Roadmap for early implementation of the Network Code on Capacity Allocation Mechanisms (CAM NC)

1st EU Stakeholders meeting

Brussels, 6 March 2013

AGENDA TOPICS	INDICATIVE TIMING
1. Opening and welcome 1.1. Agenda 1.2. Objective of the meeting and Introduction about the roadmap	13.00 – 13.20
2. Overview of the projects on early implementation of CAM (presentations by Core Groups) 2.1. PRISMA and current participating bundling initiatives 2.2. Bundled Product at Lasów 2.3. Bundled Product and Capacity Platform - Hungary/ Romania 2.4. Annual Transmission Capacity Auction at the VIP between Portugal and Spain	13.20 – 14:50
3. First outcomes of the implementation process	14:50 – 15:10
4. Q&A Session	15:10 – 15.30
5. Next meeting	15.30

- Madrid Forum XXI (March 2012) called for early implementation of CAM NC through pilot projects and platforms

- Madrid Forum XXII (October 2012) endorsed the first draft CAM Roadmap jointly presented by ACER and ENTSOG and encouraged to proceed with implementation

- ACER and ENTSOG in close cooperation with NRAs and TSOs have now finalised the CAM Roadmap

- The CAM Roadmap aims to facilitate the early implementation of CAM NC by:
  - Promoting experience sharing and exchange of lessons learned between pilot projects
  - Identifying good practices and critical issues of EU relevance
  - Informing adequately all interested stakeholders
  - Enabling ACER and ENTSOG to monitor the whole process, as requested by the MF, ensuring the coherence of solutions adopted by different projects

- Voluntary implementation has already started, ahead of mandatory implementation deadline (CAM NC expected to be adopted during Q3 2013, deadline for most provisions expected to fall during 2015)

**Roadmap
for the early implementation
of the Capacity Allocation
Mechanisms Network Code**

Final version

1 March 2013

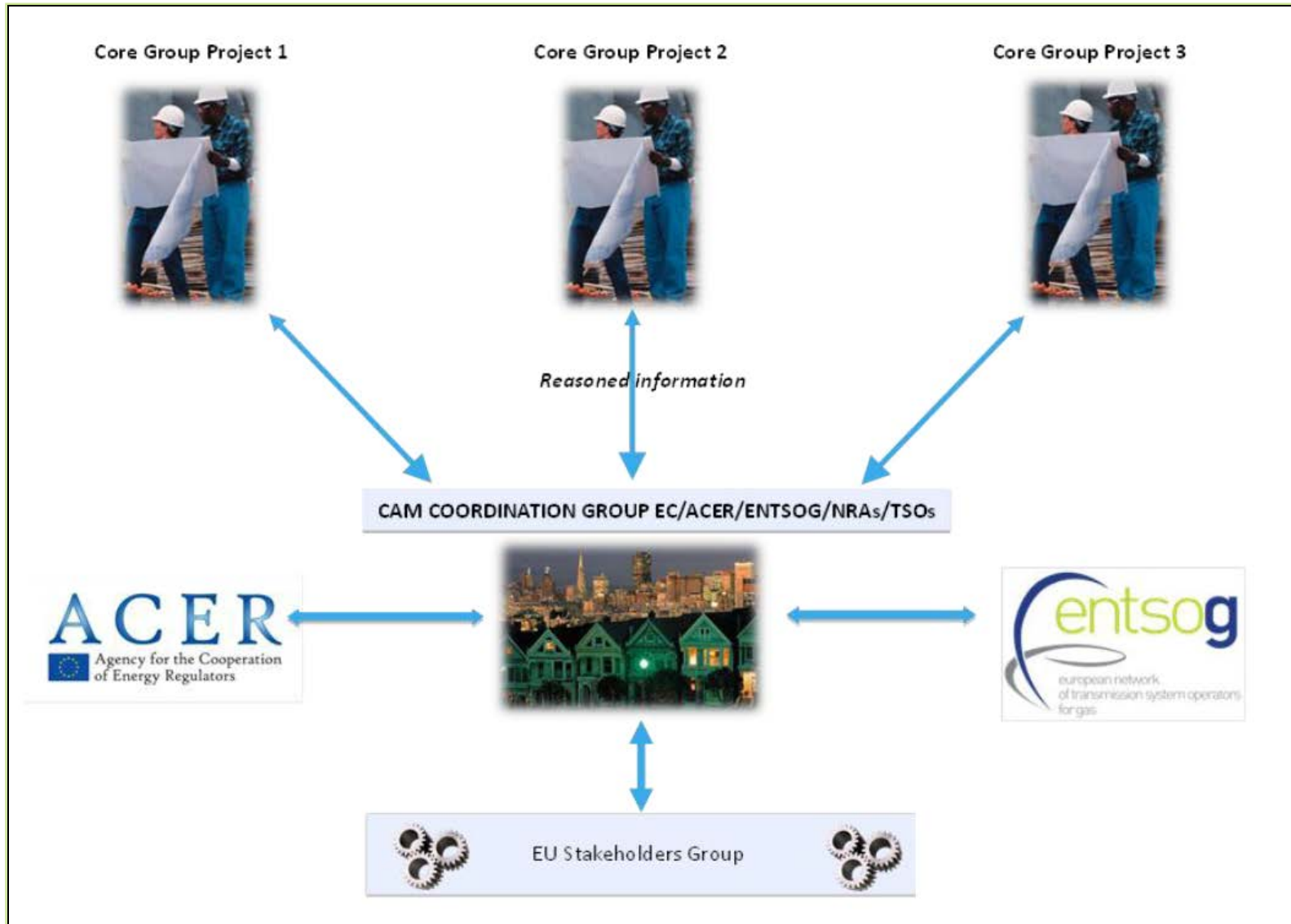CAM Roadmap document published on ENTSOG and ACER websites last Friday 1st March

Core Groups

- Participants: TSOs and NRAs involved in pilot projects. One group per project
- Role: project implementation, identification of national requirements, solving technical/legal questions

CAM Coordination Group

- Participants: TSOs, NRAs, ACER and ENTSOG, EC, MS (if needed)
- Role: facilitate implementation by building a common understanding on how to apply NC provisions, identify and exchange best practices, discuss issues of EU relevance and promote harmonised solutions, monitor developments, discuss the review of national regulatory frameworks

EU Stakeholders Group

- Participants: TSOs, NRAs, ACER and ENTSOG, EC, MS (if needed), stakeholder associations
- Role: involve and engage EU stakeholders, promote a high level of transparency in each step of the implementation process

First meeting of EU Stakeholders group today

Main objectives of this afternoon's meeting:

- Present an updated overview by Core Groups of the state of play in the implementation of the CAM pilot projects

- Take stock of the first outcomes of the implementation process

- Get feedback from stakeholders on the Roadmap and CAM Implementation – Q&A session for questions and comments

ENTSOG and ACER welcome your participation in this meeting and encourage you to get involved in this process

Early implementation of CAM : PRISMA initiative

EU Stakeholders Group Meeting I
Brussels, 6 March 2013

Agenda

1   Background of the initiative

2   Presentation of PRISMA as of today

3   A collaborative and transparent process

4   Capacity Products to be commercialised as of April 1, 2013

5   Already a successful project

Background of the initiative

Since the beginning, the initiative's aim has been to merge existing capacity platforms…

- **cap**square, Link4Hubs & Trac-X in order to save costs and to develop a single European platform for network users

- PRISMA has been created on 4th December 2012 by 19 TSOs of 7 countries.

… and to capitalise on existing technologies to develop a platform which consists of established and well-tested functionalities

The new platform will serve for the booking of primary capacity products on all IPs of adjacent Entry Exit Systems in accordance with CAM

- Primary market features for points out of the scope of CAM can be envisaged

- Secondary market features are also part of the project

- In addition, the platform will be able to handle regional regulatory specificities of different countries
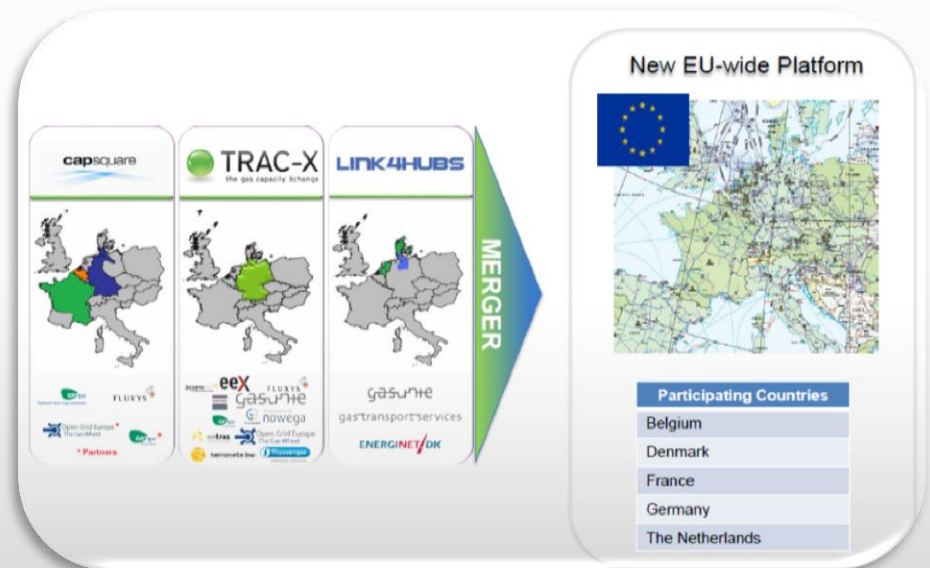
19 TSOs already involved in the initiative…

Following TSOs are involved in PRISMA initiative:

- Austria: BOG, Gas Connect Austria, TAG
- Belgium: Fluxys Belgium
- Denmark: Energinet.dk
- France: GRTgaz
- Germany: Bayernets, Gastransport Nord, Fluxys Tenp, Gascade Gastransport, Gasunie Deutschland Transport Services, GRTgaz Deutschland, Nowega, ONTRAS, Open Grid Europe, terranets bw, Thyssengas
- Italy: SNAM Rete Gas
- The Netherlands: Gasunie Transport Services

PRISMA is an open cooperation that allows all European TSOs to participate in the cooperation
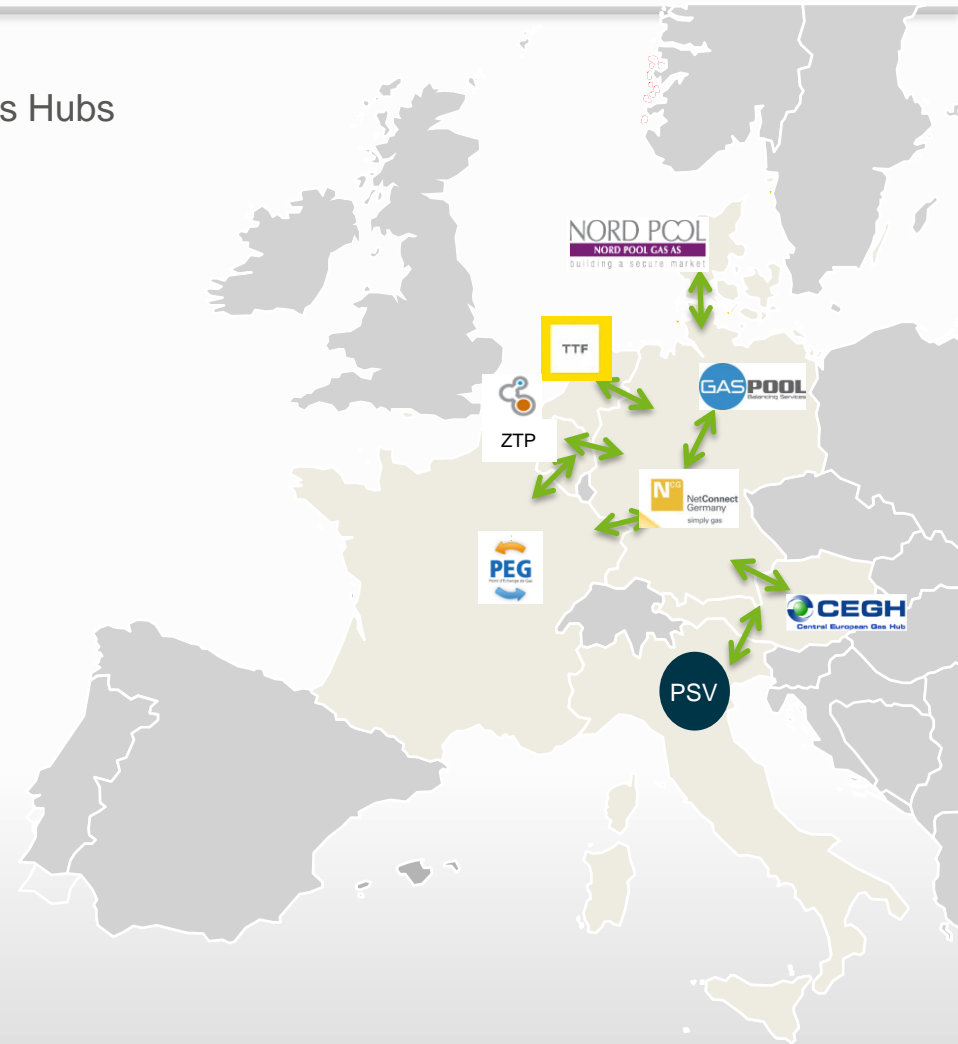
… Connecting 7 markets

➢ The initiative will connect important European Gas Hubs as soon as 1st April 2013

- • CEGH
- • Gaspool
- • NCG
- • Nord Pool
- • PEG North
- • PEG South
- • PSV
- • TTF
- • ZTP

➢ The platform will allow grid users to book (cross-border) capacities at IPs of participating countries

➢ Further interconnections might follow soon

PRISMA is an open cooperation…

- PRISMA is an open cooperation that allows all TSOs to participate

    - **The initiative welcomes all ENTSOG TSOs**

- In the next stage TSOs could get involved in different ways

    - **Joining the platform on a service-based level**
      The TSO is connected to the platform with all points and products on a service-based level

    - **Becoming shareholder**
      The TSO not only fully connects its backend-system to the platform but also becomes a shareholder to the company

… that has been built through a transparent and collective process

- **PRISMA is based on the existing return on experience of Capsquare, Trac-X and Link4hubs**

- **During the implementation phase, a broad communication has been given to the Market to give feedbacks on the objectives and the timelines**

  - 8 meetings in South and North-West and South-South-East Gas Regional Initiatives (IG and SG meetings) since March 2012

  - 6 Shippers' meetings have been organized in Amsterdam, Brussels, Milan, Paris, Vienna and Warsaw in February/March 2013 **(approx. 300 participants)**

  - 3 meetings with NRAs and ACER

  - 3 TSOs specific workshops

- **A Shippers' Group will be put in place to fully fit the platform with the market needs/expectations**

PRISMA will be operational as of 1st April 2013
General

- **Capacity products**
  - Bundled products between hubs
  - Unbundled products
  - Products as defined in the CAM Network code
  - Firm & Interruptible

- **Allocation**
  - Auction mechanism as defined in the CAM NC
    - Uniform price auction : day-ahead products
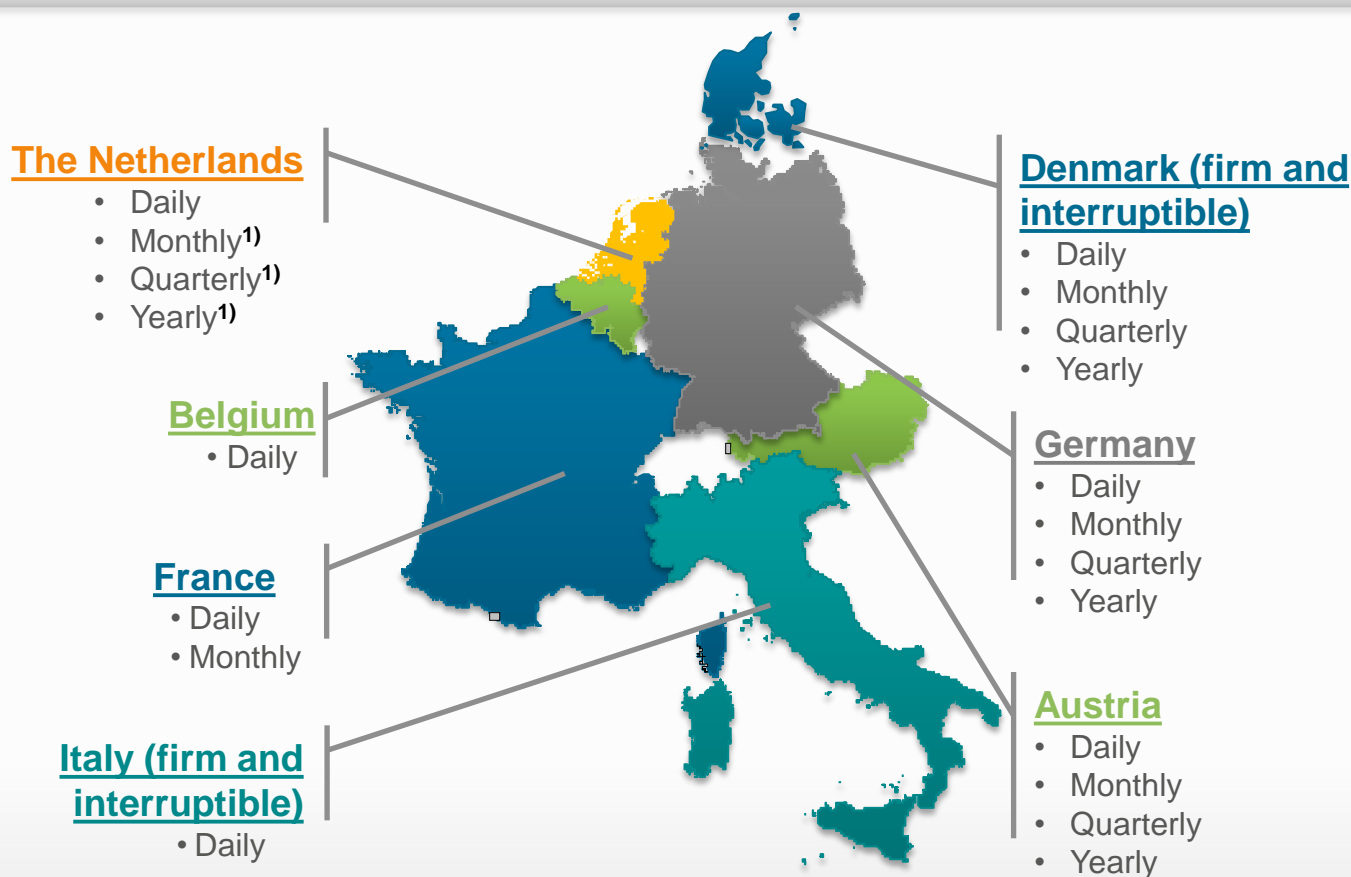   - Ascending clock algorithm : monthly, quarterly and yearly products

- All products available on one platform: **PRISMA European Capacity Platform**
  - Regional specifics can also be handled

www.prisma-capacity.eu

PRISMA will be operational as of 1st April 2013
Products that will be auctioned via PRISMA from April 2013

The Netherlands
- Daily
- Monthly[1]
- Quarterly[1]
- Yearly[1]

Belgium
- Daily

France
- Daily
- Monthly

Italy (firm and interruptible)
- Daily

Denmark (firm and interruptible)
- Daily
- Monthly
- Quarterly
- Yearly

Germany
- Daily
- Monthly
- Quarterly
- Yearly

Austria
- Daily
- Monthly
- Quarterly
- Yearly

This product list is the current status and can be modified due to future TSO's internal evaluations and discussions with relevant NRA where necessary.
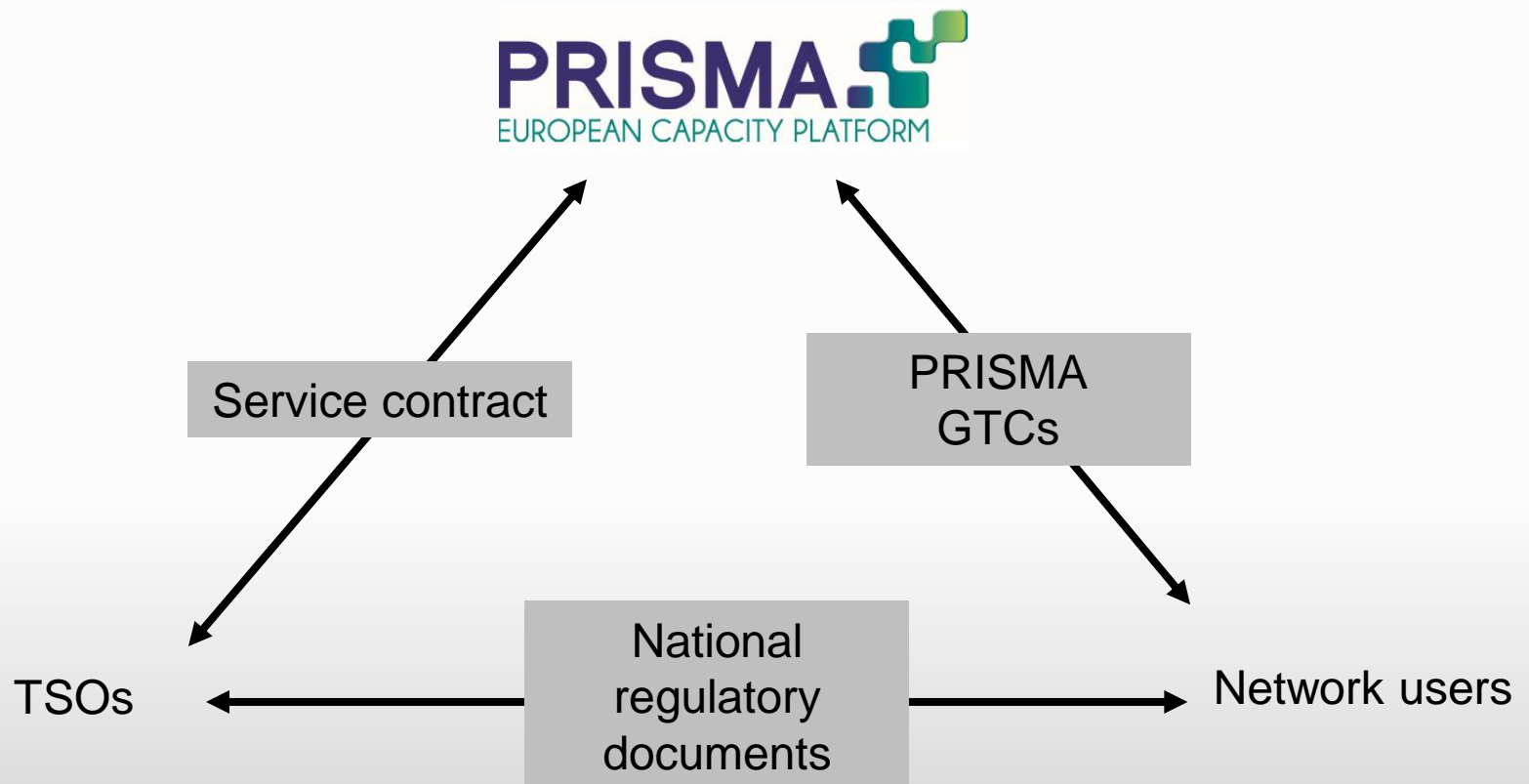
Please note:
1 – The Netherlands: Auctions of Monthly, Quarterly and Yearly products as of the end of 2013 (according to CAM calendar)

PRISMA will be operational as of 1st April 2013
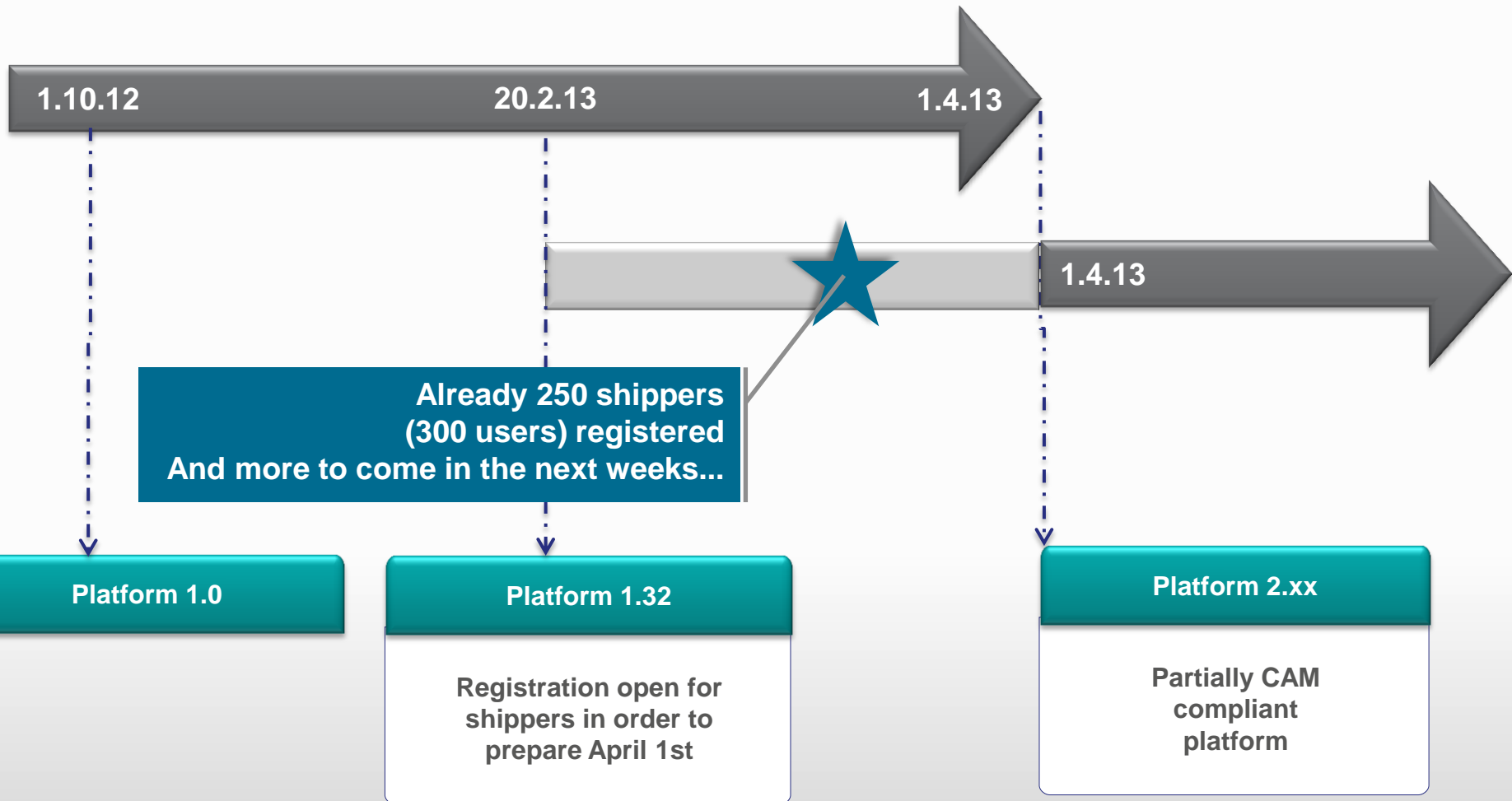## Contractual landscape

- GTCs formalise relations between shippers and PRISMA
- Close collaboration NRAs/TSOs when drafting the GTCs

PRISMA.
EUROPEAN CAPACITY PLATFORM

Service contract

PRISMA GTCs

TSOs

National regulatory documents

Network users

Already a successful project

1.10.12   20.2.13   1.4.13

1.4.13

**Already 250 shippers (300 users) registered
And more to come in the next weeks...**

Platform 1.0

Platform 1.32

Registration open for shippers in order to prepare April 1st

Platform 2.xx

Partially CAM compliant platform
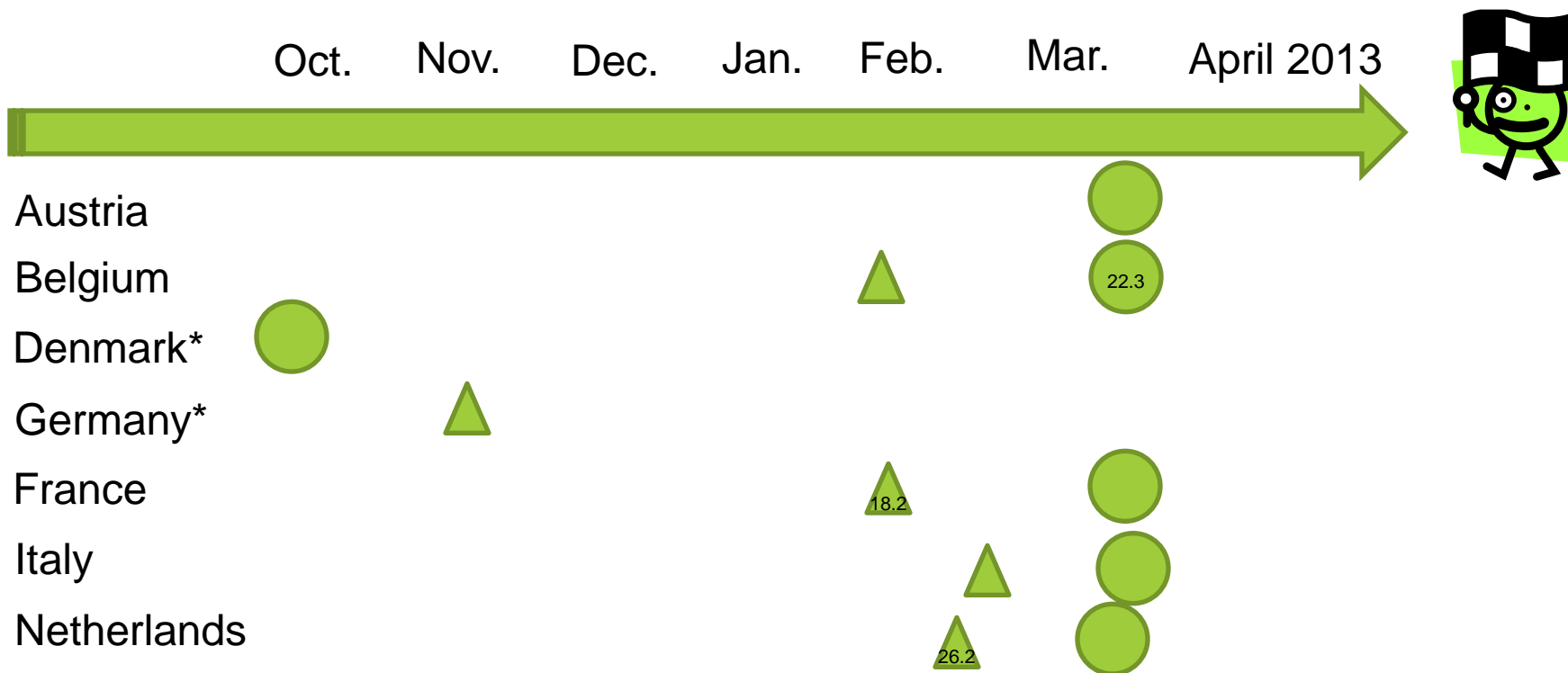
PRISMA NRA Core Group

- NRAs are facilitating early implementation

- Close interaction between NRAs and TSOs/Platform
  - Discussions on how to improve the GTCs
  - Bilateral discussions between NRAs on implementation issues (bundling arrangements, price steps, rule for sharing over-revenues)

- Regulatory approvals and changes are on track

- Regular updates on the state of play for each IP

PRISMA NRA Core Group

| | Oct. | Nov. | Dec. | Jan. | Feb. | Mar. | April 2013 |

Austria

Belgium

Denmark*

Germany*

France

Italy

Netherlands

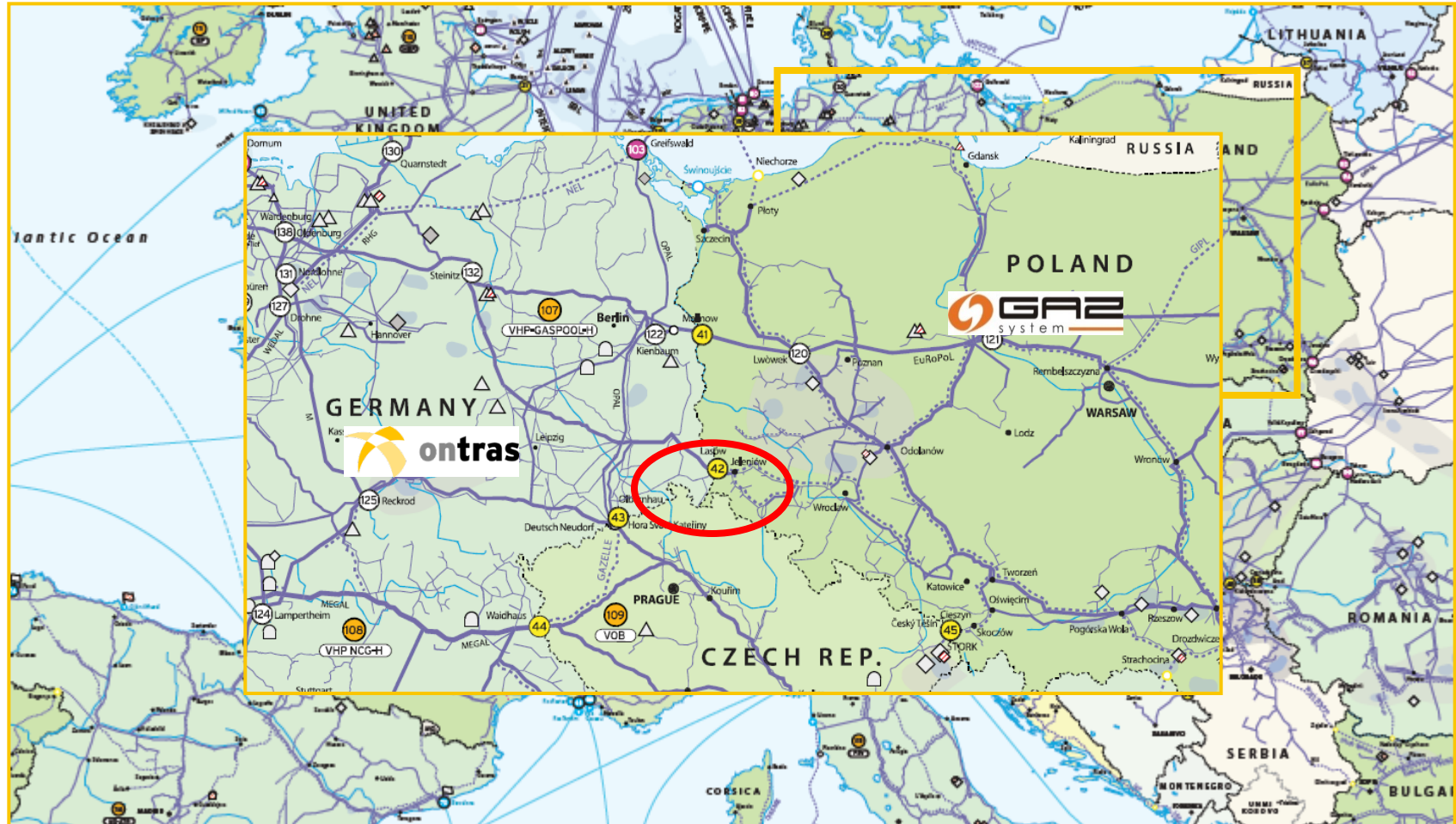▲ = Consultation/market information

*Auctions already established, no further approval/decision needed

The Bundling Pilot at Lasów

CAM implementation: EU Stakeholders' Group

1. Concept
2. What have we achieved so far?
3. Planning for the Pilot
4. Next steps after the Pilot
5. Conclusion

Where is our Pilot located?

Scope of the Bundling Pilot

- **Total technical capacity at IP Lasów**
  - 2.007.000 kWh/h (180.000 nm3/h)

- **Quarterly products to be auctioned initially**
  - First three quarters of 2014
  - Capacity: 57.980 kWh/h

- **Allocation to take place according to NC CAM**
  - Auction will be held on June 3rd, this summer

- **Single booking for the cross-border product**
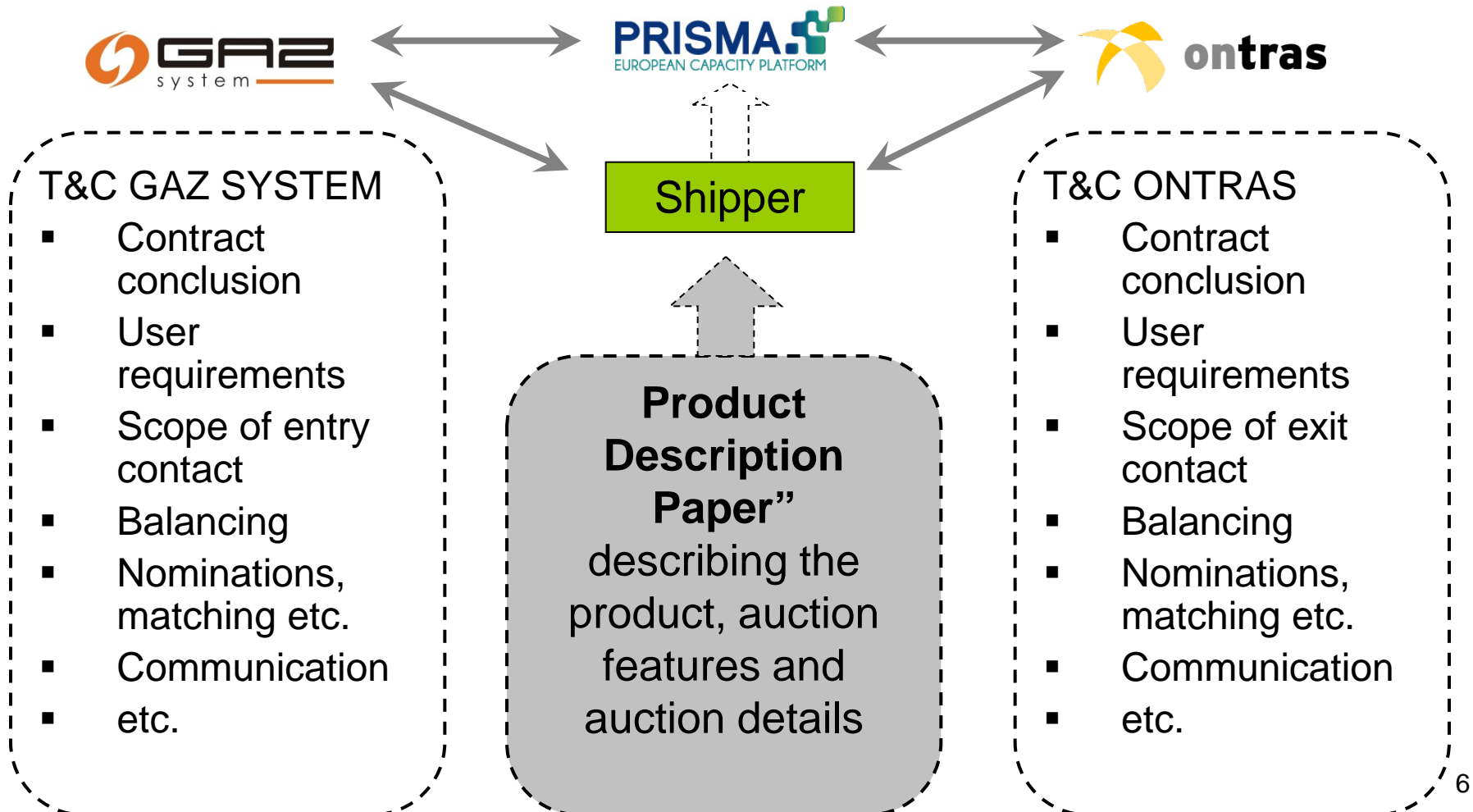
What have we achieved so far?

- **Contractual aspects**
  - Concept and contractual framework consulted with the market

- **Cooperation Agreement**

- **Specific T & Cs**

- **Shipper Manual**

- **Service Agreement**

- **Concept paper**

- **Capacities identified**
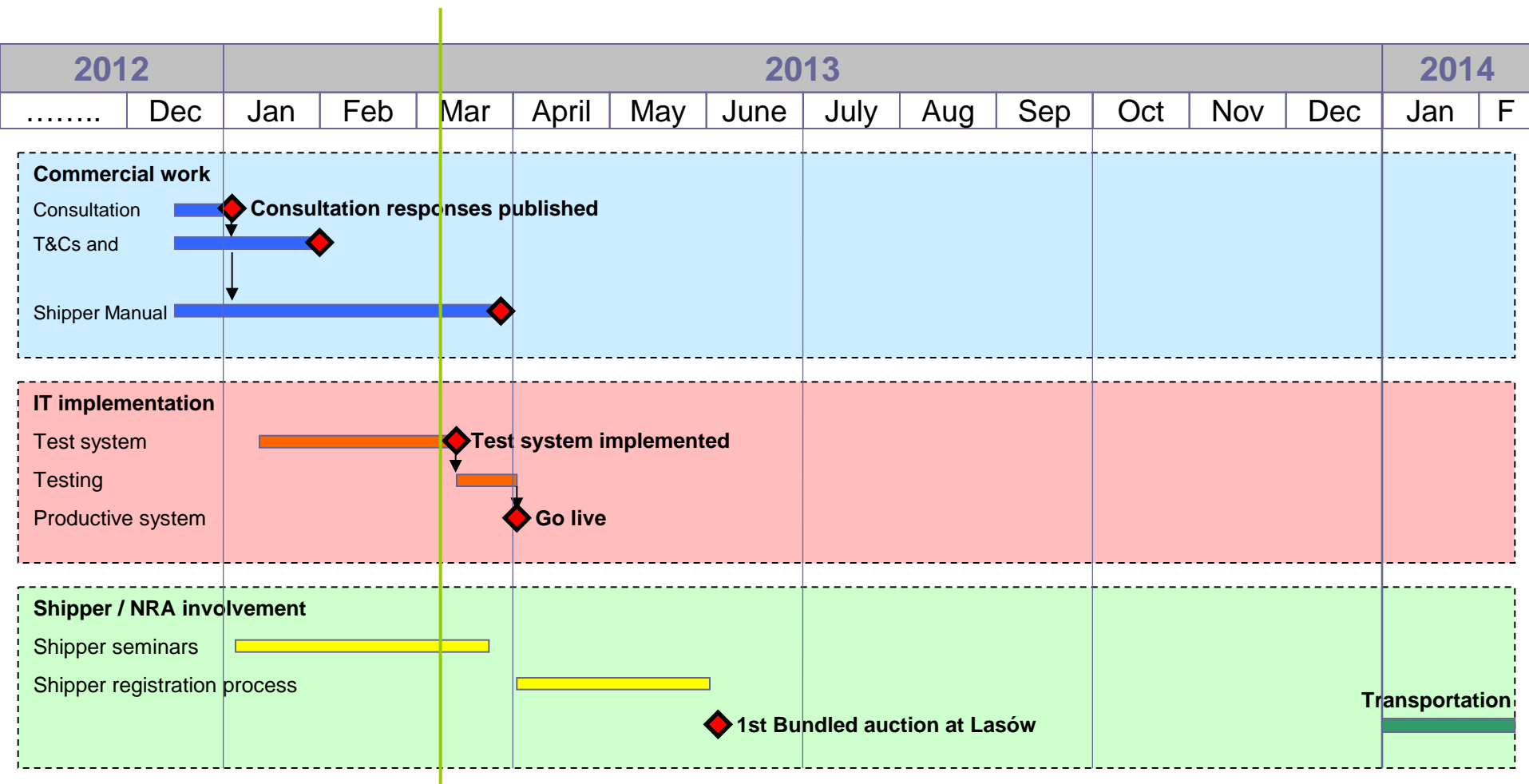
- **Product Description Paper**

- Contractual aspects

T&C GAZ SYSTEM

- Contract conclusion
- User requirements
- Scope of entry contact
- Balancing
- Nominations, matching etc.
- Communication
- etc.

Shipper

Product Description Paper"
describing the product, auction features and auction details

T&C ONTRAS

- Contract conclusion
- User requirements
- Scope of exit contact
- Balancing
- Nominations, matching etc.
- Communication
- etc.

6

Project planning (Pilot phase)

- The biggest part of the Pilot work is done

2012					2013											2014	
……..	Dec	Jan	Feb	Mar	April	May	June	July	Aug	Sep	Oct	Nov	Dec			Jan	F

Commercial work

Consultation — ◆ **Consultation responses published**

T&Cs and — ◆

Shipper Manual — ◆

IT implementation

Test system — ◆ **Test system implemented**

Testing

Productive system — ◆ **Go live**

Shipper / NRA involvement

Shipper seminars

Shipper registration process

◆ **1st Bundled auction at Lasów**

Transportation

Next steps after the Pilot

- **GAZ-SYSTEM and ONTRAS aim to implement**

    - Yearly products according to CAM as of March 2014 (and in the following years)

    - Subsequent quarterly products as of June 2014 (and in the following years)

    - Monthly and daily CAM products and intend to offer these products as of end 2014

C O N C L U S I O N

- GAZ-SYSTEM and ONTRAS bridge two regions
- The development is progressing as planned
    - Pilot auction in June 2013
    - Contracts and informational material developed
    - Concept agreed with the NRAs
    - IT issues and solutions identified
    - Technical connection in progress (on GAZ-SYSTEM side)
- Agreement on the future bundling evolution reached between GAZ-SYSTEM and ONTRAS

The products according to the CAM NC rules should be implemented prior to the EU schedule

Regional Booking Platform
Pilot Project

CAM Coordination & EU Stakeholders Meeting
Brussels, 6 March 2013

Zoltán Gellényi, Head of Business Development
FGSZ Ltd

Regional Booking Platform

- **Web-based booking platform**
  - **For primary & secondary capacity**
  - **Tailor-made functionality**
  - **Flexible business solutions**
- **Designed & built especially to fulfil & fit**
  - **CAM NC requirements**
  - **European regulatory diversity**
  - **Different TSO & NU expectations**
  - **Secure & easy access**

Ambitions Regarding Technical Implementation (TSOs)

Core functions
- Already available in the sandbox (test) environment
- Ready to go live by April 2013
- First monthly capacity auction possible in June

Other functions
- Secondary capacity market
  - Test environment in H2 2013
  - Ready to go live in Q1 2014
- Nominations and other comfort services
  - Test environment by the end of 2013
  - Ready to go live in Q1 2014

Ambitions Regarding Regulatory Challenges (NRAs and Misitries)

Bundling concept to be clarified (implementation mostly depends on this!)

- Formal or essential?
- Which products can be bundled?
- There should be a strong link between the products in the bundle

What are the network access conditions?

- Licencing
- Similarities and differences in network usage

NRA-TSO Core Group Discussion

NRA-TSO Core Group meeting in Bucharest (February 2013)
- Identifying challenges ahead (checklist)
- List of tasks to be done
- Further work plan

NRAs support
- Harmonizing network access rules
- Harmonising capacity products to the extend required
- Harmonising licencing criteria in order to facilitate easier market entry

FGSZ-Transgaz Cooperation within and beyond the Pilot

Pilot Project
- Technical implementation is possible as scheduled but presupposes the necessary regulatory framework in place
- FGSZ and Transgaz discusses the way forward in business terms

Other areas of cooperation
- According to the MoU of 2012
- Reverse flow project under preparation
- Preparation for BAL NC early implemenation

The bulk of the work

Is much more challenging

Thank you for your kind attention!

PILOT PROJECT ON CAM
Spain and Portugal
EU Stakeholders' Group meeting

Brussels

6th March 2013

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1. **Regulatory context**

2. Capacities and products offered

3. Process to participate

4. Price

5. Auction: allocation methodology

6. Calendar for the 2013 auction process

7. Lessons learned

Objective

- South Gas Regional Initiative Work Plan 2011-2014: the final goal on CAM for 2014 would be having in place joint coordinated capacity allocation mechanisms for the allocation of cross-border capacity in all the interconnections between the balancing zones in the region.

- Within this context, Enagás and REN committed to develop a joint allocation procedure inspired on ENTSOG's Network Code on CAM to allocate bundled products on both sides of the border in a coordinated mechanism by 2012.

- In 2013, Enagás and REN will carry out a similar procedure to allocate capacity between Spain and Portugal.

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Products offered

- Existing entry and exit capacity between Spain and Portugal.

- Virtual Interconnection Point (V.I.P.): two physical interconnection points Badajoz/ Campo Maior and Valença do Minho/ Tuy → one commercial point VIP Spain-Portugal.

Products and auctions

4 types of Capacity Products, sold through 4 Annual Auctions

Products	Auctions
Firm Yearly Products*	Firm Yearly Products Auction
Firm Quarterly Products*	Firm Quarterly Products Auction
Interruptible Yearly Products	Interruptible Yearly Products Auction
Interruptible Quarterly Products	Interruptible Quarterly Products Auction

(*) Include the two flow directions: from Portugal to Spain (POR➔ESP) and from Spain to Portugal (ESP➔POR).

Availability of interruptible products

At the Interruptible Products Auctions, for any given period, no interruptible Product will be offered if less than 95.00% of firm capacity for the firm Product(s) for that period and flow direction has been allocated at the previous Firm Products Auctions.

Firm and interruptible products

Firm Products

Firm Yearly Capacity (MWh/d)

60,000

27,500
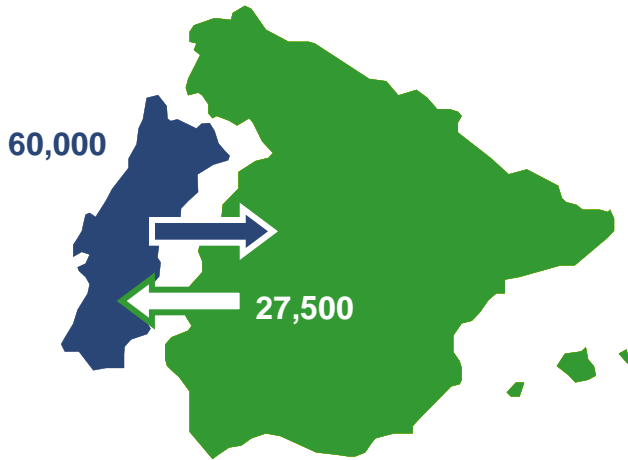
Minimum Firm Quarterly Capacity (MWh/d)

0/35,000

0

Interruptible Products

Interruptible Yearly Capacity (MWh/d)

20,000
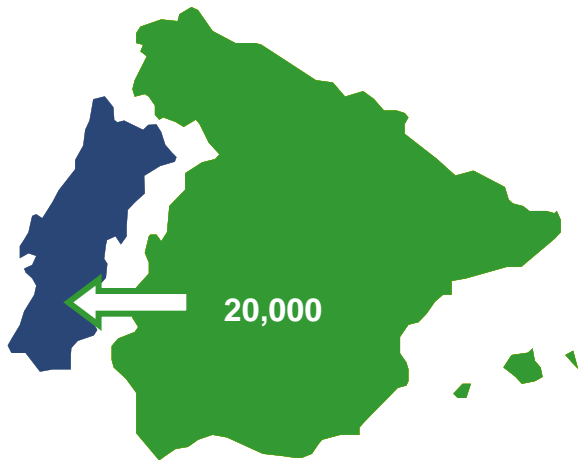
Minimum Interrruptible Quarterly Capacity (MWh/d)

0/10,000

PT-SP (GWh/d)	
Oct	
Nov	0
Dec	
Jan	
Feb	0
Mar	
Apr	
May	0
Jun	
Jul	
Aug	35
Sep	
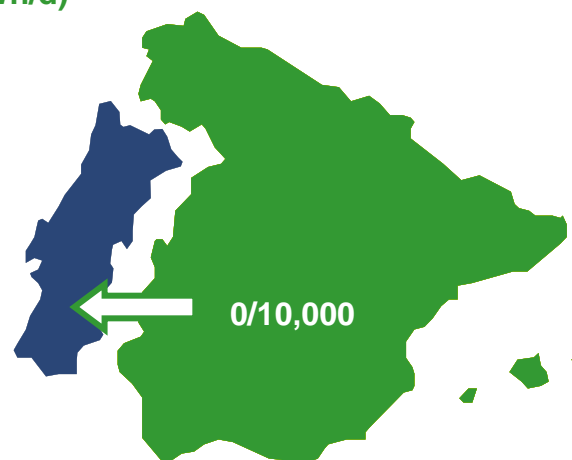
SP-PT (GWh/d)	
Oct	
Nov	0
Dec	
Jan	
Feb	0
Mar	
Apr	
May	0
Jun	
Jul	
Aug	10
Sep	

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Qualification process

In order to participate in an Auction, Shippers shall be accredited as Qualified Shippers for that Auction:

The Qualification Process will include two phases:

1. the Pre-qualification Phase, common to all Auctions to be held in 2013, and

2. the Qualification Phase, only required for firm products Auctions.

```
Pre-qualification Phase  →  Qualification Phase  →  Auction
```

2013 auctions

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Price

The reserve price of all Auctions will be the sum of the regulated tariffs in force in Spain and in Portugal.

Auctions revenue split:

Price payable in Spain	Price payable in Portugal
Regulated tariff in Spain	**Regulated tariff in Portugal**
+	**+**
50% of Auction premium	**50% of Auction premium**

enagas

REN

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Auction design and allocation methodology

Bidding procedure:

- Single-round auctions.

- One bidding form with 30 price steps per auction.

- Shipper's bids limited to a maximum allowed quantity per auction (Qualification Volume) and a minimum of 500 MWh/d per price step.

- Bidders may indicate a minimum amount of capacity to accept allocation

Allocation procedure:

- One clearing price to all Bidders.

- Capacity to be allocated in kWh/day

- First stage: provisional allocation if demand is lower than capacity offered

- Second stage: to apply if capacity still remains unallocated after first stage

- 3 consecutive steps to allocate the maximum possible capacity to all bidders

First Stage **Auction (Volume-based cleared price)**	**Second Stage** **Application of the pro-rata mechanism**		
	1st Step	**2nd Step**	**3rd Step**

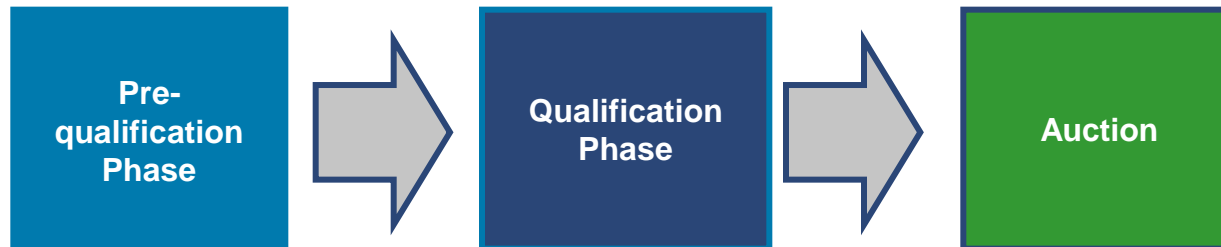**Process designed to maximise the allocation of capacity.**

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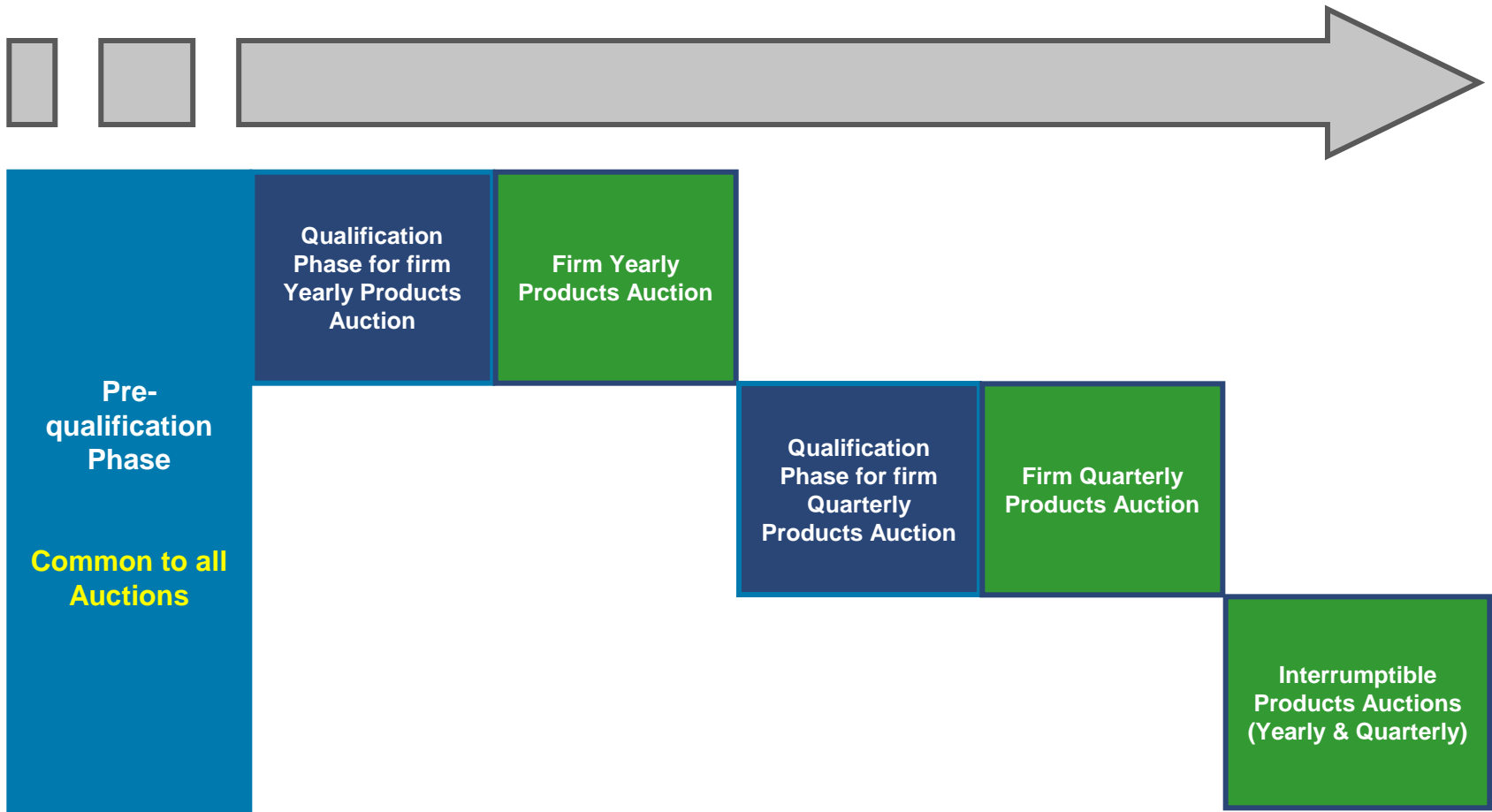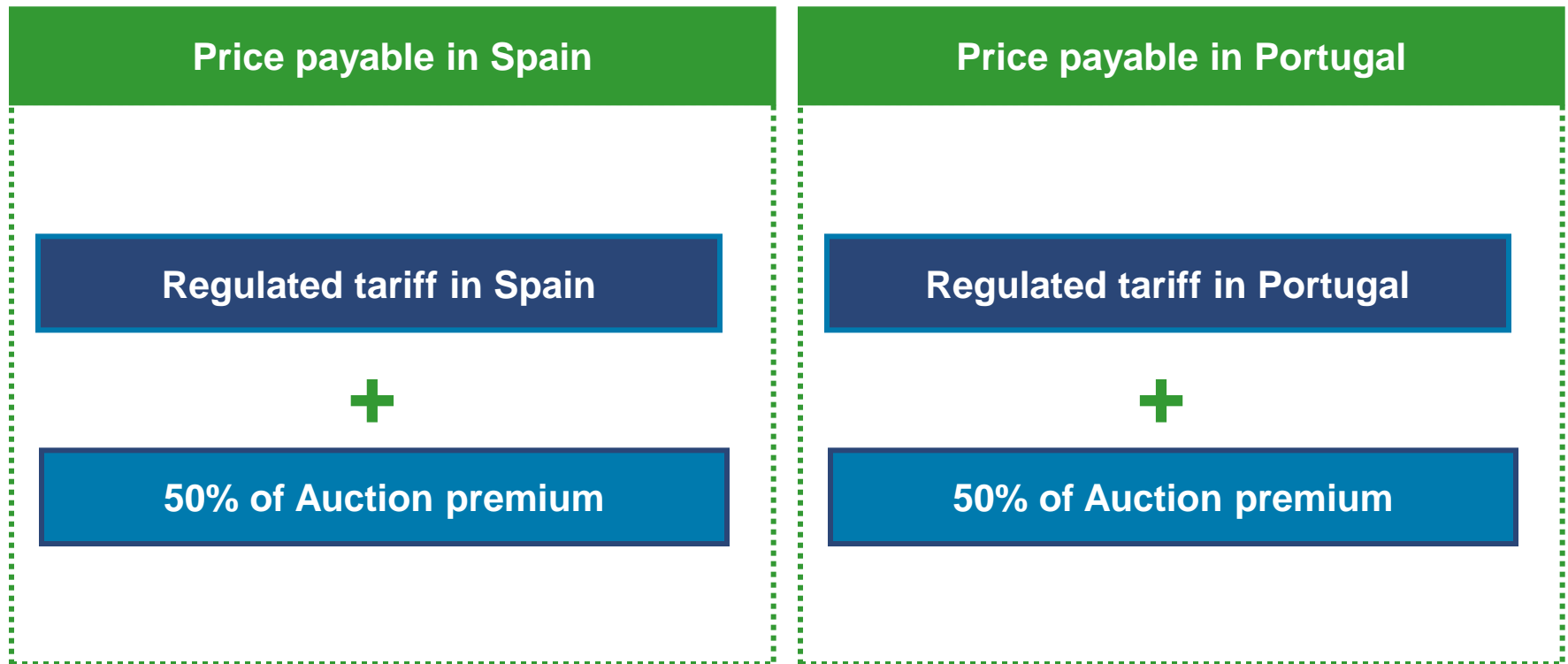6. **Calendar for the 2013 auction process**
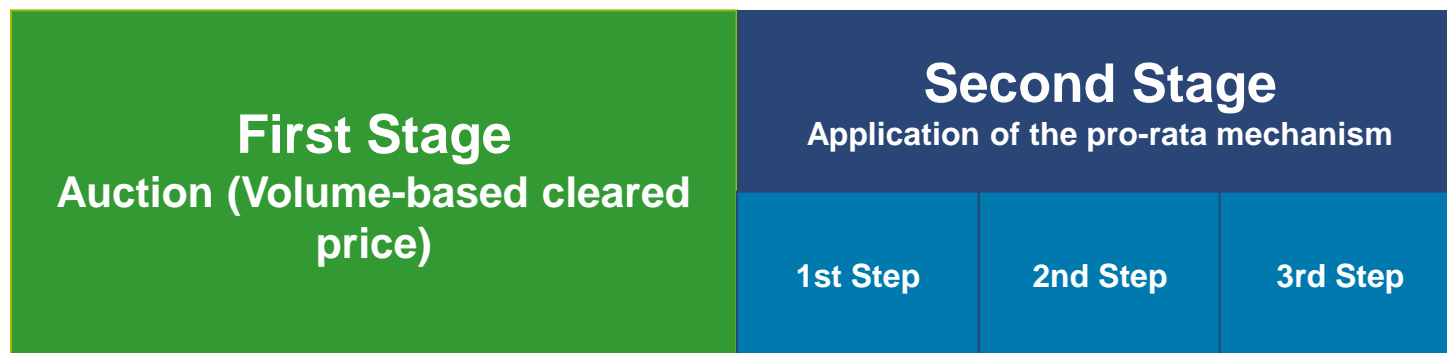
7. Lessons learned

Calendar for the 2013 Auction Process (i)

May 2013

		1	2	3	4	5
6	7	8	9	10	11	12
		Pre-qualification Window Shippers sign and send CAO the relevant documentation				
13 Submission by TSOs to NRAs of a copy of all Pre-qualification Forms and Statements of Single Shipper	14 Assessment by TSOs of relationship of control between Shippers	15	16	17 Individual letters to Shippers from CAO with pre-qualification confirmation (PQSIN)	18	19
20	21	22	23	24	25	26
		Qualification Window for firm Yearly Products Auction				
27	28	29	30	31	28	29
	Pre-Qualified Shippers sign and send CAO the relevant documentation					

Calendar for the 2013 Auction Process (ii)

June 2013

					1	2
3 **Individual letters from CAO with qualification confirmation for firm Yearly Products Auction**	4 **Firm Yearly Capacity Bidding Window**	5	6	7 **Publication of results and available capacity for quarterly products** **CAO sends individual letters to Bidders**	8	8
10	11	12 **Qualification Window for firm Quarterly Products Auction**	13	14	15	16
17	18 **Pre-Qualified Shippers sign and send CAO the relevant documentation**	19	20	21	22	23
24 **Individual letters from CAO to Shippers with qualification confirmation for firm Quarterly Products Auction**	25 **Firm Quarterly Capacity Bidding Window**	26	27	28 **Publication of results and available capacity for interruptible products** **CAO sends individual letters to Bidders**	29	30

Calendar for the 2013 Auction Process (iii)

July 2013

1	2	3	4	5	6	7
Interruptible Capacity Bidding Window **Common to yearly and quarterly Auctions**			**Publication of results** **CAO sends individual letters to Bidders**			
08	09	10	11	12	13	14
15	16	17	28	19	20	21
22	23	24	25	26	27	28
29	30	31				

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7. **Lessons learned**

Lessons learned

- Last year's pilot has been very useful to identify which regulations had to be adapted, which documentation and processes had to be developed, and to raise awareness among shippers of the implications of the NC – minor changes needed for this year's pilot (update on products, capacity figures and calendar).

- Qualification window duration to be considerably extended to allow for shippers to comply with all formalities (financial guaranties, contract signing, etc.).

- Shippers prefer to book capacity through a First-Come-First-Serve mechanism (valid for monthly products as from October) with no premium risk, if the VIP remains uncongested.

- Possibility to offer quarterly products and thus further converge with the CAM NC provisions.

- Likelihood of auctions to take place is small – the option for an IT platform to perform the auctions is thus not justified on a cost-efficiency perspective.
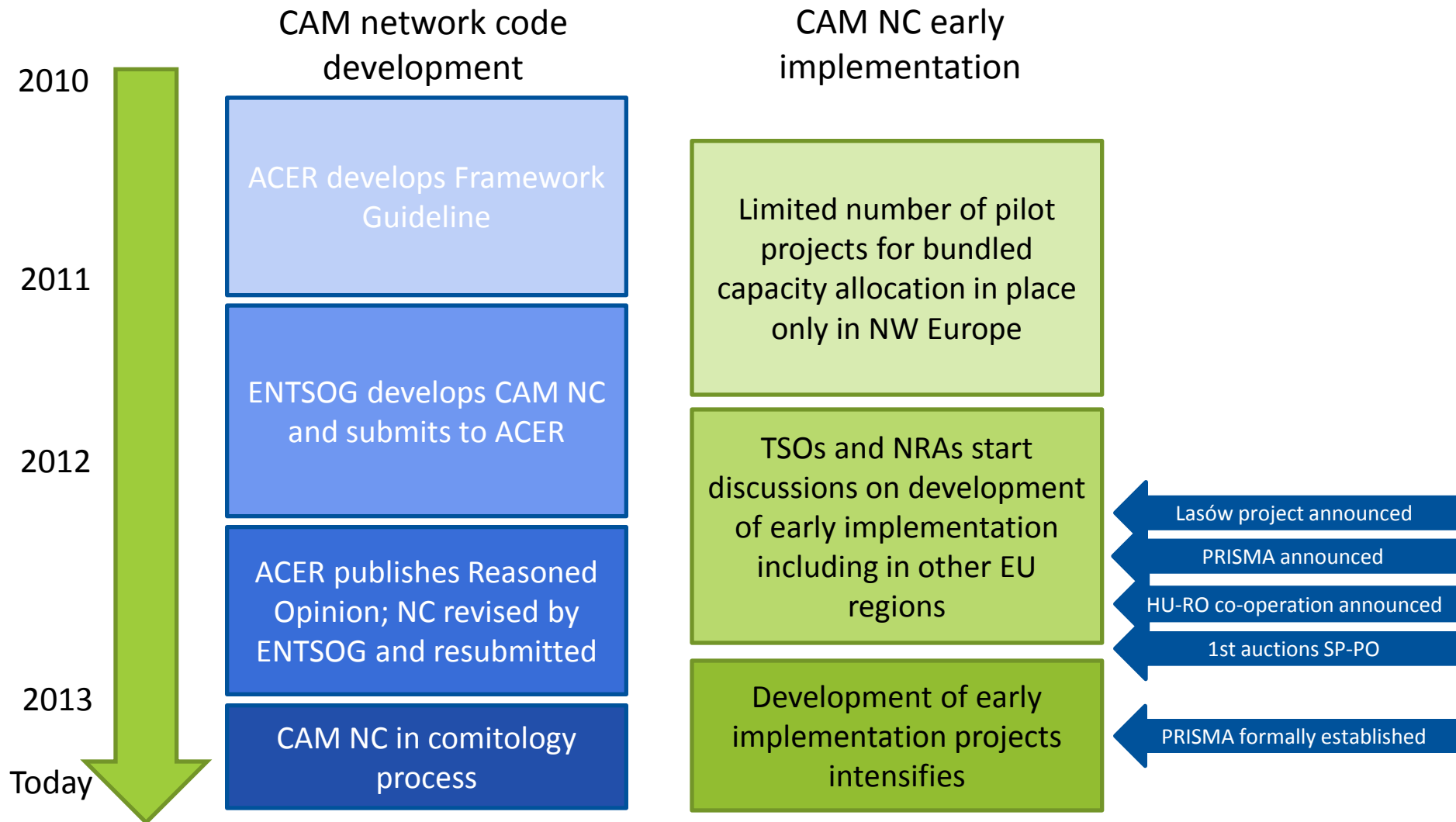
Thank you for your attention!
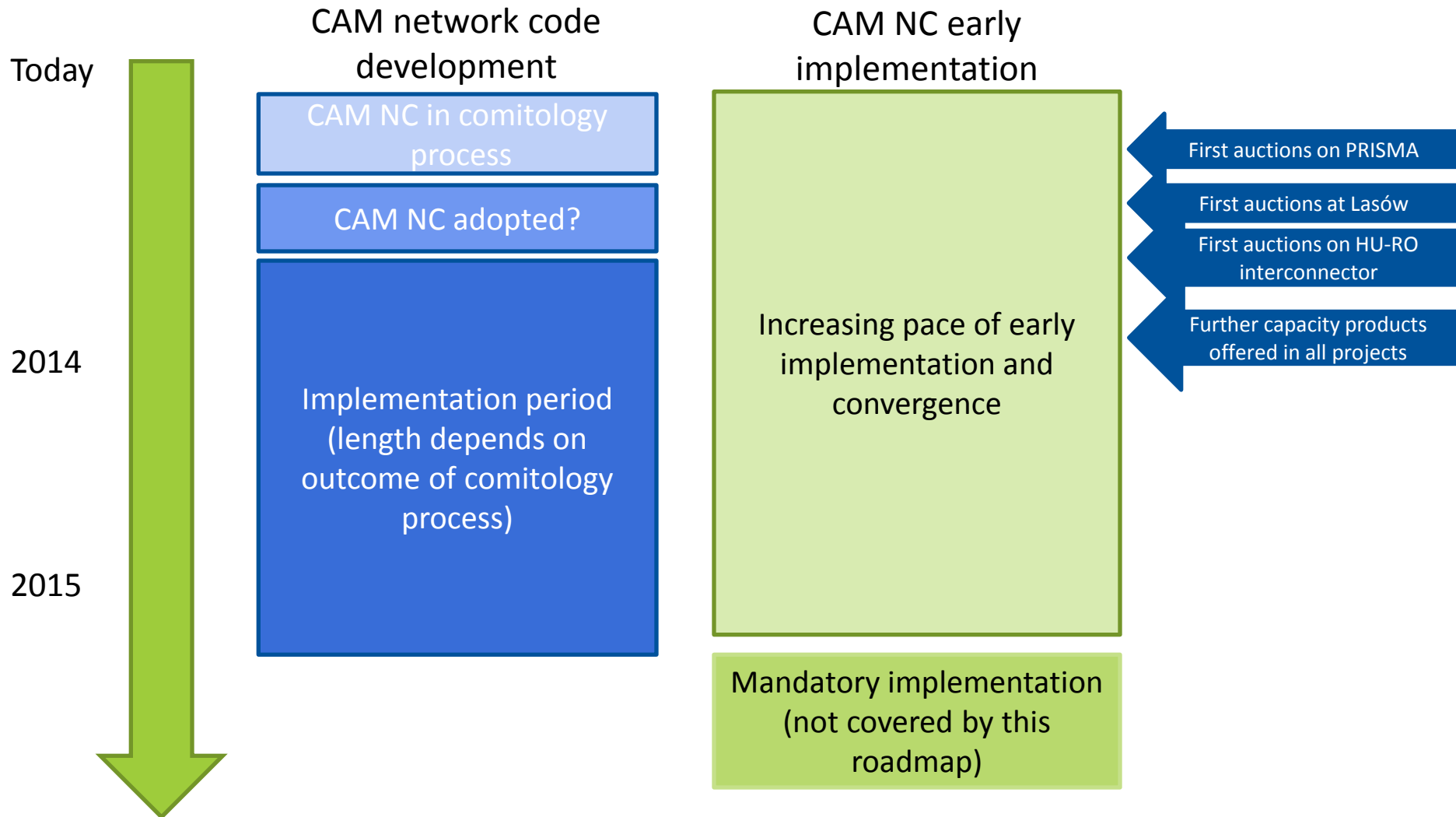
Brussels

6th March 2013

First outcomes of the CAM NC implementation process

1ˢᵗ EU Stakeholders meeting

Brussels, 6 March 2013

Progress so far

CAM network code development

CAM NC early implementation

2010

2011

2012

2013

Today

ACER develops Framework Guideline	Limited number of pilot projects for bundled capacity allocation in place only in NW Europe
ENTSOG develops CAM NC and submits to ACER	TSOs and NRAs start discussions on development of early implementation including in other EU regions
ACER publishes Reasoned Opinion; NC revised by ENTSOG and resubmitted	Development of early implementation projects intensifies
CAM NC in comitology process	

Lasów project announced

PRISMA announced

HU-RO co-operation announced

1st auctions SP-PO

PRISMA formally established

First outcomes of the CAM NC implementation process

Potential benefits of early implementation

- ➤ Significant progress towards the internal market by 2014
- ➤ Opportunities to learn from experience gained during pilot project implementation
- ➤ Opportunities for users to benefit from standardisation introduced by CAM NC before mandatory deadlines
- ➤ Full implementation by the mandatory deadline is facilitated by early start

Requirements for voluntary early implementation

- ➤ Stable provisions in the CAM network code, especially auction algorithms
- ➤ Ability of TSOs to devote resources to developing new solutions
- ➤ Prompt update of national legislation and regulatory frameworks
- ➤ Co-operation between NRAs and TSOs in order to find adequate solutions for the recovery of efficiently incurred costs

Fulfilling these conditions can be challenging

Strong support is needed from all parties if early implementation is to be successful

In this process we refer frequently to the benefits of 'convergence'

What does this mean?

➢ Increasing progress of existing projects towards meeting all CAM NC provisions

➢ Increasing geographical scope of early implementation projects

- New TSOs or interconnection points joining existing projects
- New projects established

➢ Sharing of knowledge and experience on projects to allow progress towards the most effective solutions

➢ Where NC does not prescribe a particular approach, a flexible approach is needed in order to allow development and testing of alternative solutions – particularly during the early implementation period

- **Much progress has already been made** in the early implementation of the CAM NC via pilot projects

- And **much more is to come** during 2013 and beyond

- Early implementation can offer **substantial benefits**

- … but requires **strong commitment** from all parties

- The CAM Roadmap and the new Europe-wide groups aim to facilitate the early implementation process by **engaging all stakeholders**

ENTSOG, ACER, TSOs and NRAs hope that these meetings will be an effective forum for transparency and stakeholder engagement.

We encourage you to let us know your views on the Roadmap and on CAM implementation generally

The next step is to present concrete results and lessons learnt so far to the Madrid Forum

Thank you for your participation!