



## Memo of Meeting

### Meeting with ERGEG Re: Draft Framework Guidelines - Capacity Allocation on European Gas Transmission Networks 9 December 2009

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Group	Name (Association/Company)
ERGEG	Alexandre Soroko (CRE)
	Fiete Wulff (BNetzA)
	Johnny Amos (Ofgem)
	Erik Sleutjes (Ofgem)
ENTSOG	Frank Roessler (Ontras)
	Olivier Lebois (GRTgaz) (took notes)
	Mathew Hatch (National Grid Gas)

#### 1. CAM/CMP process

All 5 previously announced documents (FG + impact assessment, CMP draft + impact assessment and revised CAM/CMP principles) are in the final stages of agreement within ERGEG. The documents have been submitted for approval to the ERGEG General Assembly and ERGEG representatives are quite optimistic about a quick agreement being reached.

The aim is to now launch the consultation on the framework guideline on CAM shortly before Christmas, in order to allow for stakeholder reaction during the Madrid Forum in January. ERGEG plans to organise a workshop in late January or early February to discuss this with stakeholders.

Frank suggested to postpone the consultation until after the Madrid Forum because otherwise only a very few people would be able to answer the consultation due to the holiday season which would significantly shorten the practical consultation period. ERGEG prefers to start it in December because:

- They can be more consistent with EC's deadline for the FG;
- The consultation deadline will be extended to the end February so people should have sufficient time;
- ERGEG wants to let people study the document as soon as possible.

ERGEG also explained that the EC is aware of ERGEG's schedule.

The process for the CMP comitology will be different as it is an EC process. Discussions will still occur during the MF as a presentation will be done by W. Boltz; also supported by an E-bridge study on CMP (high level assessment / financial impacts). ERGEG kindly offered to circulate this document to the core Capacity group before the MF (restricted to ENTSOG discussion). Frank reminded that W. Boltz promised in the tri-lateral meeting between ERGEG, the EC and GTE+ on 6th July 2009; that the CMP comitology draft follows a similar consultation process.

ENTSOG asked if any necessary changes to the final CAM FG document was possible stemming from this meeting or changes resulting from the Expert group meeting the week after. ERGEG said it will be difficult to reflect issues before the Madrid Forum but if things arise that require amendments in the document; that this will be taken into account during the official consultation.

## **2. ENTSOG online survey**

Due to a number of stakeholders requests ENTSOG postponed the deadline of the survey to Friday 4<sup>th</sup> December. ENTSOG will now focus on the analysis in order to have a clear understanding of the survey results before the MF. The initial view is that it seems that the market's positions are quite diverse. ENTSOG offered to discuss the answers with ERGEG during the next meeting in January, whilst we would hope that ERGEG is also willing to debate the feedback which will be given to their consultation on the FG.

## **3. Minutes of last meeting**

The TSOs raised the concern that some of the points they thought were agreed during the last meeting are not reflected in the latest version of the CAM Guidelines.

ERGEG representatives stated that they did not have powers to agree on behalf of ERGEG and that the final decision is taken by the General Assembly.

ENTSOG representatives thought that the ERGEG group had more powers to influence the FG drafting.

Specific areas of minutes:

### Existing contracts

ERGEG does not foresee any major change needed in existing contracts. This point will have to be confirmed during the Impact assessment study. Both parties discussed the meaning of this section with the conclusion that the paragraph refers more to access conditions applied by the TSOs which are the basis for capacity contracts (Network Code access conditions) rather than the capacity contracts per se. ERGEG mentioned that concrete proposals on how to amend the paragraphs are very helpful and invited the TSOs to develop an alternative text during the consultation phase.

### Surrendered capacity

After some debate ERGEG explained that obviously there is a misunderstanding in the meaning of this new term and therefore it needs to be clearly defined. Some stakeholders may understand it as a capacity buy-back by the TSO; or as a sale on behalf of them. This definition will be part of the impact assessment but a change will be difficult in the current version of the FG draft at this stage.

ENTSOG stated that it understood that the intention of the FG idea is that TSOs sell all the capacity they have available, but ERGEG feels the need to be precise in terms of all capacity origins. ENTSOG mentioned that in the UK surrendering is used in combination with a

transfer of capacity from one point to another point with an appropriate transfer exchange rate.

From ERGEG's point of view, it may be allocated only if all primary capacity has been sold. ERGEG said this surrender concept is proposed because of:

- A perceived lack of confidence in the secondary market in many areas as it needs the incumbents commitment in offering such capacity and anonymity in secondary trading.
- Combining primary and surrendered capacity in the same sale procedure.

A potential revised process could be that the capacity is offered by the TSO on behalf of shippers wanting to surrender some / all of there contract. Such capacity will be allocated to other shippers only if demand exceeds primary capacity offered by the TSO. This does not necessarily mean that the TSO buys the capacity back, but it may also only simply reassign it to somebody else given the demand. In the case of auctions, the reserve price should be above or equal to the primary capacity.

It should be neutral from a TSOs perspective and should not introduce any reduction in revenue / increased financial exposure.

After an explanation by ENTSOG, ERGEG said that they would consider that the transfer of surrendered capacity can only take place if another user demands the capacity at an appropriate price.

### Bundling

ENTSOG made clear again that they do not see the merit for shippers and reiterated that this measure will reduce the total amount of capacity offered. The TSOs said it cannot be a short-term goal and more analysis is needed before such a measure could be written into a FG. However ERGEG wants it in the FG to be consistent with a longer term goal, rather than a shorter term one. Further definitions of the products envisaged in this regard need to be agreed.

ERGEG suggested that capacity bundling is a way to concentrate liquidity on a hub by limiting and in the long run abolishing trading at the flange. The protection of the internal member state markets will be preserved because the FG document tackles only the internal EU IPs. ERGEG considered that bundling is a way to deal with legacy contracts.

ENTSOG pointed out that bundled products will not increase liquidity on a hub anymore than the combined products. Moreover TSOs do not see any link between legacy of contracts and the bundling issue mentioned in the current draft. ERGEG maintained that it will carry this forward within two separate issues (bundling / legacy of contracts).

ENTSOG stated that if the bundling of a number of IPs reduces the total capacity at an aggregate level (i.e. more assumptions need to be made in order to offer such a service in a entry/exit type zone), then the TSOs would need to explore this further and amongst other things consult the market to ensure that they cover the price increases that will be necessary to recover the same amount of revenue. ERGEG responded that they will consider this further.

ENTSOG raised the point that it would be useful to explore particular examples for possible combined and bundled products. ENTSOG offered to provide a first overview for this elaboration and may initiate this piece of work using the ENTSOG map as a reference point. In any case, ERGEG will keep it within the FG, but not as an immediate requirement but as a forward goal. ENTSOG pointed out that the network code which is to become binding, has to reflect what is in the FG. Furthermore the TSOs stated that the action plan mentioned in the FG should contain a cost / benefit assessment.

### Platform

The TSOs highlighted that this could be as part of an end goal but not a mandatory service for the pilot network code. The FG should mention that the "code shall foresee" and not "code shall set out".

Additionally all IT platforms, interfaces, ownership structures, contracts etc etc. are different. It should be stressed that this should only be included in the FG if a real economical benefit is evident to the market.

EREGs point of view is that platforms ideally should concentrate capacity and offer both primary and secondary capacity.

ENTSOG considers that the primary and secondary markets are not necessarily the same 'business' as one is regulated and the other not.

ENTSOG made clear that the final FG (after the consultation) must be a clear and self-explaining document including appropriate definitions.

#### **4. FG Review**

##### Scope:

No open issues at the moment

##### Existing contracts

ENTSOG remarked that ERGEG did not make the changes relating to "relevant clauses" as described above in point 3 of the minutes. This was further discussed to possibly change the word "contracts" to "access conditions" to clarify the meaning better. ERGEG were to consider this but it could also be detailed in the impact assessment, or further in the consultation process.

From a ENTSOG perspective a six months implementation timescale is completely impossible to have every aspect whether it be contractual, legal, IT etc. coming in force in such a small timescale. ERGEG replied that these points should be raised as part of ENTSOG / individual TSOs' responses to the ERGEG consultation.

##### TSO cooperation

ENTSOG recognised that there has been a change made from "exchange data" to "exchange relevant data" but there are still too many areas included in this section which clearly belong to the other 11 network code areas (other than CAM) as defined in the 3<sup>rd</sup> package. For example technical items, maintenance and capacity calculation should be treated but in different code development groups.

EREG considered these points contribute to a harmonised allocation. ENTSOG responded that it cannot detail these issues in a code covering CAM aspects.

##### Contracts, codes & communication procedures

ENTSOG referred to the transparency linkage in this paragraph and indicated that this is currently taken forward by the EC through a comitology process on transparency. ERGEG said that the CAM code should then just refer to this transparency comitology document. The TSOs responded that they could do this; but again stated that there shouldn't be a place for such aspects in the FG which are to be investigated in other projects.

ENTSOG pointed out that putting too many issues into CAM will make it more difficult for stakeholders to respond to the consultation and TSOs to implement solutions. Current TSOs'

experience shows that an efficient consultation may cover a very limited set of development proposals otherwise the shippers engagement and feedback may not be sufficient enough, as they will not be able to manage too many changes in a short period of time (e.g. in the established UK or French consultation process).

ERGEG thinks it is too early to decide if the CAM scope is too large or not. ENTSOG should raise the scope issue during the MF and the ERGEG consultation.

#### Capacity products

ENTSOG raised the issue of consistency of standard products and that this paragraph should be required for firm only. This is due to the fact that interruptible capacity may not exist under the same circumstances or the same amount may be available on both sides of an IP. This may also impact the duration of offered contracts. The representatives of ERGEG seemed to be of the same opinion.

The TSOs expressed their concerns about the change made to transit in that it should be avoided rather than forbidden. In case there was a misunderstanding between the two parties from the previous meeting Thomas will send an email to ERGEG to confirm the original wording of avoided should be maintained.

#### Interruptible capacity

The TSOs described how differently interruptible capacity is treated for various and essential reasons and they expressed concerns on the potential for harmonisation of all diverse interruptible products in the pilot network code. ENTSOG again proposed that ERGEG should consider to harmonise the procedures of when interruptible capacity may be interrupted but not to require the same interruptible standard products throughout the EU. Furthermore, long term interruptible products would undermine the firm product and TSOs have concerns about its function alongside a firm product.

ERGEG raised the issue of offering interruptible capacity products when some firm remains available and even more widely on which aspects that should be harmonised, however interruptible is mainly seen as an overbooking product.

For ERGEG, interruptible products are less and less useful as shippers flows are more and more difficult to forecast.

Regarding the entitlement to submit nominations on an interruptible basis, ENTSOG is concerned that shippers shall be authorised to nominate capacity without payments for such a service. The TSOs pointed out that such capacity must be interruptible as within-day re-nomination right of firm capacity need to be guaranteed. ENTSOG understands this service as interruptible UIOLI meaning a booking can only deal with previously booked but unused capacity. This right may be reduced in case the primary owner re-nominates his firm capacity upwards.

ENTSOG representatives were unclear about this concept and users not booking firm capacity which is needed to organise network planning and operations. ERGEG explained that what is meant is a service with a charge such as a capacity overrun, so it would not be a free service. The NRAs also said that this could only be offered after all firm and interruptible capacity is sold out and that the FG should state that this is only for within-day renominations.

ENTSOG wished to understand this more and how it linked into any restriction of re-nom rights.

#### Within-day

The TSOs pointed out that in the last meeting there was a clear agreement that this could not be a compulsory aspect of the FG. ERGEG recognised this and agreed to modify this point to "may foresee"



9 December 2009

Once again ENTSOG and ERGEG members consider these meetings an important exchange of views and look forward to the next meeting.

**5. Next meeting**

January 28th, to be confirmed by ERGEG