

EREG Letter to storage users

Monitoring of the implementation of the Guidelines for Good Practice for Gas Storage System Operators (GGPSSO)

Introduction

The Guidelines for Good TPA Practice for Storage System Operators (GGPSSO) set out the minimum requirements for the provision of fair and non-discriminatory access to gas storage (in accordance to the Gas Directive¹). Monitoring implementation of the GGPSSO is therefore important in understanding how access to gas storage is being provided.

The European Commission requested the European Regulators Group for Electricity and Gas (EREG) to monitor the implementation of the Guidelines and report back to the next Madrid Forum on their findings.

This paper seeks views from storage users – be they actual storage users or potential storage users - on how the GGPSSO have been implemented by storage system operators (SSOs).

Invitation to comment

EREG is committed to open and transparent consultation. The GGPSSO were developed through consultation over a number of months. EREG has already sent out questionnaires in order to collect information from EU Storage System Operators (SSOs) and National Regulatory Authorities (NRAs). These questionnaires are published on the EREG website. Please note that responses to the questionnaires will also be published on the EREG web site at the end of June.

At this stage of the process, EREG would like to consult users, since they are actively participating in the storage market and therefore should provide the best insight as to whether and how the GGPSSO have been implemented or its provisions circumvented. Accordingly, EREG has prepared a list of questions for users.

¹ Directive 2003/55/EC of the European Parliament and of the Council concerning common rules for the internal market in natural gas and repealing Directive 98/30/EC

The results from the monitoring process will be crucial in identifying the effectiveness of TPA to storage and areas where the GGPSSO may be improved. Your response to this questionnaire is therefore important to the development of the EU regulatory framework.

Any responses should be received by **25 July 2005**. They should be sent to:

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To help ensure transparency, responses to the questionnaire and other documents associated with the GGPSSO will be published by placing them on the ERGEG website (<http://www.ereg.org>). **EREGEG will take into account any requests to keep information confidential. ERGEG encourages you to separate confidential information from information you are willing to be made public.**

Any questions on this document should in the first instance be directed to Pierre-Marie Cussagnet and/or Rosita Carnevalini (see addresses/email above).

EREGEG intends to publish an initial report on the implementation of the GGPSSO in September 2005, and it expects to present these findings at the next Madrid Forum – therefore, ERGEG intends to issue a final report on implementation after it has an opportunity to consider responses to its initial report and the views of delegates at Madrid.

Section1: open background questions

*The objective of the monitoring of the GGPSSO is to find out whether and how the GGPSSO have been implemented. Questions addressing the actual compliance with the GGPSSO are presented in Section 2. However, the monitoring should also provide an overall view of the effectiveness of the GGPSSO. Therefore, the questions presented in Section 1 are designed to assess **how** the GGPSSO have been implemented and in particular whether the GGPSSO could be improved.*

1.1 Do you believe implementation of the GGPSSO by SSOs has been effective?

Yes

Comment:

We consider the implementation of GGPSSO very positive even though its degree of effectiveness is difficult to estimate since underground gas storages in Spain was already subject to a rTPA system administered by a SSO that has ownership unbundling from any supply activity.

1.2 Apart from storage services, do you have sufficient access to other sources of flexibility in order to meet your commercial needs (e.g. hubs, production flexibility, import flexibility, long-term contracts, balancing market)? Can these other sources of flexibility be considered as effective substitutes to storage?

Spot LNG cargos, import flexibility, balancing market, linepack

1.3 Please indicate if the adoption of the GGPSSO has had a positive impact on TPA services (GGPSSO requirements on “Necessary TPA services”, chapter 3)?

SSO already offered regulated services quite in line with the services specified in Chapter 3.

1.4 Please indicate if the adoption of the GGPSSO has had a positive impact on storage capacity allocation/congestion management procedures (GGPSSO requirements on “Storage capacity allocation and congestion management”, chapter 4)?

Capacity allocation and congestion management procedures were already set up and effectively tested and, therefore, the implementation of GGPSSO has not significantly changed the operation of storages.

1.5 Please indicate if the adoption of the GGPSSO has had a positive impact on transparency. Would you say that as a user, you are provided with sufficient and timely information in order to gain effective and efficient access to storage facilities? What data would you like to see published? Why would you need this additional information (GGPSSO requirements on “Transparency”, chapter 6)?

Yes. However, it would be useful to have information for the short term: available injection and withdrawal capacity.

- 1.6 In nTPA, if the main commercial conditions including the prices for standard services are published, is there consistency between your contract and these published conditions (GGPSSO requirements on “Tariff structure and derivation”, chapter 7)?

- 1.7 Please indicate if the adoption of the GGPSSO has had a positive impact on secondary trade of storage capacity (GGPSSO requirements on “Secondary market”, chapter 9)

Secondary markets of capacity are under consideration now and expected to be implemented at the beginning of 2006.

At the moment, the Spanish regulation does not allow to trade with storage capacity in the secondary market.

- 1.8 Do you believe that there is a conflict between the requirements of the GGPSSO and national legislation that will materially affect either your interests or your ability to comply with the GGPSSO (GGPSSO Scope and Objective)? Please specify the nature of such conflict

We do not anticipate conflicts so far with the exception of the mentioned above about secondary markets.

- 1.9 If you have entered into a new storage contract after the adoption of the GGPSSO (18 March 2005), do you believe that there is a conflict between the requirements of the GGPSSO and certain clauses of your contract (e.g. publication of certain data, day-ahead release of non-nominated injectability and deliverability)? Please specify the nature of such conflict

No

- 1.10 Do you believe there are gaps in the GGPSSO? How could the effectiveness of third party access to storage be improved?

No

2 Section 2: monitoring of the implementation of the Guidelines for Good Practice for Gas Storage System Operators (GGPSSO)

These questions are designed to monitor implementation of the GGPSSO requirements due to be implemented from 1 April 2005.

If you are a customer/potential customers of several SSOs, the questionnaire should ideally be completed for each SSO

General

2.1 Business name of respondent: Gas Natural Comercializadora

2.2 Please specify if you are (several answers possible):

| | <i>tick</i> |
|--|-------------------------------------|
| (a) a production company | <input type="checkbox"/> |
| (b) a supply undertaking | <input checked="" type="checkbox"/> |
| (c) a wholesale customer | <input type="checkbox"/> |
| (d) a trader | <input type="checkbox"/> |
| (e) a TSO | <input type="checkbox"/> |
| (f) a DSO | <input type="checkbox"/> |
| (g) a final customer | <input type="checkbox"/> |
| (h) other (e.g. local utility, distribution company, retailer including public services) | <input type="checkbox"/> |
| | |

2.3 Please specify if you are:

| | <i>tick</i> |
|--|-------------------------------------|
| (a) part of the same vertically integrated undertaking as to the SSO to which this questionnaire applies | <input type="checkbox"/> |
| (b) a company with no relationship whatsoever with the SSO | <input checked="" type="checkbox"/> |

- 2.4 If you have ticked the box for question 2.3 (a), can you confirm that there is a document setting out all the terms and conditions relating to storage use by the affiliate company and that this document is used (GGPSSO 1.3)?

| | <i>yes</i> | <i>no</i> |
|--|--------------------------|--------------------------|
| | <input type="checkbox"/> | <input type="checkbox"/> |

- 2.5 Please provide the name/country of the SSO you are a customer of and to which this questionnaire applies

| |
|--------|
| Enagas |
|--------|

- 2.6 Do you own storage capacity rights in this storage system (date of reference: 1 April 2005)

| | <i>yes</i> | <i>no</i> |
|--|-------------------------------------|--------------------------|
| | <input checked="" type="checkbox"/> | <input type="checkbox"/> |

- 2.7 Please specify if you experienced any refusal of access in this storage system:

| | <i>yes</i> | <i>no</i> |
|-------------------------|-------------------------------------|-------------------------------------|
| (a) before 1 April 2005 | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| (b) after 1 April 2005 | <input checked="" type="checkbox"/> | <input type="checkbox"/> |

- 2.8 If the answer is “yes”, what were the reasons for the refusal of access?

| |
|---|
| Lack of injection capacity, what it is not related with the implementation of GGPSSO. |
|---|

- 2.9 For the SSO you are a customer of, please indicate if:

| | <i>tick</i> |
|--|-------------------------------------|
| (a) you have signed the relevant storage code | <input type="checkbox"/> |
| (b) you have entered into a contract based on a standard storage contract | <input checked="" type="checkbox"/> |
| (c) you have entered into a contract in the absence of a standard storage contract , or in another sort of arrangement | <input type="checkbox"/> |

Roles and responsibilities of Storage System Operators

- 2.10 Please provide details on whether and how you were consulted by the SSO in developing a standard storage contract/storage code (GGPSSO 1.2.b)

| |
|---|
| Standard storage contracts exist and were developed after a consultation process carried out by the Energy Regulator. |
|---|

2.11 Please provide details on the guarantees you were asked to provide with respect to creditworthiness (GGPSSO 1.2.h)

A guarantee of an amount equivalent to 85% of the annual fix term of the storage tariff has to be provided before signing a storage capacity contract

Necessary TPA services

2.12 Are you obliged through a PSO to book storage capacity?

| | yes | no |
|--|-------------------------------------|--------------------------|
| | <input checked="" type="checkbox"/> | <input type="checkbox"/> |

2.13 Would you say that the menu of services offered on the primary market meets your needs, as far as the following criteria are concerned (GGPSSO 3.3, 3.5, 3.7, 3.8):

| | yes | no |
|--|-------------------------------------|--------------------------|
| (a) size of standard bundled units (SBUs) appropriate | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| (b) no undue restrictions on the starting date and the prevailing physical flows | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| (c) duration of contracts | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| (d) price | <input checked="" type="checkbox"/> | <input type="checkbox"/> |

2.14 If any of these criteria (question 2.13 (a) – (d)) is not met, please state why. Which improvements would be necessary to meet your demand?

2.15 Is there an additional charge if you inject or withdraw at a time of the year when the prevailing physical flows are in the other direction (GGPSSO 3.7)?

| | yes | no |
|--|--------------------------|-------------------------------------|
| | <input type="checkbox"/> | <input checked="" type="checkbox"/> |

2.16 If the answer is “yes”, is the additional cost “unjustified” or “justified” in your opinion (GGPSSO 3.7)? Please provide details

2.17 What is the timeframe for solving capacity booking requests (based on your experience) (GGPSSO 3.9)?

The Spanish regulation establishes that the SSO has to answer within the 24 days following the capacity booking request. However, in practice, the SSO answers in 1 week (approximately).

2.18 What is the timeframe for solving other requests (please specify) (GGPSSO 3.9)?

Additional requests are solved in 1 week (approximately)

2.19 Does the SSO respond in a time frame compatible with your reasonable commercial needs (GGPSSO 3.9)?

| | <i>yes</i> | <i>no</i> |
|--------------------------------|-------------------------------------|--------------------------|
| (a) capacity booking requests? | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| (b) other requests? | <input checked="" type="checkbox"/> | <input type="checkbox"/> |

2.20 If the answer is “no”, please provide details (GGPSSO 3.9)

Storage capacity allocation and congestion management

2.21 Does the storage capacity allocation mechanism applied by the SSO meet all the requirements below (GGPSSO 4.1):

| | <i>tick</i> |
|---|-------------------------------------|
| (a) it facilitates the development of competition and liquid trading of storage capacity (GGPSSO 4.1.a) | <input checked="" type="checkbox"/> |
| (b) it is compatible with market mechanisms including spot markets and trading hubs (GGPSSO 4.1.a) | <input checked="" type="checkbox"/> |
| (c) it does not create undue barriers to market entry (GGPSSO 4.1.c) | <input checked="" type="checkbox"/> |
| (d) it does not prevent new market entrants and companies with a small market share from competing effectively (GGPSSO 4.1.c) | <input checked="" type="checkbox"/> |
| (e) it does not prevent customers from changing suppliers at any time of the year (GGPSSO 4.3) | <input checked="" type="checkbox"/> |

2.22 If any of these criteria (question 2.21 (a) – (e)) is not met, please explain why (GGPSSO 4.1)

2.23 Do the congestion management procedures applied by the SSO meet all the requirements below (GGPSSO 4.2):

| | <i>tick</i> |
|---|-------------------------------------|
| (a) they facilitate the development of competition and liquid trading of storage capacity (GGPSSO 4.1.a) | <input checked="" type="checkbox"/> |
| (b) they are compatible with market mechanisms including spot markets and trading hubs (GGPSSO 4.1.a) | <input checked="" type="checkbox"/> |
| (c) they do not create undue barriers to market entry (GGPSSO 4.1.c) | <input checked="" type="checkbox"/> |
| (d) they do not prevent new market entrants and companies with a small market share from competing effectively (GGPSSO 4.1.c) | <input checked="" type="checkbox"/> |
| (e) they do not prevent customers from changing suppliers at any time of the year (GGPSSO 4.3) | <input checked="" type="checkbox"/> |

2.24 If any of these criteria (question 2.23 (a) – (e)) is not met, please explain why (GGPSSO 4.2)

Transparency requirements

2.25 Does the SSO provide you with sufficient and timely information in order to gain effective and efficient access to storage (GGPSSO 6.5)?

| | <i>yes</i> | <i>no</i> |
|--|-------------------------------------|--------------------------|
| | <input checked="" type="checkbox"/> | <input type="checkbox"/> |

Comment: However, it would be useful to get information for the short term: available injection and withdrawal capacity.

2.26 If the answer is “no”, please explain why (GGPSSO 6.5)

2.27 Have you ever made a request to the SSO not to publish some information (please specify which data), because it would harm your commercial interests (GGPSSO 6.2)?²

[confidential]

² answers to this question will be treated as confidential

Tariff structure and derivation

Where regulated

2.28 Do you think that the tariff structure of the SSO promotes efficient commercialisation and use of storage (GGPSSO 7.1.d)?

| | | |
|--|-------------------------------------|--------------------------|
| | <i>yes</i> | <i>no</i> |
| | <input checked="" type="checkbox"/> | <input type="checkbox"/> |

2.29 If the answer is “no”, please explain why (GGPSSO 7.1.d-f)

Where negotiated

2.30 Charges (GGPSSO 7.2):

| | |
|--|--------------------------|
| | <i>tick</i> |
| (a) do not restrict market liquidity of storage capacity (GGPSSO 7.2) | <input type="checkbox"/> |
| (b) do not create undue barriers to market for new entrants (GGPSSO 7.2) | <input type="checkbox"/> |
| (c) promote efficiency and facilitates competition in the use of storage services (GGPSSO 7.2.b) | <input type="checkbox"/> |

2.31 If any of these criteria (question 2.30 (a) – (c)) is not met, please explain why (GGPSSO 7.2)

2.32 Are charges negotiated in a time frame compatible with your reasonable commercial needs (GGPSSO 7.2.d)?

| | | |
|--|--------------------------|--------------------------|
| | <i>yes</i> | <i>no</i> |
| | <input type="checkbox"/> | <input type="checkbox"/> |

2.33 If the answer is “no”, please explain why (GGPSSO 7.2.d)

Storage penalties

2.34 Where they are established, storage penalties (GGPSSO 8.2)

| | <i>tick</i> |
|--|--------------------------|
| (a) are proportionate | <input type="checkbox"/> |
| (b) do not hamper the entry of new participants into the market | <input type="checkbox"/> |
| (c) are cost-reflective, to the extent possible, whilst providing incentives for the appropriate use of storage capacity | <input type="checkbox"/> |

2.35 If any of these criteria (question 2.34 (a) – (c)) is not met, please explain why (GGPSSO 8.2)

| |
|--|
| Comment: There are no penalties stated in the national regulation, either for the operator or the user, but both parties are subject to the legal responsibilities if they fail to fulfil their contractual obligations. |
|--|

Secondary market

Comment: Secondary markets of capacity are under development and their implementation is expected for the beginning of 2006. At the moment, the Spanish regulation does not allow to trade with storage capacity in a secondary market.

2.36 What kind of services can be traded on the secondary market (GGPSSO 9.1) ?

| | <i>yes</i> | <i>no</i> |
|-----------------------------------|--------------------------|--------------------------|
| (a) standard bundled units (SBUs) | <input type="checkbox"/> | <input type="checkbox"/> |
| (b) unbundled services | <input type="checkbox"/> | <input type="checkbox"/> |

2.37 Do you trade storage capacity on the secondary market (GGPSSO 9)?

| | <i>yes</i> | <i>no</i> |
|--|--------------------------|--------------------------|
| | <input type="checkbox"/> | <input type="checkbox"/> |

2.38 If not, please state why (GGPSSO 9) ?

| | <i>tick</i> |
|---|--------------------------|
| (a) not possible | <input type="checkbox"/> |
| (b) possible but difficult in practice | <input type="checkbox"/> |
| (c) not interested in secondary trading of storage capacity | <input type="checkbox"/> |
| (d) other (please specify) | <input type="checkbox"/> |
| | |

2.39 Please provide details on how secondary trading of storage capacity is facilitated by the SSO (GGPSSO 9.1)

Interoperability

2.40 Does your SSO ensure interoperability between the storage system and the transmission system (GGPSSO 10.1)?

| | <i>tick</i> |
|--|-------------------------------------|
| (a) services offered are consistent with those offered by the adjacent TSO | <input checked="" type="checkbox"/> |
| (b) operational procedures, such as nominations, are compatible with those of the adjacent TSO | <input checked="" type="checkbox"/> |
| (c) re-nomination procedures meet market participants' requirements | <input checked="" type="checkbox"/> |
| (d) relevant storage arrangements are matched in consistency with the balancing requirements of the adjacent transmission system | <input checked="" type="checkbox"/> |
| (e) other | <input checked="" type="checkbox"/> |

2.41 If any of this item (question 2.40 (a) – (e)) is not met, please provide comments based on your experience (GGPSSO 10.1)