



Directorate-General
for Energy
and Transport

ERGEG's proposal on CAM and CMP: DG TREN reaction



EUROPEAN
COMMISSION

ERGEG workshop 02 February 2010

Capacity allocation

Framework guideline and network code

Dual goal

● Pilot function

- » ERGEG acts as ACER
- » Apply procedures and obligations as if third package would already apply
- » Monitoring group
- » Lessons on third package network code framework

● Substantial improvements

- » Moving towards market-based allocation
- » Investment signals
- » More efficient capacity utilisation
- » Increased liquidity and competition

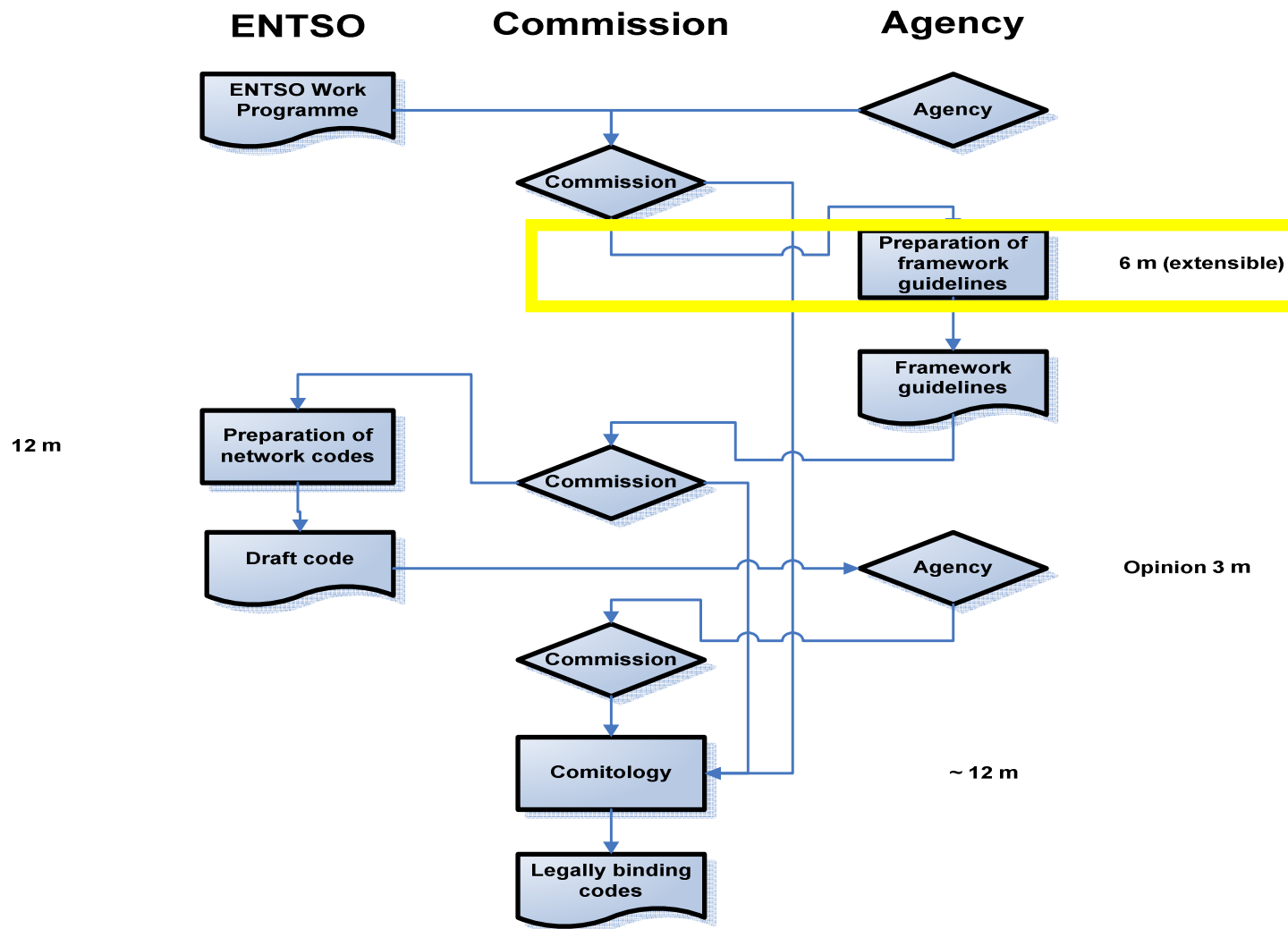


Process

- 22 September 2009: Commission request according to Article 6 (2) of the Gas Regulation that ERGEG submit a framework guideline
 - » TSO cooperation, in particular bundling of capacities
 - » Reasonably low number of harmonised capacity products
 - » Booking procedure, timeline, allocation mechanism, facilitator
- Formal, open and transparent consultation of ENTSOG and other stakeholder according to Article 6 (3) of the Gas Regulation
- Commission evaluation under Article 6 (4) of the Gas Regulation
 - » Commission is facilitator, not guideline-maker
 - » FG must contribute to
 - non-discrimination
 - effective competition
 - efficient functioning of the market

Commission request according to Article 6 (6) of the Gas Regulation that ENTSOG submit network code

Network codes



Initial reaction

Scope

- Harmonised network code vs. NRA powers under the Gas Directive
 - » Exercise of NRA powers must not lead to geographically separate capacity allocation code
 - » Further examination needed
- Out of scope?
 - » Rules on secondary market would probably be better placed with congestion management

Initial reaction

Content

- Existing contracts should adapt to the new system
 - » To achieve a uniform system within a reasonable timeframe
 - » To create a level playing field (Recital 21 of the Gas Regulation)
- Bundling is vital
 - » It will increase liquidity at trading points and facilitate liquid short term and balancing markets
 - » It may even potentially pave the way to implicit auctions and market coupling
- Allocation mechanisms
 - » Market based approach (auctioning) seems preferable
 - » More guidance on auction design seems useful
 - » Some guidance on use of congestion rents seems useful (lessons from electricity!)
 - » Interconnection points based approach (rather than all EU-approach) may not sufficiently contribute to European harmonisation

Congestion management

Comitology procedure

- Urgent need for legally binding action against contractual congestion
 - » Price difference between markets is higher than the price of respective capacity
 - » Firm capacity is fully booked but not fully utilised

- Goals
 - » Fair access to capacities
 - » Avoid mainly short-term hoarding
 - » Stimulate secondary market
 - » Increase liquidity and connect markets
 - » Increase competition

Process

- Timeline

- » Stakeholders are invited to send their submission to ERGEG and directly to the Commission
- » Commission will assess ERGEG's proposal and impact assessment
- » Commission will draft a proposal and impact assessment
- » Target date (draft): Madrid Forum 18 on 27/28 September 2010
- » Submission to Gas Committee

- Comitology is the most suitable procedure

- » Urgent action needed: FG and NC process would take more than two years
- » Compatibility with CAM network code must be ensured
 - Capacities made available by means of CMP must be compatible with allocation scheme under CAM
 - Close cooperation between Commission, ENTSOG, and ERGEG

Initial reaction

Scope

- Harmonised network code vs. NRA powers under the Gas Directive
 - » Exercise of NRA powers must not lead to geographically separate congestion management codes
 - » Further examination needed
- Applicability only to congested interconnection points
 - » Creation of two separate regimes?
 - » How to ensure appropriate and quick response once congestion does occur?
- Border specific adjustments
 - » Interconnection points based approach may not sufficiently contribute to European harmonisation
 - » Is this approach in line with harmonisation of products as proposed in CAM FG?
- Out of scope?
 - » Capacity charges probably better placed with tariffication guidelines
 - » Auction design for firm day-ahead capacities probably better placed with CAM

Initial reaction

Content

- Existing contracts should adapt to the new system
 - » To achieve a uniform system within a reasonable timeframe
 - » To create a level playing field (Recital 21 of the Gas Regulation)
- Oversubscription and capacity buy-back
 - » Welcomed as “market based interruption”
 - » More guidance needed on buy-back procedure
 - » What happens if buy-back fails?
- Adjustment of re-nomination rights
 - » Fairly precise day-ahead nomination seems possible
 - » Robust and market based balancing regimes
- Day ahead firm capacity market
 - » Reliable and predictable transport rights
 - » Has the potential to stimulate longer term secondary capacity market
- Long-term UIOLI
 - » More guidance on terms like “systematic underutilisation” and “satisfactory justification of shipper’s behaviour” would be useful

Madrid Forum Conclusions

http://ec.europa.eu/energy/gas_electricity/forum_gas_madrid_en.htm

1. 3rd package

(5) The Forum stressed that with respect to the coordination of processes there should be one consistent and regularly updated **timetable** provided by ENTSOG, ERGEG, and the Commission, published minutes of meetings, and regular progress reports to facilitate stakeholders' planning and participation and to contribute to well structured transparency in the whole process.

3. Capacity Allocation Management – presentation of draft framework guideline as part of the pilot project on 3rd package implementation

(14) Stakeholders pointed in particular to the **need to limit discretion** by TSOs and individual national regulators in order to achieve as consistent an approach as possible. Where **flexibility** in implementation is needed, this should be reflected in the **timing** of implementation.

(15) ERGEG will submit the final pilot framework guideline to the Commission, after integrating comments received during the ongoing public consultation. ENTSOG is invited to start subsequently to draft the pilot network code based on ERGEG's work

4. Congestion Management Practices – proposal by ERGEG to amend chapter 2 of the Annex of Regulation (EC) N° 1775/2005

(16) The Forum appreciated the work done by ERGEG. The Forum welcomed the interim results of the study launched by ERGEG which recognises the **urgent need for legally binding action** regarding congestion management. Detailed concerns of the stakeholders should be presented to ERGEG and the Commission and can also be tabled at the ERGEG workshop in February 2010. Upon finalisation by ERGEG, the Commission will consider with priority to amend chapter 2 of Annex I of Regulation 715/2009 based on the ERGEG recommendations under the comitology procedure foreseen under the third package.

