

## **ERGEG 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 Directive<sup>1</sup>). 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 (ERGEG) 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**

ERGEG is committed to open and transparent consultation. The GGPSSO were developed through consultation over a number of months. ERGEG 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 ERGEG website. Please note that responses to the questionnaires will also be published on the ERGEG web site at the end of June.

At this stage of the process, ERGEG 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, ERGEG has prepared a list of questions for users.

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<sup>1</sup> 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>). **EREG 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 Cussaguet and/or Rosita Carnevalini (see addresses/email above).

EREG 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.*

The following answers relate only to the Netherlands

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

*In the Netherlands*, the GGPSSO has clearly been taken into account by SSOs, though some guidelines still have to be implemented in a better way.

**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?**

*In the Netherlands*, both the TTF hub and import flexibilities are broadly used as alternatives, to a certain extent, to storage services. Nevertheless, to achieve high additional flows at reasonable cost during peak periods, a storage is likely to be the most appropriate asset

**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)?**

*In the Netherlands*, TPA services have obviously been positively influenced by GGPSSO regarding :

- Non-discriminatory and transparent marketing,
- Publication on the Internet of the storage services,
- Bundled services of various sizes and durations,
- Deemed nominations though an additional agreement is needed with a trading & supply operator,

On the other hand, some points still have to be improved :

- Injection and withdrawal periods suffer from time limitations;
- Injection and withdrawal minimum flows are too high, often requiring an additional agreement with a trading & supply operator

**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)?**

*In the Netherlands*, contractually speaking (since no operational feedback is available at the moment), the allocation procedures, based on prorata calculations, aims to preserve the subscribers' right to inject/withdraw, while respecting the physical and technical constraints of the storage. Though these constraints could be explained in a more straightforward and user-friendly way.

- 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)?

*In the Netherlands*, SSOs provide with sufficient and timely information, though sometimes publishing documents (standard agreements for example) that would need an update. Moreover, to help understand the storage offers rapidly, SSOs could join slides or charts to the text documents, in order to make them more user-friendly.

- 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)?

*In the Netherlands*, the prices for standard services, which stand quite high relatively to other European countries, are not benchmarked by the SSOs. Detail regarding the cost of the investments is not spontaneously provided.

- 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)

*In the Netherlands*, contractually speaking (since no operational feedback is available at the moment), assignment and tradability are made possible.

- 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

*In the Netherlands*, the storage agreements refer to Dutch authorities and regulations, on which foreign Customers have to gather information and/or give agreement :

- The arbitration court is the NAI (Nederlands Arbitrage Instituut) whereas the most common or convenient court would be the ICC (International Chamber of Commerce);
- The Dutch civil code is quoted but these quotations are not provided in an annex.

- 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

*In the Netherlands*, such conflicts have not been identified in the latest contracts.

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

*In the Netherlands*, the effectiveness of TPA to storage will probably be satisfactory once the GGPSSO has been completely implemented

**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:** Gaz de France, direction Négoce

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

	<i>tick</i>
(a) a production company	<input type="checkbox"/>
(b) a supply undertaking	x
(c) a wholesale customer	x
(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	x

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

NAM (Nederlandse Aardolie Maatschappij B.V)
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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 type="checkbox"/>	<input checked="" 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 type="checkbox"/>	<input checked="" type="checkbox"/>

2.8 If the answer is "yes", what were the reasons for the refusal of access?

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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)

NAM provided : (i) a Standard bundled storage agreement, (ii) a side letter agreement amending the Standard agreement, (iii) an Operating manual and (iv) a Measurement Manual
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2.11 Please provide details on the guarantees you were asked to provide with respect to creditworthiness (GGPSSO 1.2.h)

NAM did not ask for a Letter of Credit, considering there was no reasonable grounds for doing so.

**Necessary TPA services**

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

	yes	no
	<input type="checkbox"/>	<input checked="" 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 type="checkbox"/>	<input checked="" 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?

2.13 (b) : An additional agreement with Gasunie Trade & Supply is needed by the Customer in order to overcome a number of flow restrictions and physical constraints. Such an agreement could be integrated to the offer, so that the Customer can deal with only one counterpart.

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)?

No operational feedback is available at the moment  
Day-ahead nominations and intra-day renominations are available

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

For such other requests, no operational feedback is available at the moment.

**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?	x	<input type="checkbox"/>
(b) other requests?	x	<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)	x
(b) it is compatible with market mechanisms including spot markets and trading hubs (GGPSSO 4.1.a)	x
(c) it does not create undue barriers to market entry (GGPSSO 4.1.c)	x
(d) it does not prevent new market entrants and companies with a small market share from competing effectively (GGPSSO 4.1.c)	<input type="checkbox"/>
(e) it does not prevent customers from changing suppliers at any time of the year (GGPSSO 4.3)	x

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

2.21 (d) : the bundle size and the need to subscribe an additional agreement with Gasunie Trade & Supply makes it expensive for a new market entrant to enter the system.





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)	x
(b) they are compatible with market mechanisms including spot markets and trading hubs (GGPSSO 4.1 a)	x
(c) they do not create undue barriers to market entry (GGPSSO 4.1 c)	x
(d) they do not prevent new market entrants and companies with a small market share from competing effectively (GGPSSO 4.1 c)	x
(e) they do not prevent customers from changing suppliers at any time of the year (GGPSSO 4.3)	x

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>
	x	<input type="checkbox"/>

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)?<sup>2</sup>

[confidential]

<sup>2</sup> 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>
	x	<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)	x
(b) do not create undue barriers to market for new entrants (GGPSSO 7.2)	x
(c) promote efficiency and facilitates competition in the use of storage services (GGPSSO 7.2 b)	x

**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>
	x	<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	X
(b) do not hamper the entry of new participants into the market	X
(c) are cost-reflective, to the extent possible, whilst providing incentives for the appropriate use of storage capacity	X

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

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**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)	X	<input type="checkbox"/>
(b) unbundled services	<input type="checkbox"/>	X

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

	<i>yes</i>	<i>no</i>
	<input type="checkbox"/>	X

**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	X
(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)**

NAM's Standard Storage agreement mentions the right for the Customer to trade services or any part thereof, but the trading platform is only available to Customers that have concluded a gas storage service agreement with NAM and have signed the Trading Manual.

**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	X
(b) operational procedures, such as nominations, are compatible with those of the adjacent TSO	X
(c) re-nomination procedures meet market participants' requirements	X
(d) relevant storage arrangements are matched in consistency with the balancing requirements of the adjacent transmission system	X
(e) other	NO

**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)**

2.40 (e) : Gas specifications (quality) for the storage entry/exit point, as mentioned respectively by the SSO and the transmission operator in their documents, do not match. At least one of the two documents has to be amended. Up to now, the situation has not been explained clearly by neither of the parties.