

ERGEG
Regional Initiative, North-West region
Attn. calculationcapacities@ergeg.org

Calculation of Available capacities: Understanding the issues

Dear Sir, Madam,

We welcome the opportunity to comment on your consultation regarding the calculation of available capacities. Statoil ASA ("Statoil") is an international oil and gas exploration and production company which markets its own and the Norwegian States gas to Europe. We have reserves on the Norwegian Continental Shelf (NCS) and deliver gas to a number of European countries. The development of European gas markets is, therefore, of great interest to us.

General

Statoil supports ERGEG's notion that adequate Available Capacity (AC) calculation is crucial for effective capacity allocation and congestion management. The level and firmness of AC determines the accessibility to a system and the methodology of AC calculation is a topic of great significance on a pan-European level.

According to the consultation document, AC is calculated by subtracting booked capacity and operational margin from the technical capacity. Therefore, to come to a definition of AC, the determination of the definitions of 'technical capacity' and 'operational margin' should be included in the discussions surrounding the methodology of AC calculation.

Transparency

It is Statoil's opinion that transparency is crucial when it concerns the subject of capacity. Information on the methodology of AC calculation should be available to all shippers for a general understanding of the AC levels and firmness. But more important, shippers should have easy web access to current information on total and available capacities and they should get the TSO's guarantee on the accuracy of the provided data.

Statoil agrees with ERGEG's suggestion to develop a flexible web based instrument for network users, which simulates the current network situation and allows shippers to make a quick assessment of the availability of capacity on certain points on a short and long term basis. The terms and conditions of the use of the simulator should be clear and accessible, to ensure reliability and firmness of the simulation. However, the TSO should be committed

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to providing a fixed level of firm capacity each year. This should represent the theoretical maximum of the entry or border point. What is then made available for sale by the TSO should be a derivation from this number based on previous sales and any operating margin requirement.

Regulation of capacity calculation

TSO are best placed to understand and run their network models. However, it is Statoil's opinion that regulation of capacity calculation is necessary to guarantee a methodology of calculating capacity which is non-discriminatory and combines the security and reliability of the system with a maximised use of the available system.

The TSO's in all European systems have historically been responsible for calculating AC and therefore have the knowledge and experience required for the initial design of a methodology of AC calculation. An independent party, the NRA, should then approve the calculation methodology, the requirements of the Operating Margins and the maximum technical capacity after consulting all shippers.

Monitoring the TSO's day to day activities surrounding the (upward) adjustment of the capacity levels should also be a task of the NRA's. In addition there should be a legal requirement on TSO's to maximise the efficient utilisation of their system within the boundaries of supply security. This process warrants that the requirements of all parties are considered and a methodology for calculating AC will be implemented which ensures both the security and reliability of the system and a maximised level of capacity.

Consistency and coordination

Statoil agrees with ERGEG's suggestion to draft a European framework with minimum requirements for the calculation methodology, to ensure European consistency. The framework should primarily focus on consistent definitions and conditions. For example, due to differences in capacity modelling or the firmness of this capacity, the possibility exists that different amounts of capacity are available on either sides of an interconnection point.

The EU Guidelines should increase maintenance transparency by requiring TSO's to implement their maintenance plans in the long term capacity calculations and publishing these plans on their website. TSO should also update these plans regularly. Consistency and coordination should be created in maintenance planning of connected systems. Following from the Guidelines, TSO's should coordinate maintenance activities with TSO's of connected systems, to avoid additional maintenance periods and ensure an optimised use of the grid.

ERGEG should ensure that these and other definitions and basic principles are coordinated by identifying them in the European framework.

The framework should allow sufficient freedom to accommodate the differences in the several national systems. The combination of a European framework and capacity transparency should ensure a non discriminatory situation throughout Europe.

Calculation of capacity – EU Guidelines

Statoil supports ERGEG's plan to draft calculation capacity guidelines that will provide the market with a framework for the methodology as well as the day to day activities surrounding capacity calculation and the interaction between shippers and TSO's.

These guidelines should ensure there is a consistent and coordinated framework, as described in the previous section. The priority of the guidelines should be to create transparency and adequate information flows to the shippers and to improve the use of capacity by maximising AC levels.

TSO's should continuously seek to provide the services required by its customers. Shippers can indicate the necessity of certain capacity services that are not available; TSO's should assess the situation and try to improve firm capacity availability. Statoil therefore welcome the suggestion of 'operational options' in the consultation. This could lead to increasing the physical capacity at certain points in the system. TSO's could endeavour to maximise the level and use of AC by contracting different services, such as the 'commitment to flow'.

TSO's should be allowed to purchase these services from thirds parties, through effective non-discriminatory processes, to improve network conditions or increase AC levels. Transparency of this process should be a high priority. While TSO can tender to purchase these services it should always be at the discretion of the shipper to enter into these agreements.

ERGEG should allow for such tools in their guidelines. These tools can be used to firm up other capacity products, such as backhaul, when such a product is requested by a shipper. Overall they enable a more flexible approach to solving capacity constraint problems rather than relying on investment alone.

Market matching of capacity

To improve the use of capacity Statoil suggests that the TSO's supply the shippers with relevant information on the reasoning behind congestion at certain points and suggestions on how this congestion could be solved, for instance through the use of operational options. This supply of information will increase the involvement of shippers in the optimum operation of the grid and gives them a better insight in possible congestion solutions.

Increased information and situation monitoring will give a clearer insight in the actual congestion in certain areas. This information should be used to trigger investments where operational tools are no longer sufficient and actual congestion is registered for a significant time period.

On the subject of confidentiality, we appreciate ERGEG's wish for transparency and do not object to the use of our comments. Statoil trusts that our remarks and observations will be taken into consideration. Should you have any questions or comments, please contact undersigned via phone (+44 7824 303 828) or email (Helga.Franse@Statoil.com).

Yours faithfully,

A handwritten signature in black ink, appearing to read 'H. Franse', written over a light blue horizontal line.

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