



Pilot framework guideline on capacity allocation mechanisms

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Pilot project on CAM, rationale

- **Objective: harmonisation of access rules to cross border interconnection points**
- **Scope: IPs between market areas**
- **Preparation of the implementation of the third package: pilot framework guideline**
 - CAM selected at the 16th Madrid Forum (May 2009)
 - Consultation on the draft framework guideline from December 18, 2009 to February 26, 2010
 - Final version expected by end of March 2010
- **EREGEG principles on CAM & CMP published in January 2009 & public consultation provided the basis for the pilot framework guideline**

- **Accelerate market integration**
 - Agreement on a set of proposals and a target model
 - Priority: facilitate cross border flows
- **Methodology**
 - Focus on practical effectiveness
 - Consultation and dialogue with operators and stakeholders
 - Amendments to proposals when relevant
- **Scope**
 - Cross border IPs and IPs between market areas
 - TSO coordination issues related to CAM
 - Combination of different kinds of capacity (firm and interruptible) and different types of products
 - Overlap with other codes sometimes necessary

- **Discussions with ENTSOG**
 - Several meetings in 2009/2010
 - Constructive dialogue
- **Expert group**
 - Gathers shippers and consumers
 - Debate on the privileged CAM
 - Auctions preferred by a majority but pro-rata considered useful
- **Public consultations**
 - GTE+ on products and allocation procedures (Nov. 2009)
 - ERGEG (in January 2009 and ongoing)

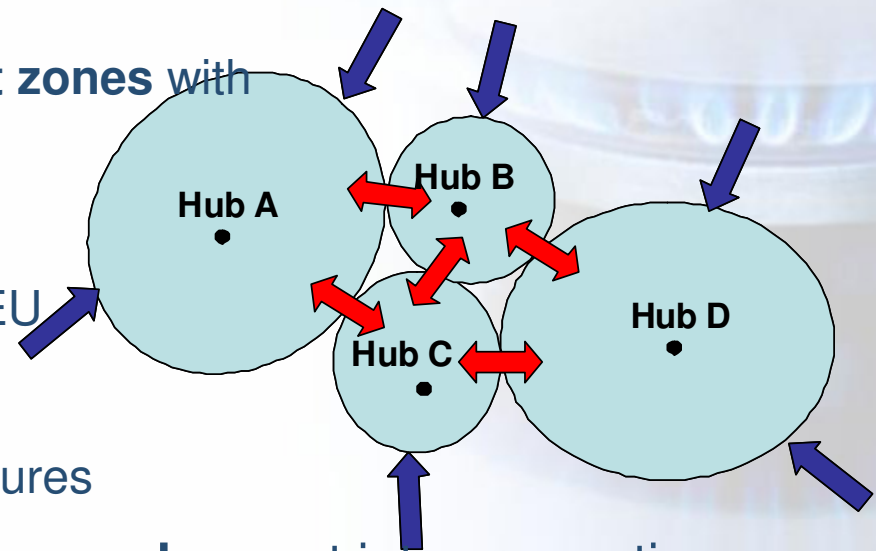


From the toolbox approach to a long term target model

- **ER GEG principles were based on a “toolbox approach”**
 - Several tools were proposed to cope with identified issues
 - Stakeholders requested to be more prescriptive
 - Developing framework guidelines/codes advocate for identifying “preferred options”
 - **Development of a “target model”**
 - Agreed long term vision for the EU gas market
 - Cohabitation of interconnected entry-exit systems with a notional hub
 - Ambition: concentrate trades at hubs to the benefit of market liquidity
 - **Need for a progressive and pragmatic implementation**
 - Various situations in Europe
 - Interim steps related to market maturity, transit, tariffs, etc.
- Keeping some **flexibility** is necessary to deal with complexity and potential unexpected outcomes of proposals

Target model and how to reach it

- **Scope of the Framework guideline:** interconnection points between entry-exit zones **within** the EU (↔)
- **General principles**
 - All market areas organized as **entry-exit zones with virtual hubs**
 - Limited number of firm and interruptible capacity products
 - Coordinated allocations throughout the EU
 - **Auctions as preferred CAM; pro-rata allowed** if conditions are not met for efficient & fair auction procedures
- **Towards uniform capacity allocation procedures** at interconnection points throughout Europe in 2 steps:
 - Harmonisation of procedures at every IP: towards bundled products between market areas
 - Harmonisation at the EU level: same products & CAM everywhere



Framework guideline proposals (1/3)

- **TSO cooperation**
 - Harmonisation of capacity products, allocation, calculation and maximisation
 - Communication procedures
- **Existing contracts**
 - Amendment of existing capacity contracts and/or relevant clauses of general terms and conditions where needed
 - Existing capacity bookings not affected
 - ➔ objective: alleviate obstacles to the implementation of provisions

Framework guideline proposals (2/3)

- **Definition and harmonisation of capacity products**
 - Objective: make access to capacity more simple
 - Products should be the same all over Europe
 - Small number of products of various durations, from short term to multi-annual
 - A minimum share of capacity shall be sold as short term products
 - Priority to **firm products** but **interruptible** considered as a necessary complement
 - Harmonisation of interruptible capacity definition and calculation
- **Capacity offered**
 - All the non previously allocated capacity, capacity surrendered by shippers and UIOLI capacity
 - Long term bookings not affected

Framework guideline proposals (3/3)

- **Bundled products**
 - Bundled products = “1 stop shop” for shippers
 - Interim step: “combined entry-exit products”, based on TSO cooperation
 - One contractual interconnection point out of several physical interconnection points connecting the same entry-exit zones
- **Capacity allocation procedures**
 - If no congestion, capacity is allocated as requested by shippers
 - Auction as standard allocation methodology
 - Pro-rata as interim step when necessary
 - FCFS to be banned
- **Regular and timely coordinated allocation for all the interconnection points**
- **Booking platforms**

- **ER GEG public consultation on the pilot framework guideline**
 - From 18 December 2009 to 26 February 2010
 - Workshop to be held in Brussels on 2 February 2010
- **Main questions**
 - Existing contracts
 - *Adaptation of price?*
 - *Incentives to dominant shippers to surrender some capacity?*
 - *Should legacy contracts be questioned with regard to capacity allocation?*
 - Auctions versus pro-rata: shared views among stakeholders
 - Bundled products: how to implement them?
 - Role of secondary markets?

- **15/12/2009: adoption by ERGEG of the draft framework guideline**
- **14/01/2010: presentation to the Madrid Forum**
- **18/12/2009-26/02/2010: public consultation**
- **April 2010: final version of framework guideline sent to the European Commission**
- **Summer 2010: start of network code drafting by ENTSOG (1 year)**
- **Binding codes potentially adopted in 2012**



Thank You!