regards to any affiliated company, in order to avoid any discrimination between storage users, as stated in § 5 on confidentiality requirements; e. provide the information required by storage users and <u>transmission</u> system operators as stated in § 6 on transparency requirements; f. co-operate with TSOs through interoperability agreements in order to ensure efficient and secure operation of storage and transportation networks <u>as stated in § 10 on cooperation with TSO</u>; g. when asking guarantees to storage users with respect to their creditworthiness, ensure that these guarantees are non-discriminatory, transparent and proportionate and do not constitute any undue market entry barrier; h. <u>take into account technical constraints and economical feasibility.</u> 	<p>It is up to the national authorities to develop transparent and stable regulatory framework in order to ensure competition. SSO can only encourage and facilitate it.</p> <p>GTE supports the idea of avoiding capacity hoarding by communication, appropriate capacity services e.g. short-term, and in facilitating trading of unused capacity between users but SSO cannot know whether an unused capacity is hoarded (SSO cannot know user's need or purpose).</p>

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2.	Roles and responsibilities of storage users	
2.1	<p>Storage users shall among others:</p> <ul style="list-style-type: none"> a. be responsible for making nominations to the SSOs and for the injection and withdrawal of gas from storage facilities in accordance with prevailing contractual specifications, technical rules and agreed procedures; b. provide all data required that is necessary for the SSO to carry out its duties as specified in the storage code and/or in the storage contract; c. not use capacity rights in a manner that is intended to restrict, distort or prevent competition, for example through capacity hoarding; d. put relevant IT in place in order to be able to communicate with SSOs via agreed interfaces and standards; e. <u>account for any existing obligations with regard to Public Service Obligations and balancing of the network;</u> 	<p>In line with § 3.2</p>
3.	Necessary TPA services	
3.1	<p>Storage capacity not excluded from TPA pursuant to Article 2(9) of the Gas Directive, when technically and economically necessary for efficient access to the network shall be offered to storages users on a non-discriminatory basis that promotes competition and facilitates trade <u>and competition</u>. Therefore, the SSO shall offer to storage users the maximum available storage capacity (i.e. technical storage capacity), apart from that part of the storage capacity used for operational needs related to transmission and/or production, according to rules made transparent by the national regulatory authorities, <u>and apart from the part of storage not technically and economically necessary for efficient access to the network</u>. Exclusion of storage capacity from TPA shall not be the decision of the SSO and/or the beneficiary of the storage capacity exempted from TPA and shall be approved by the national relevant regulatory authorities, with the publication of substantiated reasons.</p>	<p>It is up to the national authorities to develop transparent and stable regulatory framework in order to promote competition. SSO can only encourage and facilitate it.</p> <p>As indicated in the IGM Directive and national legislations</p> <p>Shortens the sentence</p>

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3.2	<p>The amount of storage capacity needed for PSO and security of supply, when imposed on storage users should be offered on a TPA basis; requirements of non discrimination still apply. Whichever <u>Depending on national law, if a party is responsible for PSOs, it shall demonstrate upon request to the national regulatory authority that their requested capacity reservation is no more than what is required to satisfy the relevant PSO.</u></p>	
3.3	<p>The SSO shall offer to storage users the storage capacity in a form that facilitates competitive, non-discriminatory, and efficient access to best meet storage users' needs and that facilitates trade in storage services in secondary markets. Specifically the SSO shall offer in the primary market, pursuant to its responsibilities under § 1, in consultation with storage users and taking into account <u>market demand</u>, storage technical constraints, and <u>economical feasibility</u>, a menu of services, including the following:</p> <ul style="list-style-type: none"> a. <u>capacity will be substantially sold as combined storage services and/or bundled services (SBU) comprising space, injectability and deliverability, with ratios determined by the facility's technical parameters;</u> b. <u>the above will be complemented by unbundled services of capacity injection and withdrawal where technically and economically feasible.</u> Unbundled services should be offered in the secondary market as stated in § 9 in an appropriate range with SBUs; c. an appropriate range of both long-term (>1year) and short-term firm services (<1year) down to a minimum period of <u>one month or one day if technically and economically feasible;</u> d. short term interruptible storage contracts and services. <u>In principle, the price of interruptible storage services should linked to the probability to be interrupted.</u> 	<p>Selling unbundled services on the primary market could lead to a lowering of technical storage capacity. The users may shape the bundles to their needs on the secondary market. The SSO should facilitate the secondary trading of unbundled and bundled capacity a.o. by proper contract design of the bundled service, facilitating advertising any interest in trading and offering simple mechanisms for assignment and transfer of capacity.</p> <p>Most storage facilities have been built with defined injection and withdrawal periods in order to maximise the utilisation of technical storage capacity taking into account major system needs (usually seasonal). Deviation must be carefully considered on a case-by-case basis because the optimal utilisation could be harmed.</p> <p>Some storage facilities may be technically harmed by too rapid changes in flows. Demand for daily services may not exist in some markets.</p> <p>Any unsold storage capacity will remain available for sale, and if not sold will be available for use on interruptible basis, in which case the SSO may price the interruptible service so as not to</p>

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		discourage additional firm sales. The primary aim is to ensure SSO provide flexible primary services where technically and economically viable, such that users are able to shape the storage services required through the SSO releasing bundled, unbundled and interruptible services as appropriate. In addition, the users will be able to restructure capacity holdings by means of secondary trading of unbundled capacity.
3.4	When compatible with the balancing regime of the interconnected gas transportation system, the SSO shall offer a service which includes an obligation to allocate the gas which has been nominated <u>if the nomination has been accepted by the SSO and subject to any other conditions in the storage services contract.</u>	The SSO should not be in a difficult position when he has to buy gas on the market to fulfil this Article, see also § 6.1 and § 6.5.
3.5	SSOs shall offer services that are consistent with the use of the interconnected gas transportation systems.	
3.6	Taking into account technical constraints, <u>economical feasibility</u> and if consistent with PSOs obligations, the SSO shall offer all services without restrictions on the starting date and the actually prevailing physical flow. With the same constraints, injection and withdrawal of gas should, in principle, be possible at any time. Limits on the required minimum size of storage capacity rights shall be justified on the basis of technical constraints and permit small shippers to gain access to storage services. Storage users should be allowed to pool <u>their nominations</u> with each other with a view to overcome potential technical capacity thresholds.	
3.7	The SSO should develop information systems and electronic communication to provide adequate data to storage users and simplify transactions (such as nominations, capacity booking and transfer of capacity rights between storage users).	

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3.8	<p>Specific deadlines for the implementation of the above requirements will fall in the period from 1 April 2005 to 1 April 2007; if SSOs have problems in implementing measures envisaged under § 3, in particular with regard to IT systems, they shall provide an explanation to the national regulatory authorities setting out the problems in implementing this deadline and present a concrete action plan for their implementation, taking into account, if applicable, the size of the company.</p> <p><u>SSO shall endeavour to meet the following timetable:</u></p> <p><u>3.1, 3.2, 3.3.a, 3.3.c (long-term), 3.4, 3.5 and 3.6: 1 April 2005</u></p> <p><u>3.3.b, 3.3.c (monthly) and 3.3.d: 1 April 2006</u></p> <p><u>3.3.c (daily): 1 April 2007</u></p>	<p>The development of IT tools for the on-line booking of capacity will take time and involve significant IT investments, see section 6.</p> <p>The important technical constraints concerning implementation of daily services in aquifer should be taken into account.</p>
4.	<p>Storage capacity allocation management and congestion management</p>	
4.1	<p>Storage capacity allocation mechanism and congestion management procedures shall:</p> <ul style="list-style-type: none"> a. facilitate the development of competition and liquid trading of storage capacity and be compatible with market mechanisms including spot markets and trading hubs while being flexible and capable of adapting to evolving market circumstances and discourage hoarding; b. take into account the integrity <u>and the maintenance</u> of the storage system concerned as well as security of supply where relevant legal rules are incumbent upon the SSO; c. not create undue barriers to market entry and not prevent market participants, including new market entrants and companies with a small market share, from competing effectively. d. ensure the maximum availability and efficient use under economic and non discriminatory conditions of technical storage capacity; 	<p>Selling of storage capacity must be done with due regard to economic conditions as well.</p> <p>Long-term agreements as well as clear and stable</p>

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	<p>e. <u>ensure that sales processes and revenues achieved</u> generate the right signals for investment in new <u>storage capacity and associated</u> infrastructures;</p> <p>f. be subject to consultation with storage users.</p>	<p>regulatory framework are crucial for solid investment climate.</p>
4.2	<p>In case of physical congestion, non discriminatory, market-based solutions shall be applied by the SSO or by the national regulatory authorities, where <u>indicated by national rules appropriate</u>. Also, the SSO or the national regulatory <u>relevant authorities according to the national legal framework</u>, shall appropriately balance the portion of storage capacity contracted under multi-annual long-term contracts and short term contracts, with the aim of promoting effective competition. Alternative allocation procedures such as pro-rata mechanisms may be considered if they ensure equivalence in terms of non-discriminatory and competitive access.</p>	<p>Long-term agreements as well as clear and stable regulatory framework are crucial for solid investment climate.</p>
4.3	<p>The SSO shall actively endeavour to discourage hoarding and facilitate re-utilisation and trade of storage capacity by all reasonable means, including at least the offer on interruptible basis of all unused capacity (e.g. day-ahead release of non-nominated injectability and deliverability).</p>	<p>GTE supports the idea of avoiding capacity hoarding by transparency, communication, appropriate capacity services e.g. short-term, and in facilitating trading of unused capacity between users but SSO cannot know whether an unused capacity is hoarded. The main responsibilities in the definition of the detailed rules for avoiding capacity hoarding and in applying them should be up to national Authorities.</p>
4.4	<p>If, in spite of the measures aimed at preventing any commercial incentives to hoard capacity, namely secondary market and interruptible storage services, capacity contracted under existing storage contracts remains unused and significant and prolonged contractual congestion occurs, the national regulatory <u>relevant</u> authorities shall require the SSO to introduce additional mechanisms to free up this capacity.</p>	<p>This paragraph refers to emergency situations, not covered by normal congestion procedures. However existing contracts should remain in force until terminated. This is a crucial condition for the confidence of the market players and a solid investment climate.</p>
5.	<p>Confidentiality requirements</p>	

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5.1	<p>The SSO shall meet the confidentiality provisions of Article 10 of the Gas Directive, by guaranteeing that:</p> <ul style="list-style-type: none"> a. commercially sensitive information from storage users' account remains confidential. Any information available to the SSO concerning its storage and processing business shall not be passed to other possible parts of the company in advance of being provided to all market participants; staff working for the affiliate business if any (e.g. supply) should have no access to information which could be commercially advantageous, such as details on actual or potential storage users, and is not made available to all market parties. The arrangements to implement this requirement should include a code of conduct for staff/compliance programme, supervised by a Compliance Officer; b. in case of an integrated company operating supply and/or production and storage business or when there are no separate database systems, specific confidentiality duties must be clearly defined; the relevant national regulatory authorities shall at least require sufficient evidence from companies concerned so as to prove an effective establishment of Chinese walls between the SSO and the supply and/or production branch of the vertically integrated companies. The arrangements to implement this requirement should include a code of conduct for staff/compliance programme, supervised by a Compliance Officer, which should embody the principles behind the Chinese walls concept. Cost effective solutions should be implemented to ensure that the SSO and the supply business are not located in the same place. Preferably, the SSO and the supply business should be located in separate buildings, provided such a measure is proportionate given the size of the activity concerned. 	
6.	Transparency Requirements	
6.1	<p>SSOs should implement user-friendly systems to publish the information needed by storage users <u>as described in § 6.4 and 6.5</u> in a timely manner in the national language and in English on the Internet, <u>if required by users</u>. Information should be provided on a real time basis, if required by storage users. Information shall be disclosed in a meaningful,</p>	<p>Nature and frequency of information to be published should be discussed taking into account real market needs and economical parameters in particular in order to avoid unnecessary IT systems</p>

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	<p>quantitatively clear and easily accessible way and on a non-discriminatory basis. <u>In case of nTPA, investments in IT tools should be accounted for in the tariffs.</u></p>	<p>and increased tariffs. Real time services are costly and would jeopardise SSO interests if it has to buy gas. It would also hamper competition with other flexibility tools. Real-time metering and flow information is not necessary for storage facilities.</p>
6.2	<p><u>Protection of the storage users with regard to the publication of their nomination</u></p> <p>Non confidential information must be provided promptly and on the same time scale as to all users on a non discriminatory basis.</p> <p>Information relating specifically to a storage user's account must be kept confidential. <u>User(s) may request the SSO not to publish information about the aggregate use of a storage if such publication would harm the commercial interest of user(s). Such a request will be granted when less than three users have booked storage capacity. Cases of non-publication are subject to approval by the relevant authority which will balance the commercial sensitivity of information against the public interest for transparency. This agreement should be renewed on regular basis.</u></p> <p>clear evidence to the national regulatory authorities and seek its authorization to limit publication. The relevant national authorities shall grant or refuse the authorization on a case by case basis and publish the substantiated reasons. This assessment should be renewed on a regular basis.</p>	<p>Confidentiality of information related to users should be fully respected.</p> <p>Wording should be based on the agreed GGP2.</p>
6.3	<p><u>Protection of the commercial interest of SSOs</u></p> <p>Non confidential information must be provided promptly and on the same time scale as to all users on a non discriminatory basis.</p> <p>Where a SSO considers that <u>its commercial interests are harmed by publication of available capacities</u> it is not entitled for confidentiality reasons to make public all the data required, it shall to provide <u>indicative figures without publishing information expected to contravene its commercial interest. Whenever appropriate the concerned storage users</u></p>	<p>In nTPA regime and where there is some competition with other storage facilities and/or alternative flexibility tools (contractual swing, production swing, interruptible contracts, hubs, LNG...), publication of proportion of sold and unsold capacity, storage level and daily flows may jeopardize the SSO commercial interest.</p>

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	<u>are allowed to call the relevant national authority for arbitration.</u>	
6.3	The SSO shall submit for approval to the national regulatory authorities any request not to publish specific data (e.g. for reasons of costs or to avoid any potential market abuse). The relevant national authorities shall grant or refuse the authorization on a case by case basis and publish the substantiated reasons.	
6.4	<p>The following commercial terms should be published with <u>provided via the internet online information system:</u></p> <p>a. in rTPA, the tariffs or tariffs methodologies for each service offered shall be published ex ante with the derivation criteria attached (i.e. the underlying technical and economic reasons for establishing them). In nTPA, the main commercial conditions including the <u>indicative</u> prices for core standard services (if applicable) must be published and updated whenever the SSO changes them; <u>depending on national law</u>, prices and underlying criteria (if applicable) should be made available to the national regulatory authorities at least in case of disputes;</p> <p>b. the storage code (if applicable), services offered, and/or the main standard conditions for each service outlining the rights and responsibilities for all users, including <u>rules for flexibility tolerances</u> e.g. counter flow during injection or withdrawal, and the rules <u>for</u> of transfer <u>of</u> storage capacity in case of final customer switching;</p> <p>c. <u>Technical capacities and indicative figures on storage capacity taking into account § 6.3</u> method of determining available storage capacity and the operational parameters including</p>	<p>GTE suggest adopting a pragmatic approach with regard to the timetable, taking into account the considerable time and investments needed notably for IT tools; see 6.9.</p> <p>Publication of tariffs is not possible for an auction based system of capacity allocation.</p> <p>Non-discrimination, objectivity and transparency are already insured by the supervision by authorities when approving the methodology of the calculation underlying.</p> <p>In some countries, prices for storage services cannot be realistically standardized due to the complex nature of storage facilities and related services. In such countries, storage operators cannot set and publish a price in advance, without first understanding customers' needs.</p> <p>No need to be over-prescriptive. Flexibility tolerance and rules of transfer storage capacity should otherwise be defined. Such rules are complex due to the number of actors involved and should be considered with national competent authority.</p>

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	<p>transparency on the rules of ownership and use of working gas;</p> <p>d. storage capacity allocation, congestion management and anti-hoarding and re-utilization provisions, including auctions terms where applicable and rules applicable for storage capacity trade on the secondary market vis-à-vis the SSO;</p> <p>e. the rules and the charges applicable to storage penalties due by storage users and compensation payments by the SSO to storage users.</p> <p>f. historical utilisation rates <u>on a monthly basis (in energy unit, according to interoperability criteria)</u></p> <p>g. <u>indicative</u> user-friendly instruments for calculating charges for a specific service (e.g. tariff calculator) and for verifying online the level of available capacity, including net and available firm and interruptible capacities as long as economically feasible.;</p> <p>h. maps indicating the location of their storage facilities and the connecting points of the storage facilities to the relevant network;</p> <p><u>Possible alternative solutions allowing network users to obtain efficiently and quickly similar information on such data may be appropriate.</u></p>	<p>Such methods should be discussed with the relevant national authorities. If requested by the Madrid Forum GTE may offer to prepare a report on the determination of available capacities.</p> <p>6.4.b-c-f-g-h are related to the deleted Articles 6.5.a-b-c-d-e respectively.</p>
6-5	<p>The following operational information shall be published with online information system (in energy units, according to interoperability criteria) to provide system users with sufficient and timely information in order to gain effective and efficient access to storage facilities:</p> <p>a. storage level, including working gas, technical, booked and available storage capacity (firm and interruptible where applicable);</p> <p>b. daily aggregated inflow and outflows and historical utilization rates;</p> <p>c. user friendly instruments for calculating charges for a specific service (e.g. tariff calculator) and for verifying online the level of available capacity, including net and available firm and interruptible capacities;</p> <p>d. maps indicating the location of their storage facilities and the connecting points of the storage facilities to the relevant network;</p>	<p>In nTPA regime and where there is competition with other storage facilities and/or alternative flexibility tools (contractual swing, production swing, interruptible contracts, hubs, LNG...), publication of proportion of sold and unsold capacity, storage level and daily flows would therefore jeopardize SSO commercial interest.</p> <p>6.5.a-b-c-d-e have been inserted in 6.4.b-f-g-h.</p>

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	e. the rules (if any) of transfer of storage capacity and injection and withdrawal capacity in case of customer switch.	
6.56	Information described in § 6.3 and § 6.4 shall be made available and updated whenever changed as relevant on a real time, daily, monthly, quarterly or annual basis.	To keep nominations whole (§ 3.4) SSOs may be required to take 'buy' or 'sell' action in the market. Publication of real time or daily information would provide storage users with the knowledge of the need for the SSOs to participate in the market. This would seriously disadvantage the SSOs 'allocate whole' service and distort the flexibility market.
6.67	The SSO shall publish at least once a year, by a predetermined deadline, all planned maintenance periods that might affect storage users' rights from storage contracts and the corresponding operational information with adequate advance notice. Where unplanned disruptions in access to the storage facility occur, the SSO shall ensure <u>potentially affected actual system users</u> are notified of that disruption as soon as possible. The SSO shall maintain and make available to the national regulatory authorities and/or to those affected by any disruption upon request, information on a daily log of the actual maintenance and disruptions that have occurred.	SSO should inform concerned parties with relevant information. GGPSSO should not be over prescriptive. Information on maintenance shall always be available to the national regulatory authorities upon request.
6.8	At least the provisions of § 6.5.a, b, and d shall apply also to any storage capacity not required to provide TPA according to Article 19 of the Gas Directive or any other storage facility connected to a transmission system and for which there is no TPA.	
6.79	Storage users shall not be separately charged for information requests and transactions associated with their contracts according to standard rules and procedures (e.g. nominations). Expenses for requests not linked to general SSO's roles and responsibilities and transparency requirements can be separately charged.	
6.8	<u>Marginal storage facility may be exempted by the national regulatory authorities from certain transparency requirements if this creates an undue burden not proportionate to the size or importance of the facility in question.</u>	This Article presented by EREGG at the Madrid Forum VIII should be reinserted.

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6.9	<p><u>SSO shall endeavour to implement the transparency requirements as soon as feasible. Where IT investments are necessary, implementation should be made no later than 1 April 2007.</u> SSOs shall comply with these provision by 1 April 2005; if SSOs have problems in implementing measures envisaged under §6, in particular with regard to IT systems, they shall provide an explanation to the relevant national authority setting out the problems in implementing by this deadline and present a concrete action plan for the implementation taking into account, if applicable, the size of the company.</p>	<p>Deadlines should take into account the considerable time and investments needed notably for IT tools.</p>
7.	<p>Tariff structure and derivation</p>	
7.1	<p>Where regulated, tariffs structure of the SSO should:</p> <ul style="list-style-type: none"> a. reflect efficiently incurred costs of access to storage facilities including fair return on investment, both in the case of direct access to a specific storage and access to <u>virtual combined</u> storages; b. reflect the geological nature of storages, <u>commercial risk and capacity performance losses e.g. due to necessary maintenance;</u> c. <u>be non-discriminatory avoid cross-subsidies between storage users;</u> d. promote efficient commercialisation and use of storage; e. promote adequate and efficient investments according to users' needs, feasibility and technical constraints <u>including the necessary renovations;</u> f. be clear, transparent and reviewed on a regular basis taking into account developments in the market; g. where appropriate, international benchmarking of tariffs may be taken into account and applied in non discriminatory manner. h. <u>allow price signals for scarce capacity and revenue protection where insufficient demand cannot cover SSO's costs;</u> <p><u>The relevant national authorities should consider the possibility to decide on a case by case basis whether higher revenues for new investments may be appropriate and/or SSO</u></p>	<p>Tariffs have to provide the necessary incentives and signals for investments necessary for existing and new facilities and to maintain a high level of security of supply.</p> <p>To take into account the commercial risk aspect</p> <p>To clarify the text</p> <p>Tariffs are part of congestion management system.</p> <p>In rTPA price signals should avoid overbooking and give right signals for long-term investments. On the other hand revenue protection should be considered in case of lower demand.</p> <p>Investments in storage are huge and lead-time is very long (more than 10 years).</p>

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	<p><u>may receive incentives for increased efficiency and entrepreneurship, or even might be part to structures for sharing risks and/or profits, e.g. alliances.</u></p>	
7.2.	<p>Where negotiated, SSOs shall not adopt any charging principles and/or tariff structures that would <u>undue</u> restrict market liquidity of storage capacity, create undue barriers to market for new entrants, cross-subsidies between system users or hamper system enhancements and integrity. Pursuant to Article 19 of the Gas Directive, <u>the parties should negotiate in good faith in case of disputes, the relevant regulatory authority shall determine appropriate arrangements.</u> The SSO shall maintain records to enable the regulator to determine costs of provision and prices already levied on other users of that facility for the similar services.</p> <p>In nTPA regimes, charges shall:</p> <ol style="list-style-type: none"> be non-discriminatory; prices should be the same for any storage user for the same service contracted for at the same time and under the same conditions; they should only vary subject to adaptations/changes on the grounds of varying circumstances; promote efficiency and facilitate competition in the use of storage <u>flexibility</u> services; provide for appropriate incentives on new investments according to users' needs, feasibility and technical constraints; negotiations should happen in a time frame compatible with commercial needs; 	<p>Tariffs should be market based in case of nTPA.</p> <p>Information related to main commercial conditions should be made available in a transparent and non-discriminatory way. Detailed information may be made available to national authority only, in case of dispute.</p> <p>Competition exists between all the flexibility tools, not only in storage services.</p>
8.	Storage penalties	
8.1	<p>Storage penalties may be established to ensure that the SSOs and the storage users respect their contractual obligations.</p>	<p>Failures of contractual obligations are addressed in the contracts and storage code.</p>
8.2	<p>Storage penalties may apply to :</p> <ol style="list-style-type: none"> SSOs for compensation to be paid to the storage users in the event that the SSO fails to fulfil contractual obligations, as set out in the storage code/contract; and/or to storage users for providing effective incentive to ensure that they nominate and use 	<p>Failures of contractual obligations are addressed in the contracts and storage code. They should not be mixed with the users' role to nominate consistently without harming storage facilities.</p>

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	storage capacity consistently with the capacity rights they have procured either on the primary or secondary market.	
8.3	<p>Storage penalties shall:</p> <ul style="list-style-type: none"> a. be designed in a non discriminatory and transparent manner, based on objective criteria; b. be aimed at providing effective incentive on storage users to ensure the safe functioning of storages and where <u>applicable necessary</u>, to ensure that PSOs are met; c. not <u>unduly</u> hamper the entry of new participants into the market; d. ensure that, in case of penalties collected by the SSO, the SSO remains broadly cost neutral <u>according to the national law</u>; penalties over and above the actual efficiently incurred costs, shall be redistributed to the storage users on a non discriminatory basis <u>directly or non-directly</u>, any costs that cannot be targeted should be allocated back to users in a non discriminatory manner. 	<p>8.3b: depending on national legislation</p> <p>8.3c: that is not the aim of penalties which should incentivise the users, alternatively § 8.3.c may be removed.</p>
8.4	When needed, national regulatory authorities should ensure compatibility of storage penalties with transmission balancing regimes.	
9.	Market based mechanisms such as secondary market	
9.1	The SSO shall allow and facilitate bundled and unbundled services (<u>if applicable</u>) to be freely tradable between registered shippers in a secondary market without any undue restrictions and develop standardised contracts and procedures on the primary market to facilitate secondary trade and recognise the transfer of rights where notified by storage users. SSO must allow the new owner to aggregate such storage capacity with its existing storage capacity operationally <u>as long as it is compatible with the kind of contracts available in the primary market.</u>	<p>GTE shares the objective of secondary markets but does not consider them mature enough in most countries to be addressed prescriptively.</p> <p>Aggregated capacities should be compatible with the physical constraints and not harm the optimisation of use of storage on the primary market.</p>
9.2	Where requested and paid for by storage users, SSOs shall provide cost reflective	Secondary markets should be developed by the

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	<p>services (such as an electronic platform or bulletin board) to facilitate secondary storage capacity trading and associated transfer of storage capacity rights between storage users.</p> <p><u>SSO shall endeavour to meet the following timetable with regard to § 9:</u></p> <p><u>- 1 April 2005: facilitate market based mechanisms, bulletin board without title transfer</u></p> <p><u>- 1 April 2006: facilitate trading of unused capacity between users</u></p> <p><u>- 1 April 2007: full implementation of secondary market</u></p>	<p>market participants and facilitated by the SSOs.</p> <p>In nTPA services may not necessarily be cost-reflective.</p> <p>§ 9.1 and § 9.2 should be considered along with § 3.3.</p>
10.	Cooperation with TSO	
	<p>SSOs and TSOs should co-operate in order to ensure interoperability between both systems, e.g.:</p> <ul style="list-style-type: none"> a. provide services consistent with those offered by the adjacent TSO and required so as to ensure the efficient use of the interconnected transmission system; b. render operational procedures, such as nomination, compatible with those of the adjacent TSOs; c. ensure re-nomination procedures match market participants requirements; d. ensure consistency in matching relevant storage arrangements with the balancing requirements of the adjacent transmission system. 	
	Definitions	
	<p><i>Some of the definitions seem unneeded, and GTE would recommend revisions to some of the definitions as now drafted. In particular the definitions of the terms not used in the GGPSSO should be removed.</i></p>	
	<p>1. Available storage capacity means the part of the technical storage capacity that is not contracted or allocated to production and transport and is still available to the storage</p>	<p>A reference to PSO should be considered. If requested by the Madrid Forum, GTE may offer to prepare a report on the determination of available</p>

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	<p>users at that moment.</p> <p>2. Cushion gas means the minimum technical volume of gas intended as permanent inventory in a storage reservoir to maintain adequate pressure and deliverability rates throughout the withdrawal season.</p> <p>3. Deliverability is the amount of gas that can be delivered (withdrawn) from a storage facility per time unit. The deliverability of a given storage facility is variable, and depends on factors such as the amount of gas in the reservoir at any particular time, the pressure within the reservoir, compression capability available to the reservoir, the configuration and capabilities of surface facilities associated with the reservoir, and other factors. In general, a facility's deliverability rate varies directly with the total amount of gas in the reservoir: it is at its highest when the reservoir is most full and declines as working gas is withdrawn.</p> <p>4. Final customer means customers purchasing natural gas for their own use (Gas Directive)</p> <p>5. Firm capacity is storage capacity contractually guaranteed as uninterruptible by the SSO;</p> <p>6. Firm services are services offered by the SSO in relation to firm capacity;</p> <p>7. Flexibility is the availability of gas and/or capacity (transmission, storage, LNG capacity) needed to: adapt supply to foreseeable volume variations in demand and to adjust the erratic fluctuations of demand; exploit market opportunities with the market opening to competition, i.e. using different combinations of flexibility tools in order to achieve cost advantages or enjoy new market businesses; comply with public service obligations and strategic objectives.</p> <p>8. Injectability is the complement of the deliverability or withdrawal rate. It is the amount of gas that can be injected into a storage facility per time unit. The injection capacity of a storage facility is also variable, and is dependent on factors comparable to those that</p>	<p>capacities.</p>

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	<p>determine deliverability. By contrast, the injection rate varies inversely with the total amount of gas in storage: it is at its lowest when the reservoir is most full and increases as working gas is withdrawn.</p> <p>9. Interruptible services are services offered by the SSO, in relation to interruptible capacity;</p> <p>10. Interruptible storage capacity is storage capacity that can be interrupted by the transmission system operator according to the conditions stipulated in the storage contract/storage code. The contract/code may specify the permitted duration, frequency and timing of the interruptions. It may also specify the previous notice required and possibly a fee related to the duration of the interruptions.</p> <p>11. National regulatory authorities are the bodies as defined by Article 25(1) of the Gas Directive.</p> <p>12. Nomination means the prior reporting by the storage user to the SSO of the actual flow that he wishes to inject into or withdraw from the system.</p> <p>13. Primary storage market means the market of the storage capacity directly traded by the SSO.</p> <p>14. PSO means Public Services Obligations.</p> <p>15. Re-nomination means the reporting of a corrected nomination.</p> <p>16. SBU means Standard Bundled Unit. Storage capacity may be sold in SBUs, which gives customers the right to withdraw, inject and hold gas in store, with determined technical ratios. SBUs should reflect the technical characteristics of the storage facility or a group of storage facilities (aquifer, peak-shaving...).</p> <p>17. Secondary market means the market of the storage capacity traded otherwise than on the primary market.</p>	

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	<p>18. Storage capacity is the space (expressed in normal cubic meters or energy) and flow (expressed in normal cubic meters or energy per time unit) to which the storage user is entitled in accordance with the provisions of the storage contract. Storage capacity refers to space, injectability and deliverability. All of them can be firm or interruptible.</p> <p>19. Storage facility means a facility used for the stocking of natural gas and owned and/or operated by a natural gas undertaking, including the part of LNG facilities used for storage but excluding the portion used for production operations, and excluding facilities reserved exclusively for transmission system operators in carrying out their functions (Gas Directive).</p> <p>20. Storage penalty is the additional charge that storage system operators/storage users may have to pay after not respecting their contractual obligations.</p> <p>21. Storage system operator means a natural or legal person who carries out the function of storage and is responsible for operating a storage facility.</p> <p>22. Storage user means a customer of a SSO which would sign the relevant storage code or enter into storage contracts with SSOs for storing gas. Storage users may include, but are not limited, to final customers, supply undertakings, wholesale customers, traders and TSOs, to the extent that storage is necessary for the TSOs and DSOs to carry out their functions.</p> <p>23. System user means any natural or legal persons supplying to, or being supplied by, the system (Gas Directive).</p> <p>24. Technical storage capacity is the maximum storage capacity that the SSO can offer to storage users, on firm basis, taking into account the system integrity and the operational requirements of the storage infrastructures. It is determined by the physical characteristics of the reservoir and installed equipment.</p> <p>25. TPA services means Third Party Access Services. TPA to storage is either regulated</p>	<p>See Section 8 they nominate and use storage capacity consistently with the capacity rights they have procured either on the primary or secondary market.</p>

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	<p>(rTPA) or negotiated (nTPA).</p> <p>26. TSO means transmission system operator.</p> <p>27. Unbundled storage product means that space, injectability, deliverability can be traded separately.</p> <p>28. Unused Storage Capacity means that part of the Available Storage Capacity, plus that part of the Contracted Storage Capacity that has not been nominated for use.</p> <p>29. Virtual storage means a storage service sold in the form of traditional storage product, but not directly linked to a physical storage. A supplier may also use both physical storage and other flexibility tools as well as spot and other supplies and capacity margins resulting from a pool of customers in order to offer virtual storage.</p> <p>30. Withdrawal rate: see Deliverability.</p> <p>31. Working gas means the volume of gas in the reservoir above the level of cushion gas that can be withdrawn and re-injected.</p>	