



27 March 2009  
[Ref: 09GTE+107]

# **GTE+ Capacity Product Coordination First Phase Report**

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Gas Infrastructure Europe (GIE) represents the interest of the infrastructure industry in the natural gas business such as Transmission System Operators, Storage System Operators and LNG Terminal Operators. GTE+ is a working group within GTE set up to indicate the first step towards creating the ENTSOG envisaged by the Third Package.

## Executive Summary

Capacity services and procedures have developed throughout Europe over a number of years. This has provided benefits to the market but due to many reasons has been developed over different timeframes and arrangements vary to meet, for example, the market need at that time. European Transmission System Operators (TSOs) within the GTE+ organisation continue to support the development of Capacity services with European stakeholders. The aim is to increase the compatibility of cross-border capacity services and procedures across TSOs. GTE+ has a dedicated project to identify potential areas for coordination<sup>1</sup> with the objective to develop clearly defined, streamlined and transparent capacity services and procedures which simplify the access and use of the European gas transmission networks.

The GTE+ initial focus has been on the non-domestic primary firm capacity services which are currently offered at European cross-border Interconnection Points (IPs).

GTE+ held a workshop to present the Capacity Product Coordination consultation document to interested stakeholders. The workshop had been well attended by a cross section of the industry and the discussions during the workshop by attendees were informative. Subsequently a number of written responses were received from stakeholders and referenced in this report.

This 1st Phase Final Report describes the general recommendations for European wide access arrangements and furthermore details characteristics of the allocation methodologies of First Come First Served, Open Subscription Windows and Auctions.

An outlook section is included which describes three different work areas to be considered for further evaluation and development with stakeholders. The GTE+ project intends to address the following subjects in the first part of the second phase of the project to:

- Define the capacity service durations when standards are required
- Transversal analysis of capacity allocation methodologies

GTE+ will consult with stakeholders at an early stage and hold meetings with key stakeholder representatives to understand their views during the summer with the intention to conclude with a stakeholder workshop. Feedback from stakeholders may result in amendments to the proposed future work areas.

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<sup>1</sup> "Coordination" is to be understood as the process of reaching compatibility.

## 1 Table of Content

Executive Summary .....	2
1 Table of Content.....	3
2 Introduction .....	4
3 Approach.....	5
3.1 Methodology.....	5
3.2 Assumptions.....	5
3.3 Questionnaire/Analysis.....	6
4 Consultation .....	6
4.1 Consultation document.....	6
4.2 Feedback analysis and treatment .....	7
5 Characteristics and recommendations.....	8
5.1 General Recommendations.....	8
5.2 Characteristics and recommendations - in particular .....	10
5.2.1 Characteristics and recommendations for FCFS.....	11
5.2.2 Characteristics of OSW .....	14
5.2.3 Characteristics of Auctions .....	21
6 Outlook.....	25
6.1 Way of working.....	25
6.2 Work subjects.....	26

## 2 Introduction

With the aim of working on the issue of Capacity Product Coordination (CPC), a project was initiated within GTE+, the transitional organisation of GTE moving towards ENTSOG. The overall aim of this project is to enhance compatibility of cross-border shipping services as well as related characteristics and procedures, as a first step towards more customer friendliness and a step towards the European single energy market through a more simplified network access.

This first phase report details a set of recommendations to European TSOs listing services which should be offered and applied in Europe in order to enhance customer friendliness. The examination and recommendations proposed refer to the following assumptions:

- **Existing capacity and a**
- **Non-congested capacity scenario**

Before the finalisation of this report, GTE+ has intensively consulted with customers on their opinions on the identified potential for coordination within cross-border services. Chapter 4 describes the process followed by the GTE+ CPC Task Force to the Customers' feedback provided during the consultation process and is reflected in this report. Furthermore, recent developments relating to capacity<sup>2</sup>, whereby GTE+ has been invited to actively participate, have highlighted the need to further elaborate on capacity services and short-term solutions for congested situations.

Chapter 6 of this paper outlines the revised work program for the CPC taskforce in the upcoming months, integrating those different topics into a realistic timeline, taking priorities into account. With reference to the assumptions listed above, the received comments were divided into issues for the first and second part of the project.

The first includes remarks and comments that fit the afore mentioned criteria. Those (e.g. minimum lead times for short term services) were integrated into the recommendations proposed in Chapter 5 of this report.

The second group of comments not fitting into the framework assumptions for the first phase of the project will be included into the future work (more detailed information will be given in Chapter 6 "Outlook"). Building on this classification, the second and following phases will broaden the subject of the report's analysis and recommendations and will therefore include inter alia the following issues:

- **Capacity Allocation Mechanisms in different market situations (Pros and Cons)**
- **Congested capacity scenario**
- **Non-existing capacity**

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<sup>2</sup> e.g. ERGEG's doc on CAM/CMP

At this stage the members of GTE+ work voluntarily and the CPC work seeks to increase compatibility within the given regimes and available opportunities at this time. Before the start of ENTSOG in the context of Third Package, changes to systems need to be considered with regards to voluntary GTE+ member contribution and the legal and regulatory environments in place.

This document describes a starting point for coordinating and constantly increasing the level of compatibility of offered capacity services.

## **3 Approach**

### **3.1 Methodology**

At the beginning of this work it was evident that an understanding of the environment of offered capacity services throughout Europe needed to be established.

In order to obtain a comprehensive understanding of the current practices and provisions with regards to capacity services and allocation, a questionnaire was developed and sent to participating TSOs.

The analysis of the responses from 28 TSOs allowed for the identification of potential areas for coordination, which led onto the proposals for recommendation, providing a starting point of discussion on compatible capacity services.

These have been shared with the Stakeholder community through a consultation process in order to assess their relevance and suitability within market situations. This part of the project and its outcome are further detailed in Chapter 5. The received feedback allowed us to improve the recommendations for First Come First Served within this Chapter and provided material to create an Outlook for the next phases of the project, as outlined in Chapter 6.

### **3.2 Assumptions**

Bearing in mind the objective of delivering a set of recommendations that could be implemented within a reasonable timeframe; we limited the analysis to the following aspects:

- Interconnection Points (IPs) between adjacent systems (being cross-border or within Member States)
- Non-congested IPs (relationship between congestion management procedures and capacity allocation mechanisms have not been considered)
- Existing capacities
- Limitations given by current legal and regulatory frameworks.

The analysis of the questionnaire responses highlighted different market conditions contained within each system. These differences mainly concern the allocation methodologies, which are often defined by national regulation or law. A differential approach was therefore necessary due to these constraints and led to a specific set of recommendations for each allocation methodology without giving any order of merit between them. There is no recommendation for a single allocation methodology, as it would be unlikely that a one-size-fits-all solution is to be found; and that it would be as unlikely that it can be implemented within each system within a reasonable timeframe, given the necessary changes to the legal and regulatory framework and the evolution of the market conditions.

### **3.3 Questionnaire/Analysis**

In August 2007 a questionnaire was issued to all 34 GTE members whereas 28 responses were received. Answers from the various TSOs participating to the project have been consolidated in order to allow for data analysis. The main objective of this stage of the analysis was to identify the relevant areas for coordination. Case studies and internal evaluation have finally led to the definition of a set of proposals for recommendation, divided into 2 main groups: general and specific recommendations for each allocation methodology (FCFS, OSW and Auctions).

## **4 Consultation**

### **4.1 Consultation document**

On 30 October 2008 GTE+ published a Consultation document entitled Capacity Product Coordination. The paper described the various proposals for recommendations on what principles should be applied by European TSOs in order to make a first step towards an integrated gas market regarding capacity services. The consultation document was distributed to market participants in order for them to provide their views on the topics covered within the document.

The consultation document is available under:

[www.gie.eu.com/adminmod/show.asp?wat=08-10-28 GTEplus ConsultationDocument CPC for Plenary.pdf](http://www.gie.eu.com/adminmod/show.asp?wat=08-10-28%20GTEplus%20ConsultationDocument%20CPC%20for%20Plenary.pdf)

To clarify all issues regarding the proposed recommendations and to answer questions from customers, a workshop was held by GTE+ on 26 November 2008 in Brussels. Different trader organisations, individual shippers, transmission system operators and national regulatory authorities were present. A board of GTE representatives explained in detail all aspects of the consultation document with a special focus on the proposed recommendations.

Until the end of 2008 GTE+ received feedback by customers. The associations EUROGAS and EFET; the traders Statoil Hydro, BP, ENI, and Centrica responded in writing.

Taking into account the views received from customers, GTE+ concluded this final first phase report during the first quarter of 2009. The specific customer feedback received and how it is being taken into account in the project is described in the following section.

## 4.2 Feedback analysis and treatment

Customers welcomed the paper and the willingness of GTE+ and TSOs to work on the subject of capacity product coordination; towards European market integration. There is broad support for the general recommendations, although their short term impact would need to be evaluated.

All reactions are published on the GTE website under:

[http://www.gie.eu.com/publications/indexframe\\_plus\\_capcoord.html](http://www.gie.eu.com/publications/indexframe_plus_capcoord.html)

The following list provides an extract of specific points made:

- Proposed recommendations should be coherent to EU legislation (meaning shorter lead times for daily products should be applied)
- Non-overlapping lead times to avoid blocking (consequently also standard products)
- As suggested by GTE+ the same conditions should be applied for firm/interruptible, primary/secondary and entry/exit
- As suggested by GTE+ a gas day from 06:00 a.m. Local Time to 06:00 Local Time of the following day should be implemented by all TSOs
- CPC should also be effective within countries, not only for cross-border IPs
- As suggested by GTE+ (for FCFS) a combination of services is welcomed
- GTE should only do analysis work, not recommending commonly applied measures
- First clear products must be defined
- FCFS has advantage for affiliates and is not designed for congested IPs
- If no congestion is present, then all allocation methods can be applied
- TSOs coordination on capacity sales is needed not only for OSW

In the first phase report the following aspects are included:

- Reduction of minimum lead times down to one day before the start of transmission (at least for short term services)
- Expand scope of the project from cross-border application to all adjacent transmission systems

In the second and future phases of the project various other items are planned to be included into the work programme:

- Include “booking alignment” (bundling) criteria
- Include congested scenarios
- Include Open Season procedures in case of congestion
- Include reaction (processing) times
- Comparison of different allocation methods and when they can be applied
- Description of a strategy/approach on how to move from one allocation method to another within one network

## 5 Characteristics and recommendations

In the first section of this chapter, general recommendations are defined which embrace all European systems. In the second section of this chapter detailed recommendations which build upon respective analysis, are outlined separately as far as it was considered to be feasible and appropriate. Otherwise a detailed description of the mechanisms that are currently applied in the different European systems is provided.

### 5.1 General Recommendations

#### Firm and interruptible capacity

##### Recommendation

- R1: The conditions applied in a European system for marketing the capacity services in terms of booking procedure, lead times, contract durations etc, should be the same for firm and for interruptible capacity services.
- R2: The calculation of interruptible capacity can be based on very different parameters such as pressure scenarios, probability of being interrupted and many others, which may not allow a long-term prediction. Therefore the application of those same rules for firm and interruptible capacity shall at least apply for shorter-term services (up to one year) and if possible also for the longer-term services.

#### Entry-Exit services

##### Recommendation

- R3: When an Entry/Exit model is in place, the conditions in terms of booking procedure, lead times, contract durations etc, applied within a European system should be the same for entry and exit capacity services.

## Gas day

There are some differences in the choice of the gas day, but they occur only on the borders of the European single gas market and are most probably driven by an alignment with important shippers and/or suppliers.

### Recommendation

- **R4:** In every system at least the possibility should be offered to apply a gas day from 06:00 Local Time to 06:00 Local Time. Where the involvement of other parties does not allow to apply such a gas day, a second gas day definition may apply in parallel only for the respective border to the system which prohibits the recommended gas day. In such case there would be two different gas days applied in one network.
- **R5:** The gas day shall be the same for all offered services (services described in following sections).

## Capacity Services Duration

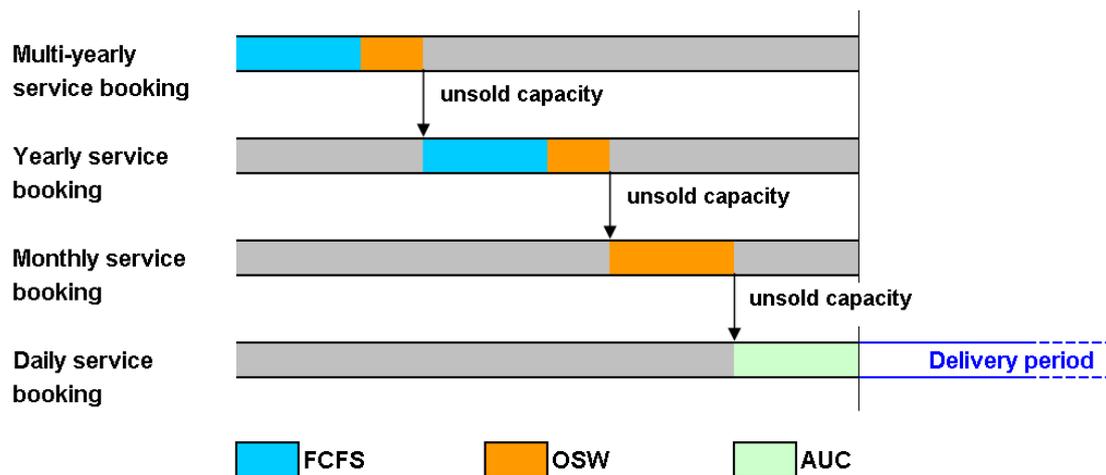
### Recommendation

- **R6:** It is recommended that in all European systems, customers have the possibility to book a daily capacity service.
- **R7:** It is recommended that in all European systems, customers have the possibility to book a capacity service with the duration of one month.
- **R8:** It is recommended that in all European systems customers have the possibility to book a capacity service with the duration of 12 consecutive months.

## Combination of different allocation methodologies

Apart from the pure single allocation methodologies, TSOs may subsequently apply different mechanisms depending on specific service durations and lead times. The main goal is to combine the different advantages of each method.

For instance, TSOs may offer shippers the flexibility of FCFS when booking long to medium-term capacity and, when capacity becomes scarce, have a guarantee of a pro-rata allocation through OSW for services with shorter durations. Additionally Auctions may be included to provide both a reactive and market based allocation for example short-term capacity services. A theoretical example of how a combination might be organised is illustrated in the following picture.



The merit for which capacity method is applied or which ones will be combined will depend on the market needs. This will be analysed and discussed during the next stages.

In case a TSO applies different allocation methodologies for the same service duration (e.g. FCFS and OSW for long-term capacity) a priority shall be given to one methodology. The priority rank could be different for each capacity services' duration.

Further elaborations on this subject will be carried out in the future steps of this project.

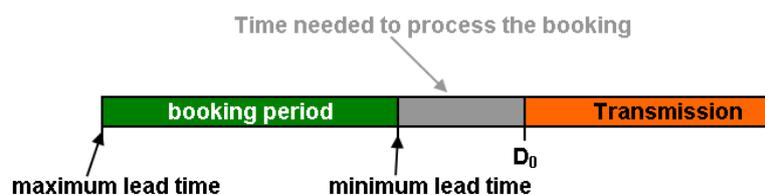
## 5.2 Characteristics and recommendations - in particular

The following sections will in detail describe what booking conditions in terms of minimum and maximum lead times and start times are recommended for the purpose of capacity service coordination.

### Definitions

The booking period in which customers can request for transmission capacity is defined by minimum and maximum lead times as shown in picture below. The maximum lead time describes when capacity can be requested at the earliest, whereas the minimum lead time indicates the latest time when a booking can be requested by a customer for a certain capacity service. Regarding for how long such capacity is booked, the booking period and the respective lead times can vary.

Recommendations for these lead times are described below.



## Preconditions

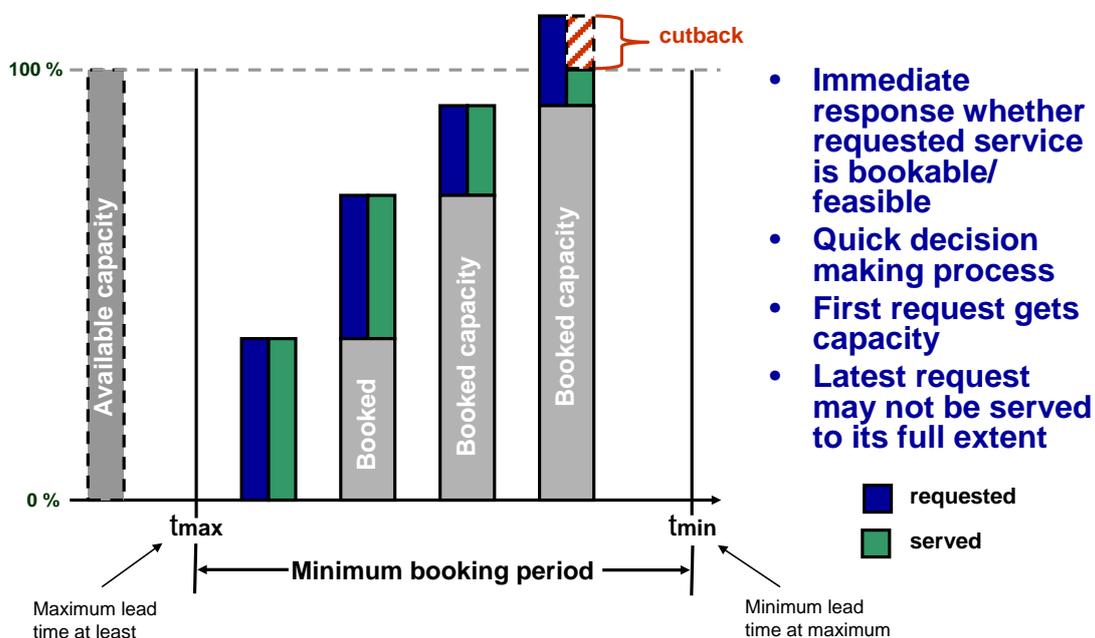
The recommendations described by GTE+ apply with the pre-condition that sufficient capacities are available. Congestion management and Open Season Procedures are not covered by this first phase report.

Furthermore, those provisions should be relevant to transmission customers who are already registered and licensed to use the booking system applied by the TSO. In most networks, prior to booking capacity, it is a prerequisite that transmission customers have gone through a registering process to be able to use the booking system of a TSO. For instance, such process can comprise manual integration of customer details into the capacity management IT system, communication tests, set-up of balancing arrangements, liability checks, conclusion of system usage agreements, appointing representatives who are authorised to book etc.

Hence, all conditions stated in the next paragraphs should be applied for “registered” Users and where sufficient capacity is available.

### 5.2.1 Characteristics and recommendations for FCFS

The main feature of the First Come/Committed First Served principle is that a requesting customer receives an immediate response on whether his requested service is available and can be booked or not. Furthermore services are allocated straight to the requesting party independently from pending requests from other parties and the customers get the information that a requested transportation service is feasible straight away.



In order to provide to the market with as much flexibility as possible it is necessary that different service quantities e.g. “firm” or “interruptible” (not being limited with any restriction as far as the period is concerned) are offered to the market. This kind of

marketing of capacity assures that the customer only selects the quality requested and is afterwards, ideally at any given time, free to choose the required period.

Combined with reducing the minimum lead times maximum flexibility is achieved as the requesting customer is able to book at any time any (available) type of capacity over a customised period of time.

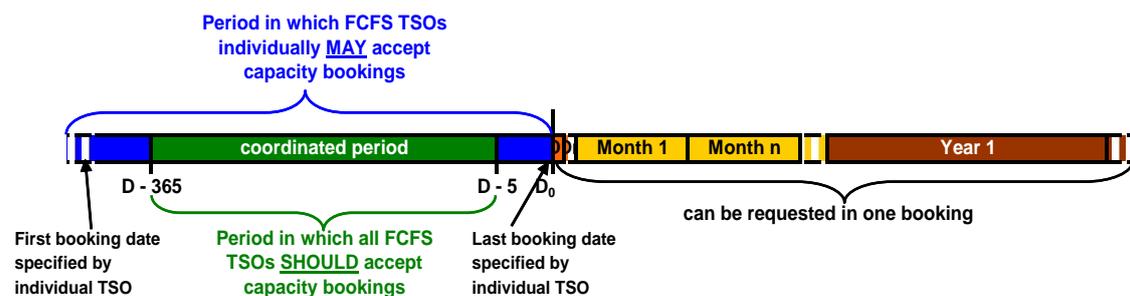
The following paragraphs are an attempt to further improve the FCFS marketing of capacities throughout Europe by giving recommendations concerning the features of transportation services over certain periods in general, as well as recommendations concerning lead times in particular.

### Combination of various transmission periods within one booking

A TSO may not specifically offer certain capacity service durations (e.g. a quarterly product) but may offer instead the possibility to its customers to book a combination (adding-up) of a shorter-term fraction capacity service durations. The combination of service periods is to be understood as connecting several service durations following after each other into one step (one booking).

#### Recommendation

- **R9:** When applying FCFS, and in the case of offering transportation services differing in terms of duration as particular services, it is recommended that each capacity service can be combined, starting with the shortest duration and ending with the longest duration, within one booking, with respect to the recommended lead times for each individual service.
- **R11:** When applying FCFS and if several capacity service durations are combined within one booking, the longest identifiable transmission period shall determine the minimum lead time for the entire “combined” booking.

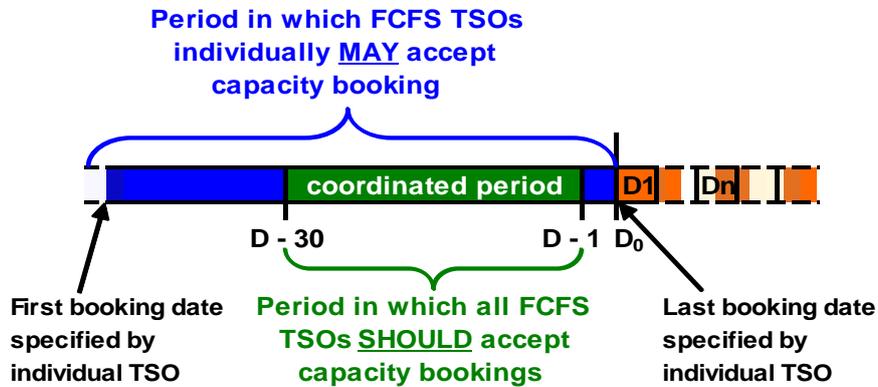


### Transportation services with the duration of one day

#### Recommendation

- **R10:** When applying FCFS for daily services, the recommended maximum lead time shall be at least 30 calendar days before the start-up of the transportation service

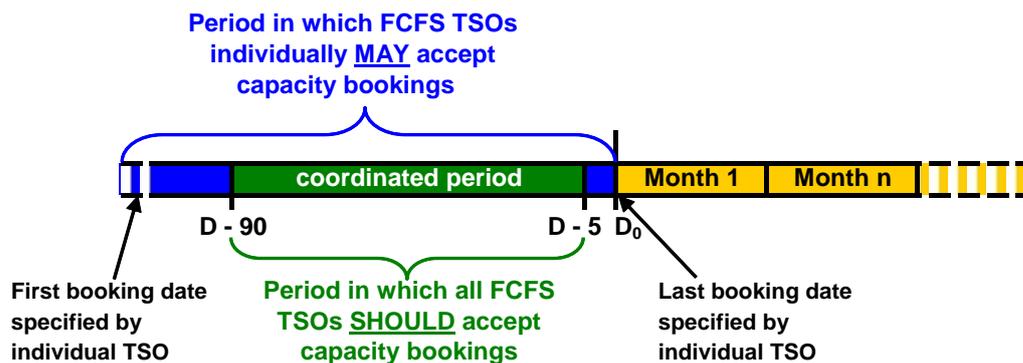
- **R11:** When applying FCFS for daily services, the recommended minimum lead time shall be at maximum 1 calendar day before the start-up of the transportation service



### Transportation services with the duration of one month

#### Recommendation

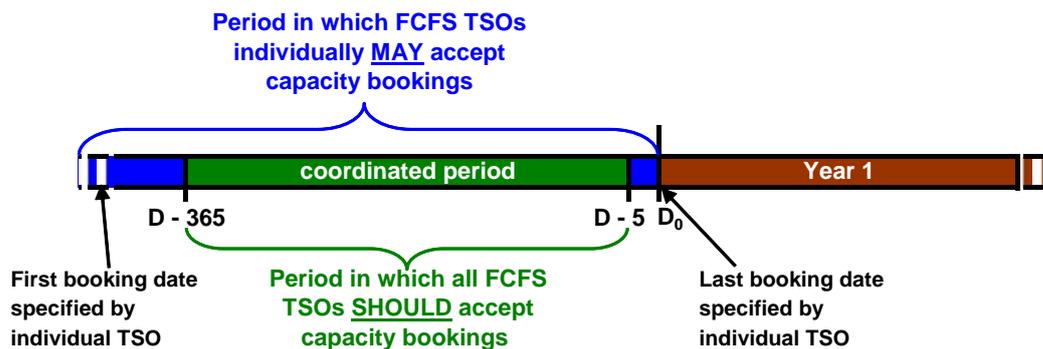
- **R12:** When applying FCFS, the transportation service with a duration of one month shall preferably start at any day but at least on the first day of each calendar month
- **R13:** When applying FCFS for monthly services, the recommended maximum lead time shall be at least 90 calendar days before the start-up of the transportation service
- **R14:** When applying FCFS for monthly services, the recommended minimum lead time shall be at maximum 5 calendar days before the start-up of the transportation service



### Transportation services with the duration of one year

#### Recommendation

- **R15:** When applying FCFS, the transportation service with a duration of one year shall preferably start at any day but at least on the first day of each calendar month
- **R16:** When applying FCFS for yearly services, the recommended maximum lead time shall be at least 365 calendar days before the start-up of the transportation service
- **R17:** When applying FCFS for yearly services, the recommended minimum lead time shall be at maximum 5 calendar days before the start-up of the transportation service



### Summary of recommendations for FCFS

It is the aim to reduce lead times for all services offered. Over time the move will be stepwise closer towards the last day before transmission (day-ahead). This will necessitate intermediate steps.

Recommendation	Daily services	Monthly services	Yearly services
	<b>Possible to combine all durations within one booking</b>		
<b>Maximum lead time</b>	<b>At least 30 calendar days before the start of transmission</b>	<b>At least 90 calendar days before the start of transmission</b>	<b>At least 365 calendar days before the start of transmission</b>
<b>Minimum lead time</b>	<b>At maximum 1 calendar day before the start of transmission</b>	<b>At maximum 5 calendar days before the start of transmission</b>	<b>At maximum 5 calendar days before the start of transmission</b>
<b>Start day</b>	<b>N.A.</b>	<b>Any day or at least first day of calendar month</b>	<b>Any day or at least first day of calendar month</b>

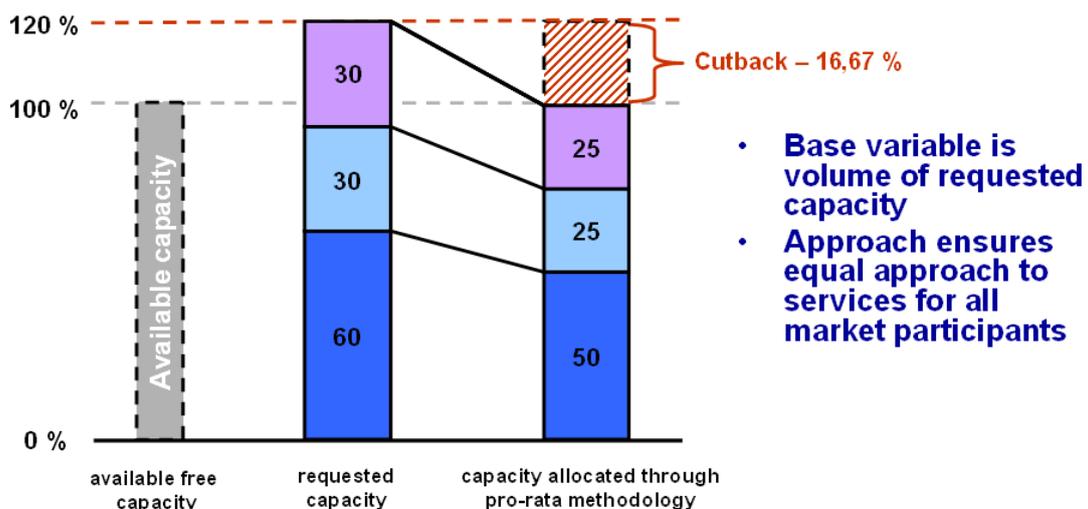
### 5.2.2 Characteristics of OSW

Open Subscription Windows (or Periods) are based on the pro-rata allocation procedures acknowledged by the EU Commission (cf. "Commission staff working

document on capacity allocation and congestion management for access to the natural gas transmission networks”, 12.06.2007).

During a booking window shippers will submit capacity requests. Then shippers are allocated capacity:

- equal to their demand if offered capacity exceeds total demand
- according to a fraction of their demand; by the application of a pro-rata rule on their request in relation to the total requests and the available capacity.

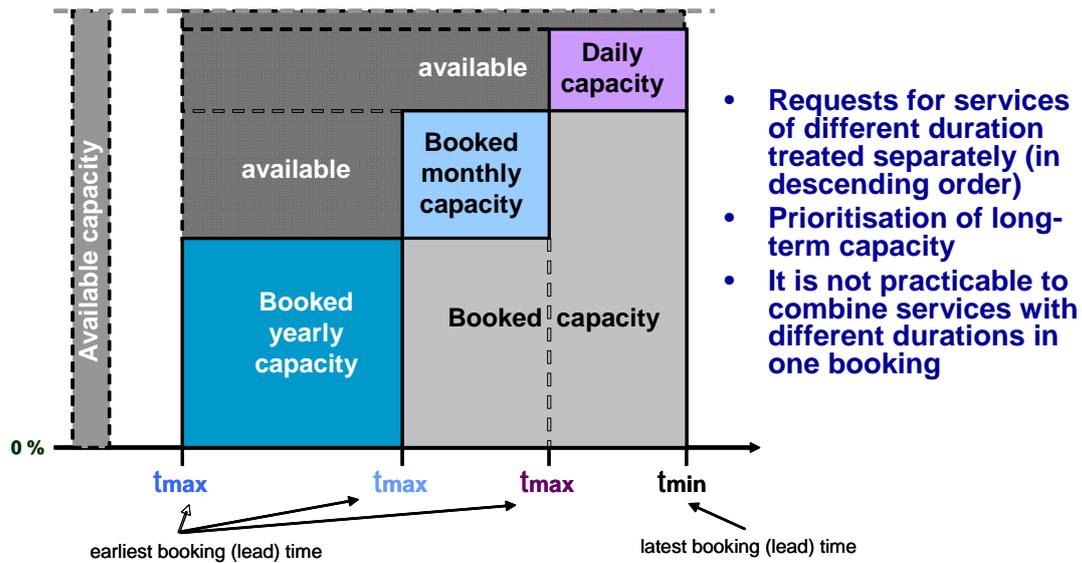


### Coordination between TSOs using OSW

As a shipper’s allocation depends on other shippers’ requests, some kind of coordination is necessary to assure allocation consistency on both sides of an IP. Whereby a high level of coordination is achieved, the same amount of capacity could be booked on both sides of IPs with a single request. Therefore, if OSW is the allocation method applied on both sides of the same IP, the systems may consider coordination of their procedures in order to facilitate allocation consistency on both sides of the IP.

### Combination of services

An Open Subscription Window has to be linked to well specified capacity durations in order to align the capacity requests coming from the shippers and, if needed, apply a pro-rata on all requests. Moreover, in order to guarantee optimisation of available capacity and prevent the “blocking” of capacity bookings for longer durations with early bookings of short duration services, priority mechanisms are built in the allocation process, either by applying different booking periods for different services or by using separate allocation procedures if several services are available during the same booking period. Usually OSW for longer duration capacity services take place before OSW for shorter duration capacity services.



As OSW might be organized in several ways, GTE+ at this time describes two possible examples on how this method could be structured on the basis of existing models. Both options of capacity allocation are set up in order to prioritise long-term services before short-term services. The concrete measures and further results for the future are to be discussed with the market over the next few months.

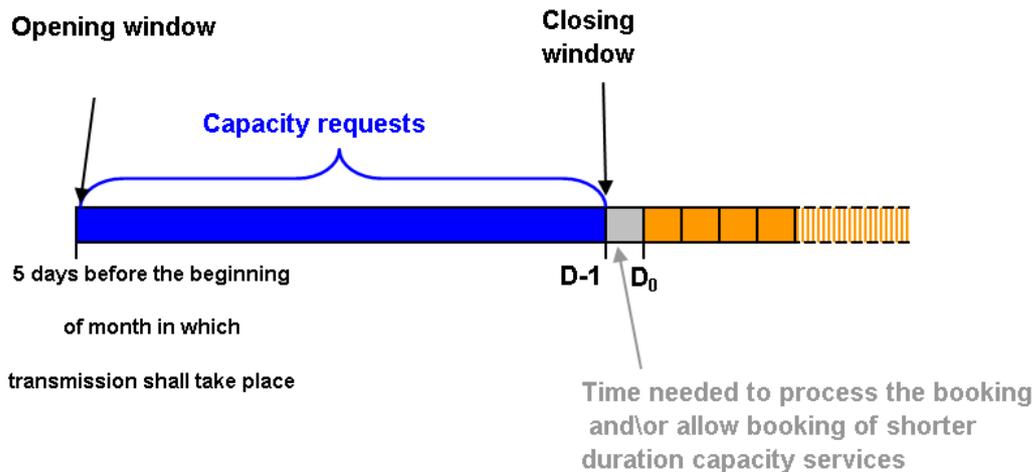
### **OPTION 1**

Prioritisation through time of booking

#### **Transportation services with a duration of one day**

##### Description

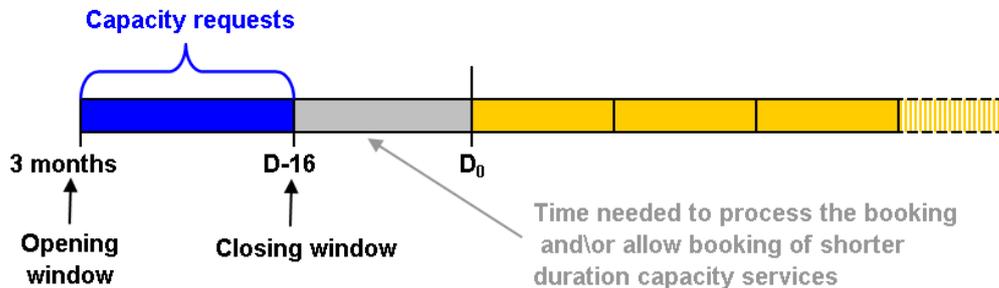
- The maximum lead time for daily transportation services is 5 calendar days before the beginning of the month in which transmission shall take place
- The minimum lead time for daily transportation services is day before transmission



### Transportation services with the duration of one month

#### Description

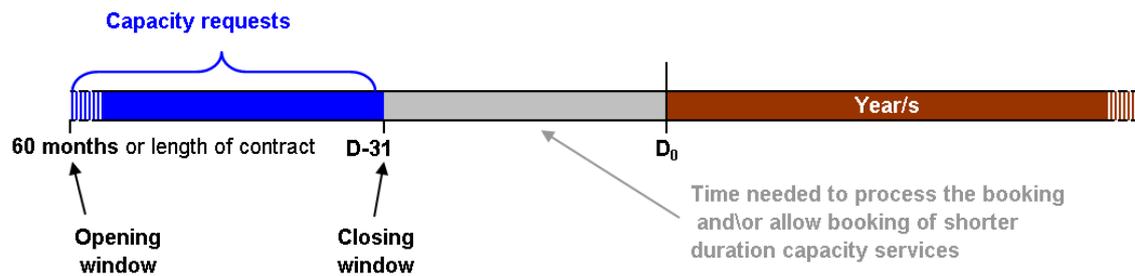
- A transportation service with a duration of one month starts on the first calendar day of every calendar month
- The Maximum lead time is 3 months before the start of transmission
- The Minimum lead time is 15 calendar days (16<sup>th</sup> day before transmission)



### Transportation services with the duration of one year

#### Description

- A transportation service with a duration of one year starts on the first calendar (Gas) day of every calendar month
- The Maximum lead time is the larger of the following two numbers; either 60 months before the start of transmission or the number of months for which the User wants to book the contract in case it is more than 60 months
- The Minimum lead time is 30 calendar days (31<sup>st</sup> day before transmission)



## Summary

Description	Daily services	Monthly services	Yearly services
Maximum lead time	5-36 days*	90 days*	At least 5 years before transmission
Minimum lead time	1 working day	16 days*	31 days*
Start day	N.A.	first day of calendar month	first day of calendar month

\* Calendar days before the start of transmission

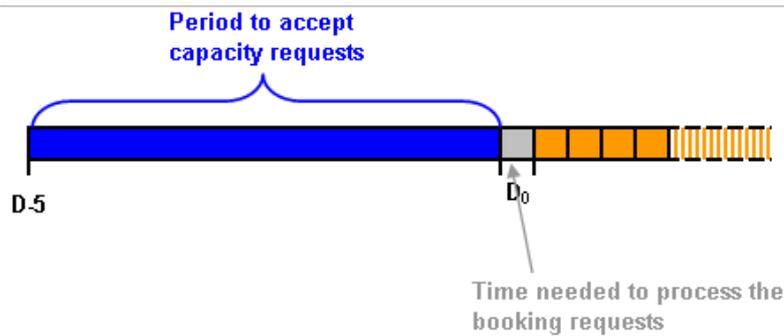
## OPTION 2

Prioritisation through contract length

### Transportation services with the duration of one day

#### Description

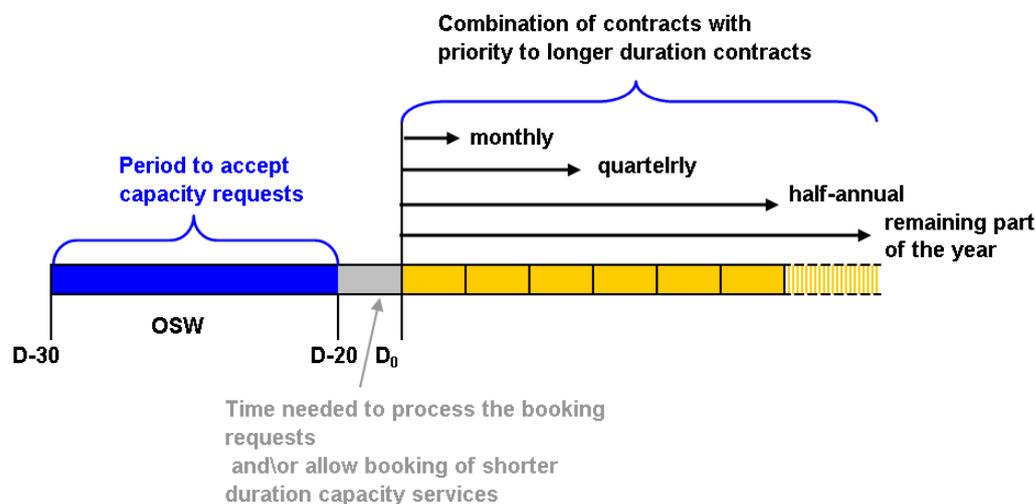
- It could be reasonable that a transportation service with the duration of one day is booked only after the transportation services with a duration of one month has been booked
- The maximum lead time (opening of the window) for daily transportation services could be 5 days before the start of transmission
- The minimum lead time (closing of the window) for daily transportation services should be the day before transmission.



## Transportation services with the duration of one month

### Description

- A transportation service with a duration of one month starts on the 1<sup>st</sup> calendar day of each month
- The Maximum lead time (opening of the window) for monthly services is the 1<sup>st</sup> day of the month preceding the transportation month (D-30)
- The Minimum lead time (closing of the window) for monthly services is 7 working days after the Maximum lead time (D-20)
- In the OSW for monthly transportation services also transportation services of a longer duration (until the end of the thermal year) can be booked. In this case then priorities apply.

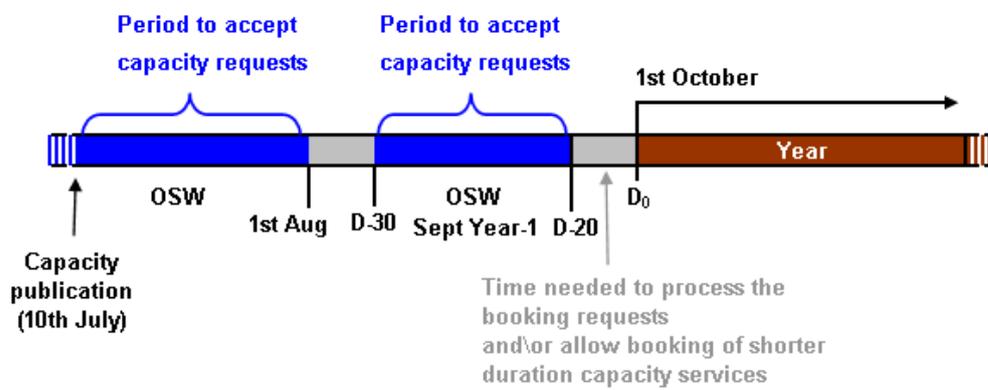


## Transportation services with the duration of one year

### Description

- A transportation service with a duration of one year starts on the 1<sup>st</sup> calendar day of the thermal year (from October to September)
- A transportation service with a duration of one year can be booked before the start of the thermal year in 2 different steps:

- Step 1: using a dedicated OSW for which:
  - The Maximum lead time (opening of the window) coincides with the capacity publication for the next thermal year (indicatively 10<sup>th</sup> July)
  - The Minimum lead time (closing of the window) is the 1<sup>st</sup> of August of the year before the start of the thermal year (D-60)
- Step 2: along the same OSW applied to monthly transportation services (see above). Requests are collected together with those of shorter durations and an allocation priority for longer durations is applied.



## Summary

Description	Daily services	Monthly services	Yearly services
Maximum lead time (window opening)	5 days	1st day of the month preceding the month of transmission	A) Capacity publication (10 July year – 1) B) 1st day of the month preceding the beginning of the thermal year
Minimum lead time (window closing)	1 day	7 working days after window opening	A) 1st August B) 7 working days after window opening
Start day	N.A.	First day of calendar month	First day of the thermal year

### 5.2.3 Characteristics of Auctions

During the time the analysis was conducted which builds the basis for this report, there are no other experiences with auctions within Europe outside those of Great Britain (GB). However, it can be seen as a valuable starting point for the consideration of auctions in other systems. As the analysis has been based on one Auction system no definitive recommendations are made in this report. The findings shall serve as a basis when investigating Auctions in other European networks. The use of Auctions as applied in GB is to offer to the market various primary capacity products and durations which facilitates the maximisation of capacity bookings and underpins future<sup>3</sup> investment in the TSO network.

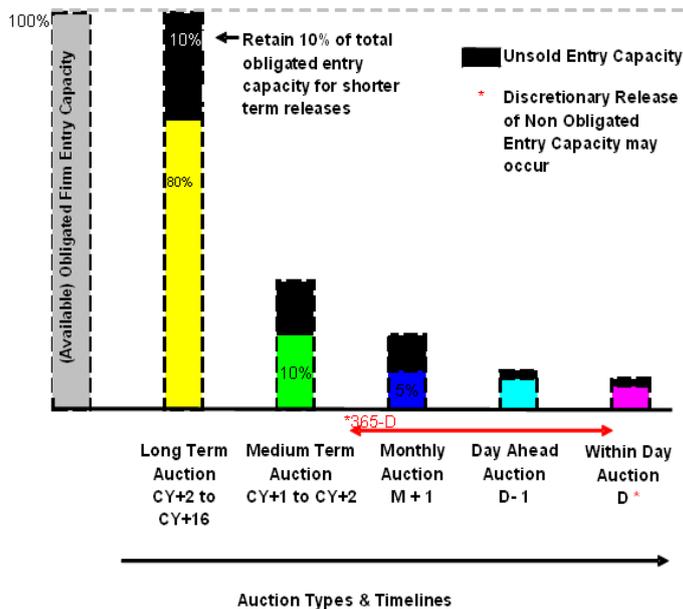
Inherent within the auction process is to make quantities available to those that value it the most by deriving the optimum price for a finite product. The TSO offers the capacity for sale as a right to flow gas at a uniform 1/24<sup>th</sup> flow rate over a day. The level of obligated capacity is set so that it reflects as close as reasonably possible the physical capability of the point / aggregated points.

Users are offered the chance to bid for capacity for long term, medium term and short term periods. This allows Users to book capacity as their supply portfolio increases, whilst allowing for the trading of capacity to other users when that capacity cannot be utilised. Users may also bid for capacity up to and above the obligated level, in the long term signaling a potential investment in the network, provided it meets a strict economic test.

Users may trade capacity between parties at the entry point for any of the above quantities once the capacity has been allocated by the TSO.

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<sup>3</sup> The reference to incremental capacity is a feature of the Auction mechanism. The Capacity Product Coordination Consultation Document only relates to currently available primary capacity offered by TSOs.



- Auctions held during fixed periods
- Obligated level (baseline) offered to market
- Incremental capacity can be signaled during Long Term Auction
- Multiple opportunities for Users to obtain capacity
- Different product durations offered to market
- Market values the capacity offered
- Provides fixed price and quantity assurance
- Discretionary (non obligated) capacity can be made available (above baseline)
- Auction results published

By offering the market the above auction methods, users are provided with the flexibility to book many years in advance and also provides the continual option of a year-on-year adjustment of their capacity position until and during the gas day itself. Where there is a requirement for incremental capacity on the network such as a new entry / import site users signal the potential investment via the long term auction process for the desired start period. The TSO will commit to that additional capacity via a number of options including investment on the network providing the economic test is passed and the regulator approves the project and agrees to the revenue allowance.

### Combination of various transmission periods within one booking

The Auction method used by one TSO offers the possibility of adding up a combination of multi year and yearly strips (in quarterly tranches) / monthly blocks and daily / within day periods. The bookings are made at different times thus the 'period' covered is not bookable in one contract due to the different product types.

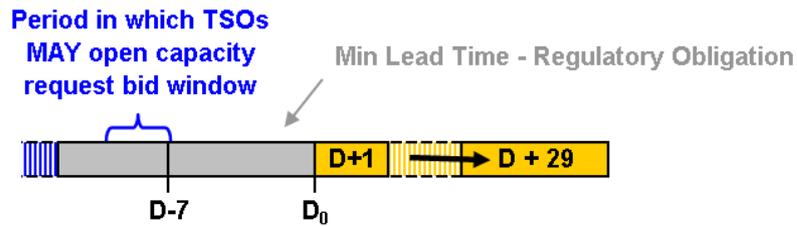
- If users only bid in one Auction type then this could be considered as one contract i.e. the periods connect (however the price and quantity may be different when comparing to other periods and auctions). This provides for a flexible booking process meeting the needs of an advanced market which is also linked to users triggering incremental capacity for network investment and the TSO incentivised via a risk and reward scheme to maximise the use of the transmission network. For this reason it is not feasible to foresee the combination of services of different durations through one single booking in the case where an Auction is applied.

## Transportation services with the duration of one day

### Description

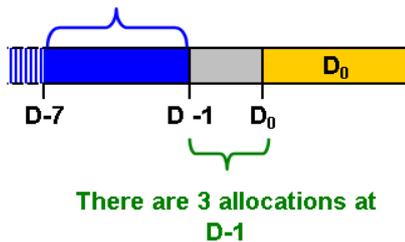
- In GB capacity services are marketed via Auctions, these capacity services are offered as detailed.

### Short Term Discretionary Release System Entry Capacity



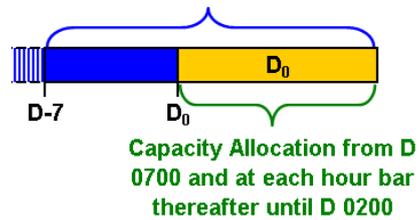
### Daily System Entry Capacity

Period in which Users may place bids for capacity



### Within Day System Entry Capacity

Period in which Users may place bids for capacity

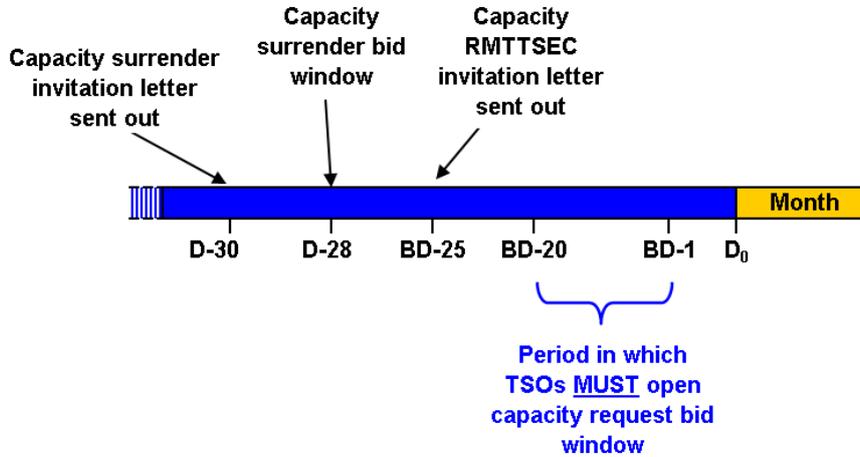


## Transportation services with the duration of one month

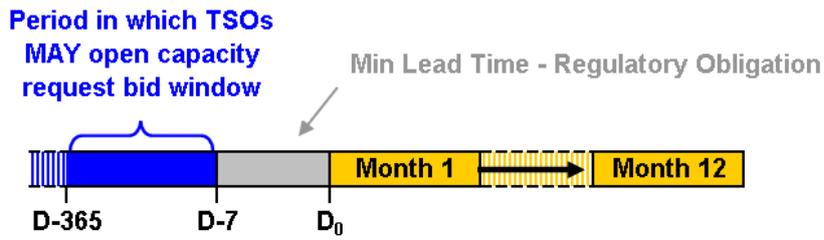
### Description

- In GB monthly capacity services are auctioned as detailed.

**Rolling Monthly Transfer and Trade System Entry Capacity**



**Long Term Discretionary Release System Entry Capacity**

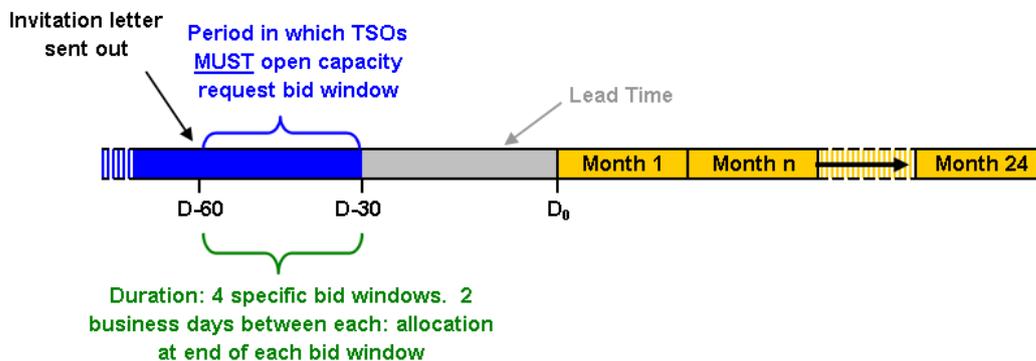


**Transportation services with the duration of one year**

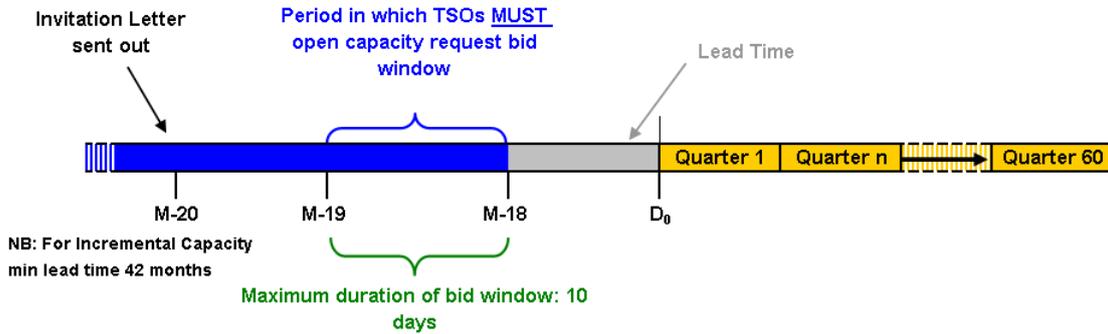
Description

- Capacity services with the duration of one year, marketed via Auctions in GB, are offered as detailed.

**Annual Monthly System Entry Capacity**



**Quarterly System Entry Capacity**



**Summary of recommendations for Auctions**

Description	Daily services	Monthly services	Yearly services
Maximum lead time	Day ahead & within day	20 calendar days before transmission services for Rolling Monthly Auctions	2 years before transmission services for Long Term Auctions (Y+2 to Y+16) Or 30 calendar days+ for Annual Monthly Auctions (Y0 – Y+2) assuming a February auction for April start (can obtain a annual strip for Y0 to Y+2 - allocation after auction).
Window width	D-7 (D-1) to 02:00 D	< 20 calendar days	Max 10 calendar days (60 days to allocate)
Start day	N/A	First day of the calendar month	First day of the calendar month in which the Quarterly tranche commences

**6 Outlook**

Taking into account the reactions from stakeholders during the consultation process on Capacity Products Coordination the proposals for recommendations have been amended. The following section describes how some more fundamental issues are to be addressed before other work areas are taken into consideration.

**6.1 Way of working**

Starting with phase 2 of the project the major focus of the work will be put on analysing capacity measures and discussing with stakeholders how progress can be made in these areas. Subsequently possible recommendations will be elaborated and if it is feasible; proposals will be investigated.

GTE+ considers a close and continuous collaboration with customers is crucial to provide the market with effective solutions. We will therefore enhance the stakeholder interaction by continuous involvement of customers during the process, discussing the results of possible solutions and gaining customer feedback.

## 6.2 Work subjects

GTE+ sees the necessity to be flexible in terms of being able to support current developments in the market. This means that the aim is to support external activities, e.g. ERGEG, in defining future measures in the field of capacity. Setting a too concrete time plan could hamper GTE+'s contribution to this process; especially where the steps to be undertaken in the next months are not yet known. In this regard GTE+ designed its outlook to be open in order to provide as much of its expertise as possible to the process.

GTE+ analysed the issues raised during the consultation process. Therefore the scope and work Programme of the CPC project was adapted for the second phase. Furthermore, the recent developments relating to capacity allocation and congestion management by ERGEG and EFET have highlighted some complementary areas that require attention and analysis. GTE+ has identified 6 areas of work for future consideration. The following areas, were defined according to GTE+'s current perception of prioritisation. Each of the issues comprises short descriptions whereas more in depth plans will be recurrently revised.

GTE+ considers that the two topics below are cornerstones that need to be correctly and thoroughly analysed before deciding upon any change in the way capacity should be made available to the market. They are therefore top priority subjects and will be tackled first in the upcoming months. Completion is expected before the end of 2009.

### 1. Capacity service durations

- Definition of common capacity service durations in order to align them with market needs suiting various business models
- Analysis of Prioritisation requirements between the long-term and short-term durations; are priorities needed and which system can be developed to support the priorities e.g. to be aligned with the need of quotas (% daily, % monthly, % yearly).

### 2. Transversal analysis of the various allocation methodologies

- Consistency between methodology and market context
- Their performance with regards to several evaluation criteria, such as:

- Flexibility, transparency, response time, Prioritisation of service durations
- This analysis could also be extended to some possible combinations of allocations methodologies, as a mixture could then offer a possible solution as well
- The expected outcome endeavors to provide a clear picture of when allocation methods are suitable under certain situations.

Given the current importance of these matters within Europe, GTE considers that significant progress should be made at a regular pace. It is therefore necessary to develop a divided approach, with a dedicated focus of our resources on some specific issues if timely progress is to be achieved.

Future work for GTE+ in the area of capacity endeavors to focus on the following subjects but depends on the developments over the next few months:

### **3. Congestion management procedures**

- Several short or long-term measures have been presented and are currently under discussion at an EU level. Their influence on the availability of firm or interruptible capacity has to be studied, together with their impact on the underlying business models with the stakeholders. Furthermore their impact on the allocation methodologies has to be detailed.
- GTE+ is hoping to analyse theoretical measures with the stakeholders to identify which measures are appropriate solutions for the internal gas market.

### **4. Strategy to implement new capacity allocation methods**

- Even though the possible evolution with regards to allocation methodologies in the various European systems have to be considered in the light of existing regulatory frameworks, changes can be expected and examples already exists in Europe where significant progress has been achieved.
- GTE+ will analyse the necessary impact and pre-conditions leading to a successful implementation of how to move from one capacity allocation method to another.

### **5. TSO cooperation**

- On this issue measures like coordinated processes, booking alignments, platforms or bundled products will be investigated.

### **6. Coupling of existing and new capacity allocation procedures**

- How to jointly deal with the allocation of existing capacity, identify investment signals, decide upon investment which should reduce / prevent future congestion at points and allocate the committed additional capacity is to be considered.

Taking these subjects into account we propose to organise the work of the CPC Task Force as reflected in the following work strategy. It is to be regarded as a guiding

plan for GTE+ to organise the next steps of its work. The work content of each area will be recurrently revised taking into account ongoing activities.

