



Capacity Allocation on European Gas Transmission Networks

Pilot Framework Guideline

**Ref: E09-GNM-10-05
10 December 2009**

INFORMATION PAGE

Abstract

On 22 September 2009 the Commission invited ERGEG to draft a pilot framework guideline on capacity allocation in gas transmission networks. In the context of the pilot project, ERGEG declared its readiness to assume the role assigned to the Agency under Article 6 (2) of Regulation (EC) 715/2009 ("Gas Regulation") and to submit a non-binding framework guideline within 6 months of receipt of the Commission's notification.

This pilot framework guideline is based on ERGEG's previous work on capacity allocation and congestion management. ERGEG has published in August 2009 the results of the public consultation on its principles and proposals for capacity allocation and congestion management published in January 2009 (the 'ERGEG consultation').¹

Target Audience

Energy suppliers, traders, gas/electricity customers, gas/electricity industry, consumer representative groups, network operators, Member States, academics and other interested parties.

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How to respond to this consultation

Deadline: **26 February 2010**

Comments should be sent by e-mail to: fg_pilot_gas@ergereg.org

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All responses except confidential material will be published on the website www.energy-regulators.eu.

¹ ERGEG E08-GFG-41-09 (15 Jan 2009) and ERGEG E09-GNM-07-03 (24 August 2009)

Treatment of Confidential Responses

In the interest of transparency, ERGEG

- i) will list the names of all respondents (whether confidential or not) or, alternatively, make public the number (but not the names) of confidential responses received;
- ii) requests that any respondent requesting confidentiality submit those confidential aspects of their response in a “confidential appendix”. ERGEG will publish all parts of responses that are not marked confidential.

For further information on ERGEG’s rules, see ERGEG Guidelines on Consultation Practices.

Related Documents

- “ERGEG principles on Capacity allocation and congestion management in European gas transmission networks”, ERGEG, December 2009, Ref. E09-GNM-10-03
- “Pilot Framework Guideline on Capacity Allocation on European Gas Transmission Networks – Impact Assessment”, ERGEG, December 2009, Ref. E09-GNM-10-06
- “Recommendations for Guidelines adopted via comitology procedure on Congestion Management Procedures on European Gas Transmission Networks”, ERGEG, December 2009, Ref. E09-GNM-10-07
- “Recommendations for Guidelines adopted via comitology procedure on Congestion Management Procedures on European Gas Transmission Networks – Impact Assessment”, ERGEG, December 2009, Ref. E09-GNM-10-04

1. SCOPE OF THE ARRANGEMENTS

F1 General rules

F1.1 Scope

The rules in this Guideline apply to cross-border interconnection points between two or more Member States as well as interconnections between adjacent entry-exit-systems² within the same Member State, insofar the points are subject to booking procedures by users. Exit points to end consumers and distribution networks, entry points to supply-only networks, entry points from LNG-terminals, and entry/exit points to or from storage facilities are not subject to this Guideline.

This framework guideline applies to capacity as calculated by transmission system operators.

The network code adopted according to this Guideline will be applied by transmission system operators taking into account possible public service obligations and without prejudice to the regulatory regime for cross border issues pursuant to Article 42 of Directive 2009/73/EC and of the responsibilities and powers of regulatory authorities established according to Article 41 paragraph 6 of Directive 2009/73/EC.

2. ADAPTATION OF EXISTING CAPACITY CONTRACTS

F1.2 Existing contracts

Following the adoption of a legally binding network code, transmission system operators shall amend all relevant clauses in capacity contracts and/or all relevant clauses in the general terms and conditions underlying the capacity contract existing prior to the application of this code in line with the implemented provisions within 6 months after entering into force of the code. Expiring contracts shall not be subject to tacit extension.

3. TSO COOPERATION

F1.3 Cooperation

The network code shall set out that transmission system operators cooperate with adjacent transmission system operators and shall specify the necessary procedures. The network code shall clearly assign responsibilities of transmission system operators in promoting efficient cross-border trade and efficient network access. It shall define how transmission system operators:

- exchange relevant data,
- harmonise capacity products and capacity allocation, including their timing,
- harmonise their maintenance in order to optimise network access,
- cooperate in the area of capacity calculation and maximisation.

² As provided for by recital 19 and art. 13 (1) al. 4 of Gas Regulation 715/2009

Capacity calculation and maximisation

The network code shall set out how transmission system operators cooperate with regard to capacity calculation and maximisation in order to maximise the capacity they offer. Transmission system operators shall make their methodologies for capacity calculation transparent.

In order to maximise available capacity, the network code shall set out how transmission system operators exchange information when planning day-to-day network operation, including forecast entry and exit flows as well as the availability of network components, of capacity buy-back mechanisms, if any, and of system balancing energy.

4. CONTRACTS, CODES AND COMMUNICATION PROCEDURES

F1.4 Contracts, conditions and communication

As regard capacity allocation, the network code shall define the harmonised content of transportation contracts and conditions of access to capacity.

The network code shall set out the relevant data to be published at every interconnection point. It shall standardise communication procedures that are applied by transmission system operators to exchange information between themselves and with their users. Coordinated information systems and compatible electronic on-line communications shall be utilised particularly for capacity booking and transfers of capacity rights between network users.

5. CAPACITY PRODUCTS

F2 Third party access

F2.1 Capacity products

The network code shall set out that, at each interconnection point transmission system operators determine the firm and interruptible capacity³ they jointly offer.

Network codes shall foresee that transmission system operators offer firm and interruptible capacity at any interconnection point in both directions; at unidirectional points, backhaul capacity shall be offered at least on an interruptible basis. The published available firm capacity shall be binding on the transmission system operator.

The network code shall define a small set of standardised firm and interruptible capacity products of different durations and starting dates. The same set of products shall be offered at every interconnection point. The capacity product design shall aim at developing of competitive gas markets. It shall regularly be subject to proper consultation with network users.

The capacity offered shall be expressed in energy units per unit of time. The offer and use of separate capacity for transit purposes shall be forbidden.

³ As defined in art. 2 (20) of the Gas Directive 715-2009

6. INTERRUPTIBLE CAPACITY PRODUCTS

F2.2 Interruptible capacity products

The network code shall set out that transmission system operators offer harmonised interruptible capacity products at every interconnection point in both directions.

Adjacent transmission system operators shall implement procedures, including the definition of interruption lead times, to ensure that interruptions take place in a coordinated manner.

The network code shall define the possible reasons of interruption, classes of interruptibility, the sequence how interruptions take place and the methodology to calculate the likelihood of interruption.

Registered network users are entitled to submit nominations on an interruptible basis at any time. This entitlement shall not restrict the allocation of firm capacity by transmission system operators.

7. BREAKDOWN AND OFFER OF CAPACITY PRODUCTS

F2.3 Breakdown and offer of capacity products

Depending on the market's needs and conditions, transmission system operators shall determine the breakdown of available capacity between the different long and short term capacity products. A reasonable percentage of the available capacity shall be set aside for firm short term capacity products. The amount of capacity for each capacity product shall be aligned between adjacent transmission system operators and approved by national regulatory authorities for each interconnection point. It shall be published and subject to regular consultations.

The network code shall set out the procedures followed by transmission system operators to offer all available capacity in a transparent and non-discriminatory manner as firm and interruptible long and short-term capacity products. The transmission system operators shall offer the firm capacity available plus

- any remaining firm capacity not previously allocated,
- any capacity from previous allocations surrendered by capacity holders and
- any unused capacity released through use-it-or-lose-it mechanisms.

8. CROSS-BORDER PRODUCTS

F2.4 Cross-border products

F2.4.1 Combined products

The network codes shall set out that the transmission system operators jointly offer combined capacity products at every interconnection point. The combined products include the exit capacity from one zone and the entry capacity into the adjacent zone. This requires the adjacent transmission system operators to cooperate closely. In order to achieve the aim of offering combined products transmission system operators shall at least agree that one of them allocates all available entry and exit capacity jointly offered. National regulatory authorities may decide that combined products may not be transferred separately or nominated differently.

F2.4.2 Bundled products

The network code shall foresee that in case capacity offers, products, allocation and utilisation mechanisms are harmonised transmission system operators offer bundled capacity products. The exit and entry capacity at every point connecting adjacent entry-exit systems shall be integrated in such a way that the transport of gas from one system to an adjacent system is provided on the basis of a single allocation procedure and single nomination.

Bundling capacity comprises integrating exit and entry capacity at a given interconnection point into one single product in such a way that the transport of gas from one entry-exit zone to an adjacent zone is provided through a single allocation procedure and single booking.

The network code shall also set out that capacity at two or more points connecting the two same adjacent entry-exit systems is integrated into one single capacity product representing one single contractual interconnection point. Transmission system operators shall calculate the entire technical capacity of the bundled product and shall make their methodologies for the capacity calculations transparent.

The network code shall lay down an action plan to realise bundled products and to replace combined products. This plan shall include a timetable.

9. PRIMARY CAPACITY ALLOCATION

F3 Primary Capacity Allocation

The network code shall set out how transmission system operators offer capacity on a regular basis for all firm products. The network code shall define a number of regular points in time for the allocation of firm capacity products. Each of these points in time shall be appropriate with regard to the duration of the capacity product offered at this allocation date. The longer the capacity product duration, the longer its allocation lead time (i.e. the time between the allocation of the capacity and its use). Each allocation procedure shall contain a time window during which capacity is requested.

The network code shall set out that for the same capacity product the allocation procedures take place at every interconnection point in Europe in a coordinated way.

Capacity allocation procedures shall be designed with regard to market conditions and shall be regularly reviewed and revised if necessary.

The network code shall set out that adjacent transmission system operators apply harmonised allocation mechanisms. It shall require that transmission system operators publish the detailed procedure as well as the capacity offered, its lead time and its duration sufficiently in advance.

Capacity allocations shall not take place outside the standard allocation procedures as applied according to this Guideline.

F3.1 Auctions

The network code shall set out that firm capacity products are allocated via auction. The network code shall set out the principles and possible options of anonymous and transparent online-based auction procedures. The auction design shall be subject to review by the regulatory authorities concerned and to regular market consultations.

Auction revenues exceeding the regulated tariffs (or values determined by the national regulatory authority) shall be used for different aims in accordance with national provisions, such as lowering network tariffs, removing congestion by investments or providing incentives to the transmission system operators to offer maximum capacity.

The network code shall not impede potential allocation by means of implicit auctions.

F3.2 Pro rata

The network code shall set out that pro rata allocations may be applied during an interim period, when conditions are not met for efficient and fair auctions. This might in particular be the case where auctions would result in distorted bidding behaviour. It will be up to the competent regulators to decide whether the conditions are met or not⁴.

According to the pro rata mechanism every shipper is allocated a portion of capacity equal to the proportion of its capacity demand related to the total capacity demanded by shippers during the allocation procedure.

F3.3 First come first served

The network code shall set out that transmission system operators jointly offer and allocate any firm capacity becoming available after allocation of day-ahead firm capacities according to the first come first served principle or via an auction. Transmission system operators shall agree on appropriate common mechanisms for doing so. With the possible exception of intraday capacity, transmission system operators shall not allocate any capacity according to the first come first served principle.

10. RE-MARKETING BOOKED CAPACITY**F3.4 Secondary markets**

The network code shall set out how transmission system operators facilitate trade of capacity rights on the secondary market. The network code shall define harmonised firm secondary capacity products and anonymous procedures for offer and allocation in line with those on the underlying primary capacity market. The network code shall define further methods to facilitate secondary trading of capacity. Transmission system operators shall be entitled to split and combine offered and unsold secondary capacity products into products of shorter duration for the subsequent allocation.

11. BOOKING PLATFORMS**F3.5 Booking platforms**

The network code shall set out that adjacent transmission system operators establish joint, anonymous, web-based platforms for primary capacity allocation and secondary capacity trading. All capacity connecting their systems is to be allocated via this platform, unless allocated by means of implicit auctions. Primary and secondary capacity products shall be offered and allocated jointly on these platforms.

The number of platforms shall be reasonably small and the network code shall lay down an action plan to further reduce the number of platforms. This plan shall define interim steps and shall include a timetable.

⁴ According to art. 41 (6)c and 9 of the Directive 2009/73/EC, "[T]he regulatory authorities shall be responsible for fixing or approving sufficiently in advance of their entry into force at least the methodologies used [...] establish the terms and conditions for: [...] access to cross-border infrastructures, including the procedures for the allocation of capacity