



## CPC Online Survey

– *printable version<sup>1</sup> for participant's internal debate* –

GTE launched the “Capacity Product Coordination” project in 2007 in order to improve compatibility of cross-border shipping services as well as their related characteristics and procedures.

In 2008 GTE+ published a Consultation document on Capacity Coordination measures. Thereafter a Workshop was held which provided all market participants the opportunity to contribute to the development of suggested solutions. The measures presented were developed to enhance customer friendliness and deliver market benefits by simplifying the access to the EU gas network. Below you can find the **GTE+ Capacity Product Coordination First Phase Report**, which GTE+ has developed based on the results of the Workshop and the consultation process. With input from this work an initial step towards the development of European rules for Capacity arrangements at interconnection points was taken, and a debate on future potential solutions with network Users and ERGEG was started.

During 2009, GTE+ has been actively engaged in the debate regarding Capacity Allocation Methods (CAM) & Congestion Management Principles (CMP). In addition to discussions with key Users and bilateral discussions with ERGEG, detailed written elaborations were developed; providing detailed comments on various suggested measures contained within the ERGEG Principles document.

During the Madrid Forum XVI on 28th and 29th May 2009, GTE+ had agreed to be prepared to start work on the development of a Pilot Network Code on Capacity as soon as ERGEG has delivered a Pilot Framework Guideline for European Capacity arrangements. In September 2009 the European Commission invited ERGEG to deliver such a document within six months, but to separate the CAM & CMP areas into testing the Network Code development process with CAM, whilst a Comitology process was to be run on the CMP aspects. Therefore the GTE+ focus is primarily on the preparation of developing a Network Code for CAM during 2010.

To gain fundamental knowledge of what Standard Capacity Products should be commonly applied and how capacity should be allocated GTE+ published an **Online Survey** on 26th October 2009.

All interested market parties are invited to provide their views until 20th November 2009. The information obtained is intended to be used as an input for developing the Pilot Network Code on CAM. GTE+ has intentionally kept the Survey short focussing on a few crucial issues, thus keeping the time and efforts to complete the Survey to a minimum whilst focussing on the key areas.

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<sup>1</sup> Pop-up windows as provided in the Online Survey are included in the Annex of this print version



## Introduction

## Background

GTE+ published the [Capacity Product Coordination \(CPC\) First Phase Report](#) in April 2009. This report was a culmination of work undertaken by GTE+ members to describe general recommendations for European wide access arrangements and furthermore detailed the characteristics of the allocation methodologies of First Come First Served, Open Subscription Period/Pro-rata and Auctions. During the consultation process stakeholders' provided feedback which helped identify a number of key areas for subsequent consideration and development steps. The respective Outlook section of the aforementioned report detailed the GTE+ next phases as part of this ongoing work.

The second CPC phase consists of the work areas:

1. Definition of Standard Capacity Products
2. Elaboration of Capacity Allocation Methods &
3. Congestion Management Procedures.

## Purpose

This survey is seeking views on the definition of points one and two; common Standard Capacity Service durations and Capacity Allocation Methodologies, in order to consider better alignment with market needs suiting various business models. GTE+ would like to obtain System Users opinions on the above in order to assist with the development of a future pilot Network Code for Capacity on a European wide level. The answers provided within this survey will assist GTE+ to better understand market needs; with the aim to develop a consistent system across Europe and may lead to an improvement at congested situations at Interconnection Points (IPs) between market areas.

## Assumptions

The survey is seeking views on future capacity arrangements within Europe.

- According to the outcome of the First Phase Report , both Entry and Exit Capacity at Interconnection Points are treated the same.
- Furthermore, this survey does not differentiate between Firm and Interruptible capacity. In this regard, please detail where appropriate your views on whether the products should be treated differently in one of the response boxes on Standard Capacity Products.
- The questions contained within this survey refer to existing capacity. The definition of Open Season procedures is at this time not in scope of this investigation.

To better understand and analyse the responses please **use the comment boxes** to expand on your reasoning behind your choice. Please note that the survey focuses on Capacity, whilst the tariff aspect is important to the pricing of the products and associated durations, we would at this stage ask for answers to concentrate on the Capacity aspects contained within the survey.

## Next steps

With respect to this survey, the following actions are envisaged by GTE+:

- Analysis of data received
- Discussion of results and outcome with Users
- Conclusion and views of Users submitted to the European Commission and ERGEG to support the development of a Pilot Framework Guideline for CAM.

# GTE+ online survey - REGISTRATION

## Contact details

Please provide your contact details. Your email address is the reference used to record your answers. Fields marked \* are mandatory and need to be completed.

\* Email

\* Main Business Area

If other, please specify:

\* Your entry details:

Organisation (\*)

Country (\*)

Contact person (\*)

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Position

Address

Phone

Please reply by 20 November 2009.

Your responses are important to gather a market view which would aid the future setup of the gas market, and for the proprietary steps for the preparation of a Pilot Capacity Network Code. Therefore, if you have any questions relating to this survey please don't hesitate to contact [frank.roessler@ontras.com](mailto:frank.roessler@ontras.com) or ring +49 151 11359648.

\* I allow GTE+ to publish my individual data as provided in this survey.  
Please tick this box to confirm acceptance.

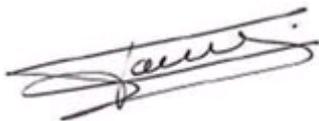
Yes

No - please publish only in aggregated form

We appreciate your time taken in providing your response to this survey.

Thank you in anticipation.

Yours sincerely,



Jacques Laurelut  
GTE President  
GTE+ Transition Manager



## Standardisation of Capacity Products

### Introduction

Before it is possible to develop a Pilot Code Development Process and to better facilitate access to gas transmission networks in Europe it is necessary to define Standard Capacity Products for which requesting procedures etc. can be described. From the on-going discussions at an EU-level<sup>1</sup> it seems evident that TSOs will need to:

- Organise either an Open Subscription Period/Pro-rata or an Auction, (or a mix) on a European level (depending on the demand of Users)
- Propose effective coordinated booking processes
- Facilitate market understanding for new entrants on any European network.

In this perspective the standardisation of the features of capacity products relating to the 'duration' is envisaged. In window-based allocation methodologies, such as Open Subscription Period/Pro-rata or Auctions, it is necessary that bids/requests are placed on previously defined and standardised Capacity Products. Additionally the application of quotas (reservations of longer term capacity for short term use), is subject to investigation in this part of the survey.

<sup>1</sup> ERGEG principles: Capacity allocation and congestion management in natural gas transmission networks - An ERGEG Evaluation of Comments Paper - Ref: E09-GNM-07-03 - 24 August 2009 - page 11

### Standard Capacity Products

To generate an overview of which Standard Capacity Products are currently offered in Europe an [analysis](#) has been conducted and reflected on gas commodity products traded at major gas Hubs.

From that analysis, we concluded that various commodity products are available at Hubs, with a wide range of durations; while Capacity Products requested are generally more limited in number; but nevertheless may seem to suit the needs of system Users.

The standardisation of Capacity Products has the following features:

- Clear and equally applied start and end times
- Reasonable number of products (e.g. 3 or 4) to provide sufficient flexibility.

Such Standard Capacity Products have to cover any shippers' need ranging from short term arbitrage to long term strategy. Through the [combination of Standard Capacity Products and recurrent allocation/requesting processes](#), Users can access capacity for a range of durations in order to cope with diverse needs.

In the survey, which continues on the next page, the system Users are in the first question invited to provide their opinion of which [Standard Capacity Products](#) are most suitable. A well considered product package should provide a balance of [Patterns in capacity portfolios](#) as well as trying to keep a limited number of products in order to enable the definition of a manageable allocation.

### Quotas

Being closely linked to the definition of a set of appropriate Standard Capacity Products is the possible use of quotas. Quotas can be applied in networks to reserve a certain percentage of the available capacity (usually determined on a long term basis) for the sales of shorter term services. This ensures that not all capacity is sold out for long term periods, hence allowing arbitrage options to be developed or access to capacity to new market entrants. Question number two on the following page is focussing on this subject.

# GTE+ Survey on Standard Capacity Products

## GTE+ Survey on Standard Capacity Products

- \* Please enter your email address as defined in the registration form - this will be used to validate your input:

- \* 1. Which of the Standard Capacity Products listed below do you think are most suitable in order to cover the markets needs and what is your priority ranking regarding these products?

Please indicate which options are needed, and provide a Priority ranking (1 is the highest priority):

(Use mouse to tick to provide answer)

	1	2	3	4	5	6	7	8	9	10	N/A
Daily	<input type="checkbox"/>										
Weekly	<input type="checkbox"/>										
Working week (Weekdays -no weekend) and Weekend	<input type="checkbox"/>										
Monthly	<input type="checkbox"/>										
Quarterly	<input type="checkbox"/>										
Half-Year	<input type="checkbox"/>										
Gas Year (Oct.)	<input type="checkbox"/>										
Calendar Year	<input type="checkbox"/>										
Other	<input type="checkbox"/>										

Please explain what assumptions determined your selection and (if relevant) what other product is seen as needed

The responses gathered in this section will hopefully provide the opportunity to define a reasonable set of Standard Capacity Products that could be applied in the future on a European level. In addition you may also detail Standard Products not listed below in the comments section. Please keep in mind that a small number of products (e.g. three or four) can be applied; as it should be manageable for Users to apply requesting procedures (which may be carried out in for example several bidding rounds per product). Please also be mindful that it is possible to compose most durations by adding different products together (depending on the way combination is built in the allocation process). For example a 12 individual month's block of capacity would cover a period of a year.

For definitions of the listed Standard Products please refer to explanations on the previous page.

Your answers to the question "Priority ranking" are very important as they will, in subsequent steps, allow for the determination of the most likely applicable set of Standard Capacity Products.

## GTE+ Survey on Standard Capacity Products

\* 2. Do you think that quotas (capacity reserves - as explained on the previous page) for capacity sales of shorter durations should be applied?

Yes, quotas should be applied

No, quotas should not be applied

Other

Please explain your selection in terms of short term and long term quotas and under which circumstances quotas should be applied.

Please be mindful that an answer should be given for future consideration and for all conditions, not referring to a specific booking situation or the availability of certain capacity services.

3. Other comments

Please state any other comment regarding the standardisation of Capacity Products if required.



## Description of Capacity Allocation Methods

### Introduction

In this section of the survey the most commonly applied Capacity Allocation Methods – Auctions, Open Subscription Period/Pro-rata and First Come/Committed First Served – are investigated. On the next page the Users views regarding the fundamentals of Capacity Allocation are sought.

### Auctions

Inherent within auction processes in general is the capability to make capacity quantities available to those that value them the most by deriving market based prices for Standard Capacity Products. Users are offered the chance to bid for capacity which allows them to book capacity as their supply portfolio increases whereas the price for capacity is settled according to the demand by the Users. The bidding on offered standardised products is organised during fixed bidding windows provided by the TSO.

### Open Subscription Period/Pro-rata

Users can submit capacity requests during a fixed booking window for each offered Standard Capacity Product. The capacity is allocated to the Users if the demand is less than the offered capacity. If less capacity is available than requested by Users then a fraction of their demand; is allocated proportionally to each User by the application of a pro-rata rule on their request in relation to the total requests and the available capacity.

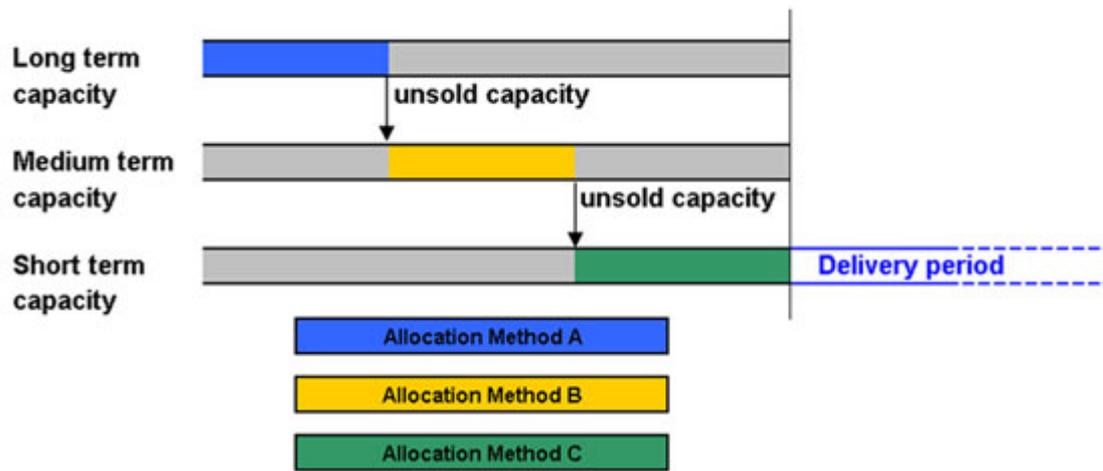
### First Come First Served

Where the First Come/Committed First Served (FCFS) principle is applied Users at the time of their requests know how much capacity can immediately be booked. The capacity is allocated instantly to the requesting party independently from pending requests from other parties. Furthermore a requesting User receives a direct response on whether the request was successful or not. The requesting User is able to book at any time every (available) type of capacity over a customised period of time.

### Composition

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

For instance, TSOs may offer Allocation Method A when booking long to medium-term capacity if that implied certain advantages and for shorter durations Allocation Method B if that is more suitable. A theoretical example of how a combination might be organised through “Composition” 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 within the scope of this project.

# GTE+ Survey on Capacity Allocation Methods

## Survey on Capacity Allocation Methods

Please enter your email address as defined in the registration form - this will be used to validate your input:

- \* 1. With regards to a future European Network Code, should only one commonly applied Capacity Allocation Method be defined for long term, medium term and short term services, or should a composition be applied?

Only one method (proceed to question 2)

Composition (proceed to question 3)

Other

Please explain your selection

The aim of this question is to elaborate if Users believe that it is beneficial that for Europe one single Capacity Allocation Method should be considered. "One method" could indicate User preference that one method should be applied for various contract durations whereas "Composition" could indicate that such decisions should be ruled on a national level. In this case a composition of different Capacity Allocation Methods seems helpful, or Users think that for one duration different Capacity Allocation Methods could be considered (e.g. through rounds for one duration with different methods).

Please select one of the pre-defined answers and explain what led to your decision.

2. If only one method should be applied, which specific Capacity Allocation Method should be carried out by European TSOs?

Auction

Open Subscription Period/Pro-rata

FCFS

Other

Please explain your selection

# GTE+ Survey on Capacity Allocation Methods

This question only needs to be filled in if the answer to question 1 was "One method". If the answer was "Composition" please go to question 3.

Please select between the most commonly applied methods which are Auction, Open Subscription Period/Pro-rata and FCFS or name another one ("Other") if preferred.

Please select your choice and explain what led to your decision.

3. Where a composition is desired, which composition do you think would achieve the best allocation results?

	Auction	Open Subscription Period/Pro-rata	FCFS	Other
Long term services	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Medium term services	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Short term services	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Please explain your selection

This question only needs to be filled in if the answer to question 1 was "Composition".

With the questions concerning "composition" we would like to find out if you consider that different Capacity Allocation Methods should be applied for different transmission durations (e.g. Long - Medium & Short Term) of the requested capacity. You are invited to select one of the answers below per term and explain what led to your decision.

\* 4. Is it appropriate to apply the same Capacity Allocation Method to contractually congested and to non-congested IPs?

Yes, the same

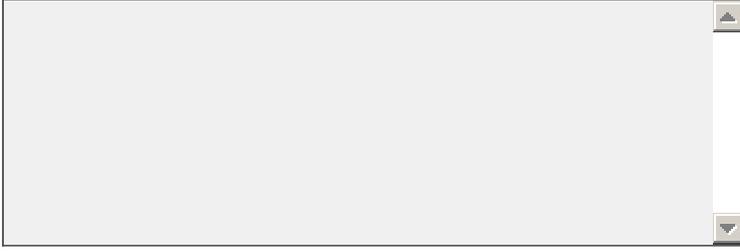
No, a different one

Other

Please explain your selection

## GTE+ Survey on Capacity Allocation Methods

### 5. Other comments

A large, empty text input field with a light gray background and a thin black border. On the right side, there is a vertical scrollbar with a small upward-pointing arrow at the top and a downward-pointing arrow at the bottom.

Please state any other comment regarding Capacity Allocation Methods if required.

# GTE+ online survey - SUMMARY

## Summary of provided responses

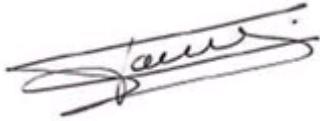
If you would like us to send you a summary of the answers you provided, please enter your email address below (same as provided in the registration form)

Email

Please give us your view on how this survey was carried out. Your comments will help to improve and make future surveys more user-friendly

Thank you for your participation in this online survey. We look forward to discussing the outcome together with you and the other market participants.

Yours sincerely,



Jacques Laurelut  
GTE President  
GTE+ Transition Manager