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ERGEG Recommendations on Capacity Allocation – The new Framework Guidelines on Capacity Allocation

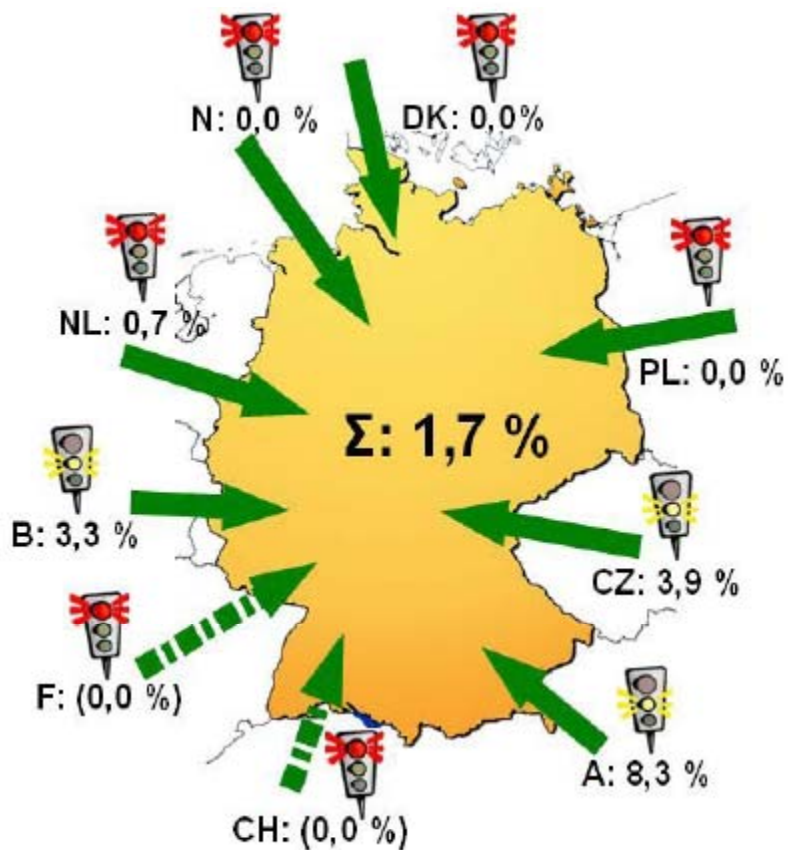
Markus Backes

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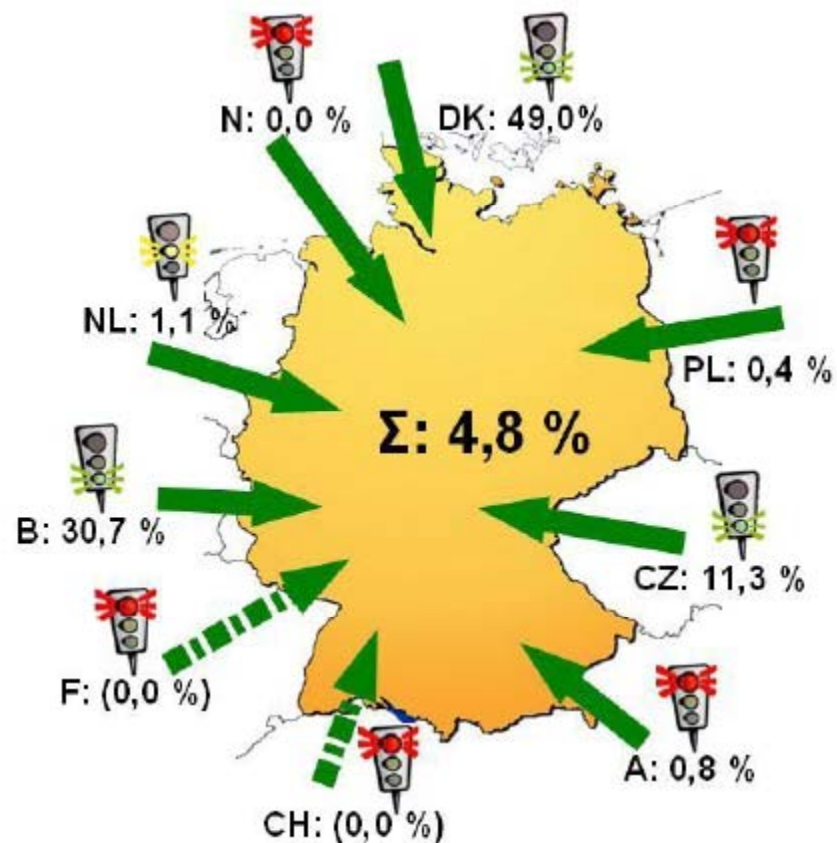
Federal Network Agency, Bundesnetzagentur



Available firm entry capacity (2008/2009)*

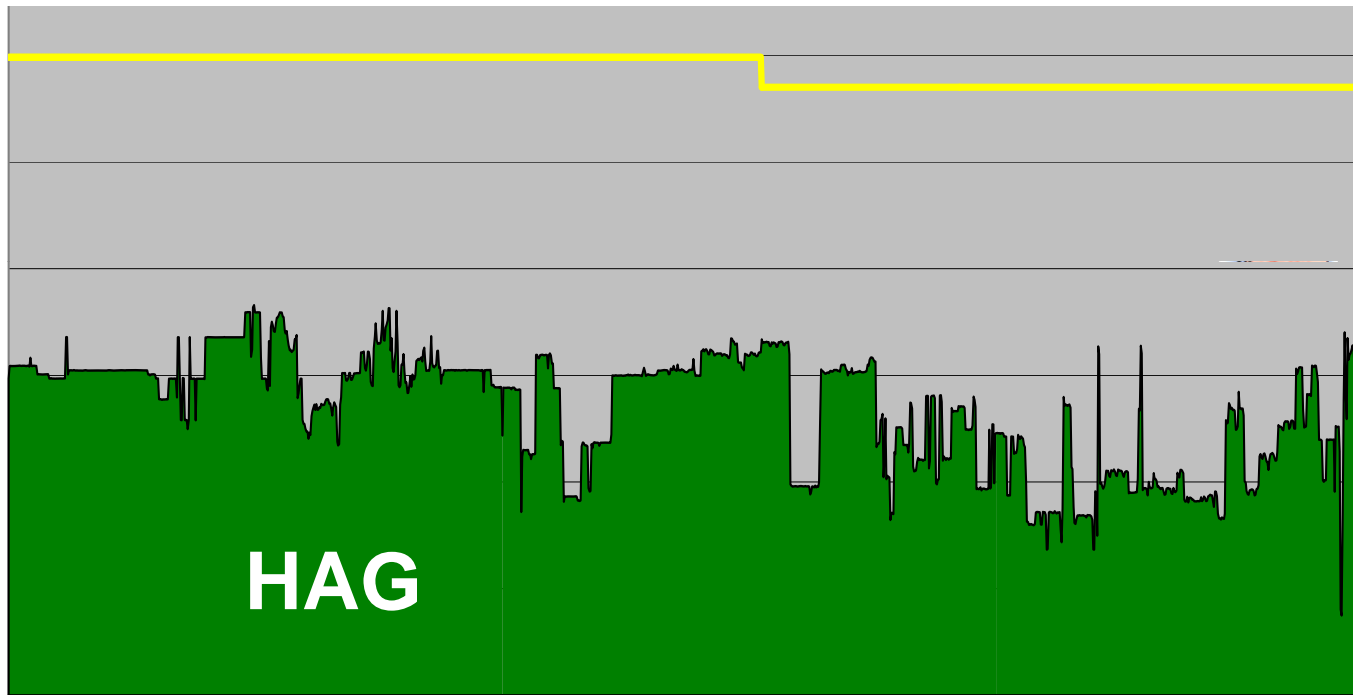


Available firm entry capacity (2011/2012)*





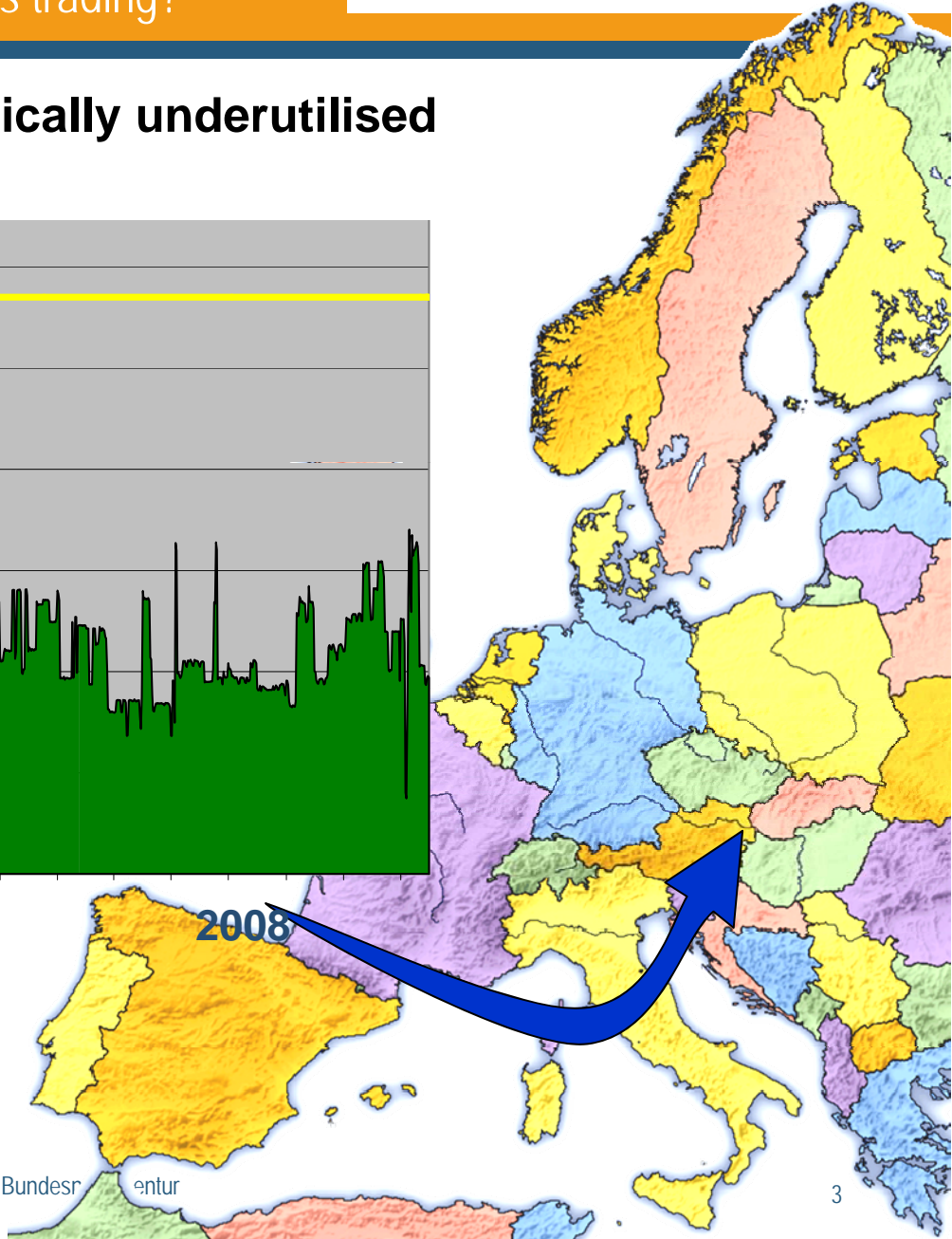
Fully booked point which is physically underutilised



2006

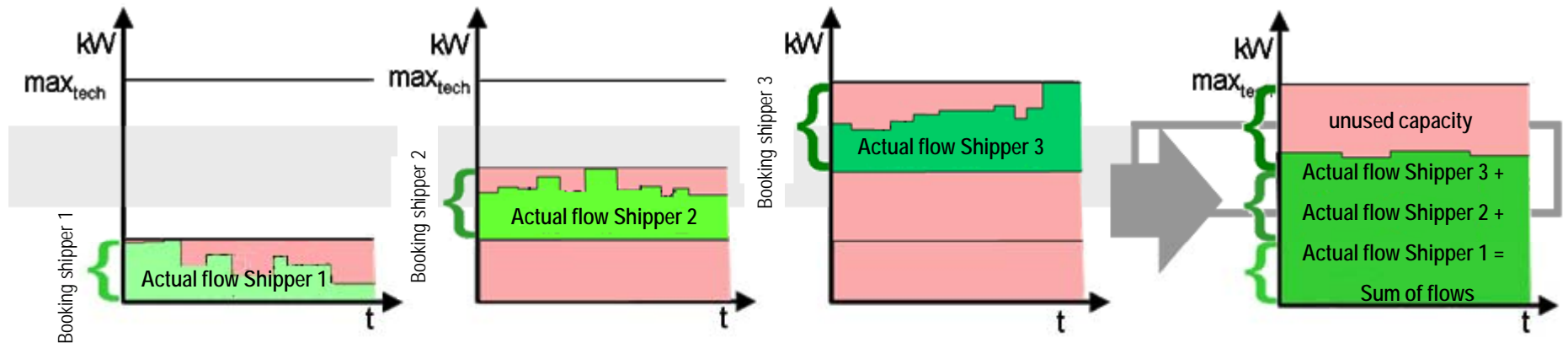
2007

Hungarian-Austrian-Gasleitung (HAG) - connects Baumgarten gas hub with Hungarian border





- The more successful competitive markets develop the **more shippers** use the existing capacity
- Accumulation of bookings results in an **permanently unused** part of



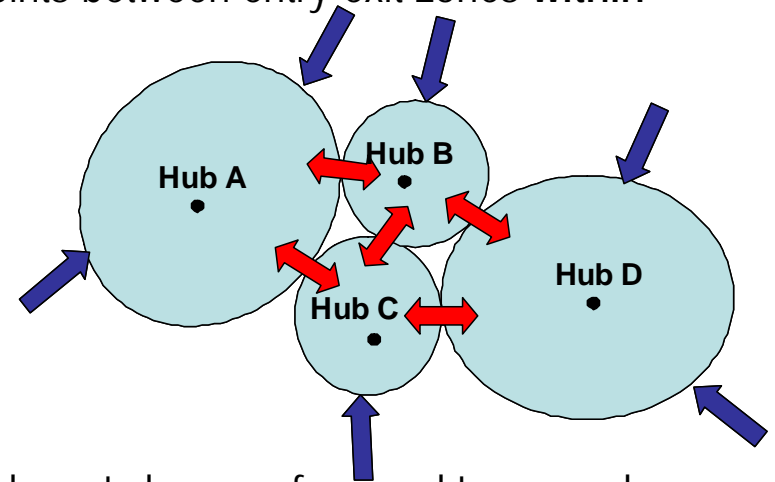
→ **Contractual congestion is a structural problem**

→ **Congestion management required permanently**

- Proposed problem solution: **Making available all unused capacity to increase liquidity of Hubs by capacity use for Hub-interaction**



- **Scope of the Framework guideline:** interconnection points between entry-exit zones **within** the EU (↔)
- **TSO cooperation**
 - Harmonisation of capacity products and allocation
 - Capacity calculation and maximisation
 - Communication procedures
- **Existing contracts**
 - amendment of existing capacity contracts and/or relevant clauses of general terms and conditions where needed
- **Definition of capacity products**
 - **Objective:** make access to capacity more simple
 - Small number of products of various durations, from short term to multi-annual
 - A minimum share of capacity shall be sold as short term products (10%)
 - Firm and interruptible products





■ Harmonisation of products

- Products should be the same all over Europe
- Interruptible capacity definition and calculation have to be harmonised
- Interruptions should take place in a coordinated manner

■ Capacity offered

- All the non previously allocated capacity, capacity surrendered by shippers and UIOLI capacity
- Long term bookings not affected

■ Bundled products

- Capacity (entry-exit) at interconnection points to be sold via bundled products
- Virtual interconnection point to be established: several physical interconnection points connecting the same entry-exit zones

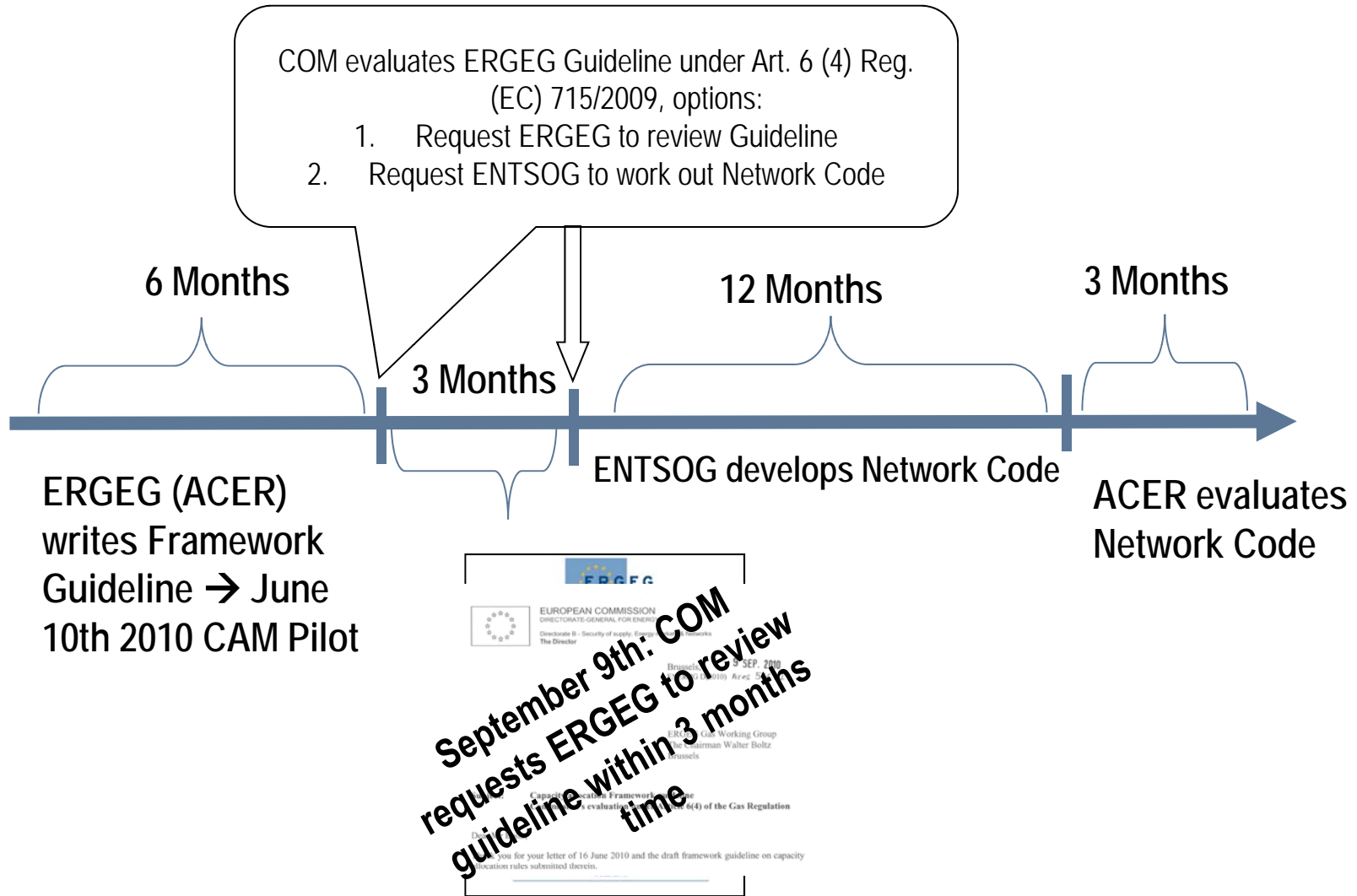


- **Capacity allocation procedures**
 - If no congestion, capacity is allocated as requested by shippers
 - Coordinated allocations throughout the EU
 - Auction as standard allocation methodology
 - Pro-rata allowed as interim step when necessary
 - **Priority:** having the same CAM on the two sides of interconnection points

- **FCFS to be banned**
 - except perhaps for intraday capacity allocations

- **Regular and timely coordinated** allocation for all the interconnection points
- Booking platforms

Capacity Allocation Framework Guidelines – Status quo





- COM evaluated Guideline under Art. 6(4) Reg. (EC) No. 715/2009
 - Non-discrimination
 - Effective competition
 - Efficient functioning of the market



General tenor: beneficial to internal market, but not sufficient with regard to certain points → letter to ERGEG to review guideline



- Issues welcomed by the EC
 - Harmonised capacity products
 - Bundling of capacities
 - Market-based CAM

- Issues to be further elaborated
 - Possibility for NRA decision in some areas (CAM)
 - “Technical” parameters reg. bundling of capacities (timing, loss of capacities, relation to existing contracts)
 - Auction design (reserve price, existing capacities, allocation method)
 - Rules for firm vs interruptible capacities
 - Harmonisation of gas day



- Next steps:
 - ERGEG agrees with the need for harmonisation, however, a broad consensus has to be reached among Stakeholders and NRAs
 - ERGEG will revise the FG where further clarification is needed or will develop additional justifications on the proposed text
 - ERGEG is in contact with EC to discuss in detail the issues raised



ERGEG will deliver a revised guideline in due time



Thank you for your attention!

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