

Evaluation of Responses to 2nd Public Consultation on GTC Template (EC) 2017/459, art. 20.2.

Participants

ENGIE / Global Energy Management	Network User
Eni	Network User
Eurogas	Association of Network Users
European Federation of Energy Traders	Federation of Energy Traders
Gas Natural Fenosa	Network User
Gazprom Marketing and Trading	Trader
IOGP	International Association of Oil & Gas Producers

Four Participants requested that their responses should be treated anonymously. Two participants demanded to not disclose their responses at all. Therefore, these two replies are not included in the following evaluation.

Every clause contains score of Agree / Disagree / Abstain votes of the stakeholders. Furthermore, every clause contains written remarks provided by the public consultation participants. Every clause starts at new page. The general participants' remarks are at the end of the document.

1. Identification of parties

This clause aims at the identification of the contracting Parties

Agree: 9

Disagree: 0

Abstain: 2

Comments:

- Arrangements should not prevent separate entities within the same group from entering separate agreements with the relevant TSO on either side of the interconnection point, for example to meet local licensing, taxation or other legal conditions or for purposes of internal compliance. (EFET)
- Considering that the template is for bundled capacity products (only), and it appears to cover only one half of the bundle, it would be good to clarify that the parties to the matching other half of the bundle will be another TSO and can be another legal entity for the network user. (GMT)

2. Object

The clause only refers to the object of the Template proposed by ENTSOG and covers the clauses included in it.

Agree: 7

Disagree: 2

Abstain: 2

Comments:

- The objective of this template is not clear. What could be much more useful is a set of good practises listing the best-of-class service quality offered by TSOs. This could be a positive incentive to help TSOs to converge to highest service quality level. ensure compliance of harmonised rules of bundled contracts with subsidiarity principle (ENGIE)
- Template should also cover assignment and transfer of capacity, treatment of capacity contracts on occasion of default or bankruptcy of capacity holder, application of penalties for overrun of secondary traded capacity. (EFET)

3. Definitions

References to definitions in the Regulation are made in this clause.

Agree: 8

Disagree: 1

Abstain: 2

Comments:

- Should use existing definitions wherever possible. (EFET)
- We suggest indicating in the template when a defined term is used (e.g. in bold print) and to specify in the definitions section of the template that where defined terms are used, those are defined in Directive 2009/73/EC, Regulation (EC) No 715/2009 and Regulation (EC) No 715/2009. (IOGP)
- The definition of "Additional Capacity" by making reference to Annex I to 715/2009 p 2.2.2.1 is not sufficient. Instead reference shall be made to p 2.2.1.3 of Annex I to 715/2009. This definition reflects the intention to maximise the amount of offered capacity much better. The definition of "Firm Capacity" by making reference to art 2.1.16 is insufficient. Firm capacity shall mean any capacity with is firm in connection with Virtual Trading Point of the respective Market area. Any other capacity product (with restrictions regarding routes or temperature) shall not be treated as firm under this General Terms and Conditions. The definition "Secondary Market" seems non-existent in said Art. 21 of 715/2009 - please check! (anonymous)

4. Main rights and obligations

The clause only sets the main rights and obligations in a non-exhaustive manner and in relation to the offer of firm bundled capacity.

Agree: 4

Disagree: 4

Abstain: 3

Comments:

- This article is too general to be useful, and the role of TSOs in helping to complete an integrated and seamless European gas market (e.g. limitation of maintenance, information given to the market, as smooth as possible transactions...) should not be overlooked. (ENGIE)
- TSO should hold a reciprocal obligation to that suggested for network users. i.e. TSO should provide network services according to legal and regulatory texts and in accordance with the Transport Contract. TSO should also operate the system in a safe and efficient manner. (EFET)
- The first two sentences suggest that the template is a contract in addition to the Transport Contract whereas the template should cover the main terms and conditions of the Transport Contract. Furthermore, the rights and obligations of the TSOs for maintenance planning should primarily be in the interconnection agreement of the TSOs concerned and be carried out as much as possible without causing issues for network users. In addition, the rights and obligations for network users and TSOs with respect to gas quality should not be in the transport contracts for bundled capacity products as these contracts are for transporting gas between adjacent virtual points and not for the supply of gas at physical entry points. (IOGP)
- We strongly suggest separating the rights and the obligations of TSO as well as those of Network Users. Furthermore, we see the necessity to expand the list of rights and obligations by various additional tasks and responsibilities. (anonymous)
- For us the relation to the respective national GTCs of TSO are not clear. Also, we are wondering, if we then need to conclude three contracts: two on the basis of the GTCs of the TSOs at one IP and on top of that the template? For a shipper it would be very helpful to have standard GTCs for all TSOs. (anonymous)

5. Capacity allocation rules

This clause is referring to the CAM NC regarding the allocation of firm capacity under standardised products.

Agree: 5

Disagree: 4

Abstain: 2

Comments:

- Capacity conversion service: We suggest writing down the ENTSOG capacity conversion service in here. It is not very consumer or network user friendly to have to switch between various documents while reading GTCs. (anonymous)
- The template could be improved on capacity platform. Capacity conversion is dealt with under this clause and not the following, contrary to what is written in this survey. (ENGIE)
- The obligation to use a booking platform is fine as long as the platform provides the required services. Where a platform restricts sales of capacity (e.g. where capacity is unused, but is not being made available via the platform, or the platform does not support the acquisition of capacity by different entities within the same group), then such an obligation can be counterproductive. TSOs should also be encouraged to extend the capacity conversion service to day-ahead and within-day products wherever possible. (EFET)
- Capacity conversion service should also be offered for daily bundle capacity. In addition, it should be available for two different legal entities from the same group. (gasNatural fenosa)
- In relation to section 3 “Capacity Surrender lead times” of the clause “Capacity allocation other rules” we consider that the lead time for Network User to notify the TSO about the Capacity Surrender shall be set as “at the latest three business days before the publication of offered capacity products, in which surrendered capacity shall be included, for the respective next auction at a Booking Platform”. In relation to section 8 “Lead time for Assignment of capacity on secondary market” of the clause “Capacity allocation other rules” we consider that the lead time for Network User to request for the TSO(s)'s approval of an Assignment of the contracted capacity (in whole or in part) shall be set as “no later than three business days before the planned assignment date”. (GEP)
- RE: Section 6.6 - Capacity Conversion We believe the GTCs should better facilitate fluid transactions and enhance cross-border system efficiency by encouraging capacity conversion services for day-ahead and within day products. In light of this, GM&T would like to highlight two key issues identified with the PRISMA bundling and capacity conversion service. Firstly, within a liquid market Users should have the

ability to utilise capacity flexibility on a short term basis. The current lack of capacity conversion services for short term products requires Users to duplicate their capacity holding on one side of a border, if there is no corresponding unbundled or interruptible capacity available. As an entirely new bundled product has to be purchased, the long term capacity holding becomes an additional sunk cost. Secondly, shippers with opposing interests in a bundle (i.e. one holds exit, the other entry) inefficiently compete to use the conversion service – it is therefore likely that prices are driven higher and market signals become distorted. (GMT)

- We question the need to document these capacity allocation rules in the transport contract between the TSOs and the network users. The CAM NC already has legal force and effect. (IOGP)

6. Capacity allocation other rules

This clause sets rules on Oversubscription, Capacity Surrender and Assignment, where Assignment means transfer of all rights and obligations under the capacity contract with the transfer concerning whole or part of the capacity contracted.

Agree: 1

Disagree: 8

Abstain: 2

Comments:

- Capacity surrender lead times: The suggested capacity surrender lead time of at the latest ten business days before publication of offered capacity products is way too long and is not applicable to a modern capacity market. The surrender process should be completely automatic, so we suggest a lead time of one day so that shippers can use surrender of capacity in the daily auction. Notification requirements for Capacity Surrender: We do not support the notification requirements of paper form. This prevents a modern and fast business communication being standard in the year 2018. Moreover, it would make a daily surrender process impossible. Lead time for Assignment of capacity on secondary market: The suggested lead time of no later than fifteen business days before the planned assignment is way too long. There is no need for the TSO to know a possible assignment so early. The secondary capacity market would not be working by using such long lead times. We propose a lead time of one day. Lead time for confirmation by the TSO of Assignment of capacity: We do not support a TSO lead time of five business days. In case this is really necessary, the TSO should explain why they need such long time. According to our understanding a lead time of one business day would be acceptable. (anonymous)
- For contractual congestion management, Oversubscription and buy back mechanism is much more efficient than Firm day-ahead Use It or Lose It, OS&BB shall be recommended, and Firm DA UIOLI should be discouraged (even if it's generally not the decision of the TSO). For Oversubscription and Buy Back, it shall be clear that oversubscribed capacity should be considered as firm capacity, and should not be distinguished in any way for other firm capacities. For capacity conversion, the template should be much more developed, and should explicitly integrate the obligation of proposing daily capacity conversion. For secondary market, the lead times proposed are grossly longer than the best practises on the market. Adopting such delays would be a significant step backward in the European gas market. On the contrary, the template should propose extremely reactive processes, and also should propose a fully anonymous secondary market with financial clearing services. Moreover, a transfer of usage should be proposed. Finally, this template should

make clear that any part of a previous booking could be proposed on the secondary market. (ENGIE)

- Capacity Conversion Service: We support the Capacity Conversion service and think that it would really useful if i) it would be applicable also to daily bundle capacity (not all the TSOs offer that) ii) it could always be subscribed through PRISMA, in the same moment when we insert the bid for the bundled capacity; As for the secondary market: We deem that TSOs should offer both assignment and transfer of use. Lead time for Assignment of capacity on secondary market: a lead time of 15 business days, as proposed, is not correct. With some TSOs it's now possible to do an assignment starting after 2 calendar days of even the following day and this clause would set as a standard a much higher lead time, based on the "worst case". Lead time for confirmation by the TSO of Assignment of capacity: a 3 business days lead time it's really high compared with the actual timing in place. In fact, the creditworthiness checks can be in many cases done "real-time" via PRISMA. (Eni)
- Notice periods are excessive: in 2018, it should not require 10 business days to give notice of capacity surrender, or 15 days' notice for assignment with 5 days for TSOs to process the information. Similarly, TSOs should not be able to insist on paper forms other than as a fall back in the event of system failure, or for a limited transitional period while suitable automated systems are being developed. TSO approval of capacity transfer should only be necessary in certain very limited conditions. Where two registered users wish to trade capacity in the secondary market and credit limits are not exceeded, a notice to the TSO should be sufficient. Additionally, the network user should not be prevented from continuing to market surrendered capacity (recognising that if the capacity is sold twice, then he may be subject to overrun charges) and may withdraw the surrendered capacity at any time prior to its resale.
Network users should not be prevented from developing financial instruments: the growth in liquidity of traded products in price spreads has been an important area of market development. (EFET)
- Capacity surrender: It should be possible for shippers to surrender capacity (yearly, quarterly, monthly) in daily auctions: The shipper should be able to communicate to the TSO the capacity he wants to release (gasday and volume), and then the TSO could use it during the daily auction. Therefore, capacity surrender lead times and confirmation from the TSO should be aligned. The Network User should be able to notify one business day before the publication of offered capacity products and lead time for TSO confirmation should be adapted accordingly. Secondary Market: It should be possible to have: Full assignment of capacity, Transfer of use (assignment with retained payment obligations) The lead times for request notification and TSO confirmation are very high. It should be possible to notify the TSO two business days

- before the assignment date in case of full assignment and one business day in case of transfer of use. The lead times for confirmation should be adapted accordingly.
(gasNatural fenosa)
- RE: Section 3. Capacity surrender lead times the suggested long lead times in the proposed GTC are counter intuitive to the digital transformation that ongoing across the industry. We propose the following revision to Clause 7.2 “The Network User shall notify the TSO about the Capacity Surrender at least one business day before the publication of offered capacity products, in which surrendered capacity shall be included, for the respective next auction at a Booking Platform”. ENTSOG should take the opportunity to encourage efficiency and system updates as best practice for all TSOs, and support the industry in gradual technological improvements on a pan-European basis. RE: Section 4: Notification requirements for capacity surrender With reference to the comment above, we propose the following wording. “The Network User shall notify a TSO about capacity to be surrendered via a communication channel established by the TSO. The TSO will endeavour to use one or more of the following; a) Booking platform b) TSO electronic information system c) Email using defined form The TSO may also use paper form whilst transitioning to one of the above communication channels.” (GMT)
 - We question the added value of the proposed provisions. The general rules are already laid down in the CAM NC. The proposed provisions in the template do not resolve possible differences between adjacent TSOs but - by keeping optionality - could create issues for network users. As an example, section 4 mentions that notifications for capacity surrender shall be done using the communication channel established by the TSO. This could result in one TSO requesting notification via the Booking Platform while the adjacent TSO requests notification in paper form. For a network user that wants to surrender bundled capacity this creates an issue. The same applies to sections 5,6,8 and 9. (IOGP)
 - @ section 2: we request that capacity surrender should also be made possible for daily products @ section 3: networks users definitely need shorter lead times than 10 working days to communicate a capacity surrender. Such a lead time is not market friendly and significantly reduces the functionality of the surrender mechanism. A maximum of 4 working days for written notifications and a maximum of 3 WD for TSO offering an electronic surrender solution is feasible. @ section 8: we believe TSOs must be able to offer shorter lead times for capacity assignments than 15 business days. A lead time < 10 WD for products > 1 month seems feasible and more market friendly @ section 9: Once shipper have provided all necessary TSO specific requirements, TSOs should confirm the successful conclusion of an assignment without any reasonable delay. As a legally binding deadline shorter than two full business days should be considered in the GTCs (anonymous)

- There should be an equal regulation for an assignment for all TSOs in the EU. As a shipper it would be very helpful to have the possibility of an assignment for a shorter duration of the capacity contract and also with a lower capacity amount in order to provide shippers with a flexible trading opportunity. (anonymous)

7. Nominations

This clause outlines rules for the nomination and re-nomination of booked capacity by the Network User.

Agree: 5

Disagree: 3

Abstain: 3

Comments:

- Deadline for the Network User to communicate an initial Nomination: The proposed deadline to communicate an initial nomination by 13.00 UTC is too early. At this time, capacities have not yet been allocated and other elements of the portfolio are still completely uncertain. Therefore, the information of this initial nomination will be useless for the TSO because the network user will not communicate reliable data. First Re-nomination cycle: The deadline of three hours before the end of gas day D is a way to restrictive. In a modern well-functioning gas market there shall be a deadline of two hours before transport. (anonymous)
- This section gives extensive rights to the TSOs to reject nominations without giving security to network users. We suggest that the wording of section 11 be amended to: "The TSO may only reject..." in order to give network users greater certainty that valid nominations will be accepted. There should also be a general incentive (and a presumption) on TSOs to accept nominations where they are able to do so. (EFET)
- We believe the nomination lead times in section 6 are too restrictive. (GMT)
- The template should specify the terms of the joint nomination procedure of bundled capacity which provides network users with the means to nominate the flows of their bundled capacity via a single nomination (article 19.7 CAM NC). The proposed template provisions allow adjacent TSOs to each require a nomination and to use different procedures for handling nominations. This is not consistent with the CAM NC. (IOGP)

8. Confidentiality

This clause sets the obligation to keep certain information confidential.

Agree: 8

Disagree: 1

Abstain: 2

Comments:

- The provisions of the standard transport contract should not be confidential but should be available to all (potential) network users. In our view, the information that is commercially sensitive and should be kept confidential is limited to the identity of the individual network user and the actions of the individual network user under the contract (e.g. nominations and re-nominations, capacity surrender, assignment of capacity). TSOs should respect the confidentiality of the commercially sensitive information obtained from the network user. There should be no confidentiality obligation on network users. (IOGP)

9. Entry into force

This clause refers to the process by which contracts come to have legal force and effect.

Agree: 8

Disagree: 1

Abstain: 2

Comments:

- This template for bundled capacity products should ensure that when there are two contracts - one for each half of the bundle - that these contracts do not enter into force at different times. The proposed clause would allow this to happen. (IOGP)

General Remarks:

- One participant would like to draw the attention to some crucial points in this consultation: Applying the rules of this GTC would be like a step back for the European gas markets. All the proposed lead times and deadlines are - in functioning gas markets like Germany - already a way more better (especially shorter) than proposed by ENTSOG in this document. If ENTSOG wants to improve the European gas market, any lead times and deadlines should be even more flexible and short-term. Moreover, many important sections are missing in this GTCs. E.G. there are no proposals for common: User registration, Maintenance rules, Liability etc. The participant would like to propose, that ENTSOG should integrate such sections. Good examples for such GTC would be the GTC of the German TSO such as Gasunie. (anonymous)
- Many important sections are missing in this GTCs. (for instance maintenance rules) If ENTSOG wants to make available real GTCs to the market they should integrate such sections. (Eni)
- As a general remark, EFET appreciates the work done in this area, but would encourage ENTSOG and its TSO members to be considerably more ambitious, and to structure the work such that all TSOs are encouraged to progress, rather than setting a standard at the lowest common denominator, such that high-performing TSOs may slow down their rates of progress or even move backwards to align with a slower-moving neighbour. (EFET)
- Template is not pushing the market in right direction and facilitate internal gas market integration. Some examples:
 - Many issues concerning delays: long waiting periods required before being able to complete an operation (e.g. 15 days before capacity can be assigned on the secondary market) and before being able to access information which should be available close to real-time.
 - Capacity conversion is insufficiently defined
 - Possibility transfer of Usage on secondary market is still lacking (eurogas)
- TSOs should coordinate maintenance and should publish the information in a coordinated way. (gasNatural fenosa)
- IOGP welcomes the process described in article 20 of the CAM NC to resolve issues with bundled capacity products. We have noted that ENTSOG considers that many of the differences in relation to the main terms and conditions are caused by fundamental differences in principles of national law or jurisprudence. Those clauses are not included in the proposed template which limits its usefulness. For this reason, we strongly support other initiatives by TSOs to resolve issues that network users

- face with bundled capacity products, including issues that may be caused by differences in national law. (IOGP)
- General remarks: We believe that capacity conversion services should also be made available on a daily basis and should also be applicable for unbundled capacity contracts that are made on a transfer of use basis. Our overall assessment of the main GTCs and the aspects identified by ENTSOG is that many subjects which require a stronger degree of harmonization between adjacent TSO are not included. Amongst others, we expect closer cooperation regarding, Harmonization of maintenance windows (physical or IT-related) in terms of duration and quantities affected, Obligations to optimize matching and interruption procedures at network points where the matching TSO is not one of the contract TSOs. Contract termination rights (e.g. termination right as a consequence of a tariff increase on one side of the border) (anonymous)
 - How will termination rights will be standardised? In some countries shippers have the possibility to terminate, whereas in other countries there is no possibility. As a consequence of this, shippers cannot exercise termination rights at all. This is a clear disadvantage. (anonymous)