



# CMP Implementation Monitoring Report

2014

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# Report on CMP Implementation Monitoring

FEBRUARY 2015

## SURVEY PARTICIPANTS

<b>AUSTRIA</b>	Gas Connect Austria GmbH TAG GmbH	<b>GREECE</b>	DESFA S.A.
<b>BELGIUM</b>	Fluxys Belgium S.A.	<b>HUNGARY</b>	FGSZ
<b>BULGARIA</b>	Bulgartransgaz EAD	<b>IRELAND</b>	Gaslink Limited
<b>CROATIA</b>	Plinacro d.o.o.	<b>ITALY</b>	Snam Rete Gas S.p.A. Infrastrutture Trasporto Gas S.p.A.
<b>CZECH REPUBLIC</b>	NET4GAS s.r.o.	<b>LATVIA</b>	Latvijas Gaze
<b>DENMARK</b>	energinet.dk	<b>LITHUANIA</b>	AB Amber Grid
<b>ESTONIA</b>	AS EG Võrguteenus	<b>LUXEMBOURG</b>	CREOS Luxembourg S.A.
<b>FINLAND</b>	Gasum Oy	<b>NETHERLANDS</b>	BBL Company V.O.F. Gasunie Transport Services B.V.
<b>FRANCE</b>	GRTgaz TIGF SA	<b>POLAND</b>	GAZ-SYSTEM S.A.
<b>GERMANY</b>	Bayernets GmbH Fluxys TENP GmbH GASCADE Gastransport GmbH Gasunie Deutschland Transport Services GmbH Gasunie Ostseebindungsleitung GmbH GRTgaz Deutschland GmbH GTG Nord GmbH JordgasTransport GmbH NEL Gastransport GmbH Nowega GmbH Ontras Gastransport GmbH Open Grid Europe GmbH terranets bw GmbH Thyssengas GmbH	<b>PORTUGAL</b>	REN - Gasodutos S.A.
		<b>ROMANIA</b>	Transgaz S.A.
		<b>SLOVAKIA</b>	Eustream a.s.
		<b>SLOVENIA</b>	Plinovodi d.o.o.
		<b>SPAIN</b>	Reganosa S.A. Enagas S.A.
		<b>SWEDEN</b>	Swedegas AB
		<b>UNITED KINGDOM</b>	Interconnector Limited National Grid Gas plc Premier Transmission Limited BGE (UK) Limited

## OVERVIEW OF IMPLEMENTATION STATUS BY EU MEMBER STATE

Country	OS & BB	FDA UIOLI	LT UIOLI	Surrender of Capacity	Comment
AUSTRIA		Q IV 2013	Q IV 2013	Q IV 2013	NRA: OS/BB not to be applied
BELGIUM	Q IV 2013		Q IV 2013	Q IV 2013	No contractual congestion
BULGARIA	Q IV 2015		Q IV 2015	Q IV 2015	– CMP measures under elaboration – No contractual congestion
CROATIA	Q III 2014		Q III 2014	Q III 2014	No contractual congestion
CZECH REPUBLIC	Q IV 2013		Q IV 2013	Q IV 2013	
DENMARK	Q I 2015		before 2013	Q IV 2015	– CMP measures not mandatory – Voluntary implementation – No contractual congestion
ESTONIA					Derogation granted under Article 49 of Gas Directive
FINLAND					Derogation granted under Article 49 of Gas Directive
FRANCE	Q IV 2013		Q IV 2013	Q IV 2013	No contractual congestion at least in one grid
	Q IV 2015		Q IV 2013	Q IV 2013	Awaiting NRA approval
GERMANY		Q IV 2013	Q IV 2013	Q IV 2013	NRA: OS/BB not to be applied
GREECE	Q III 2013		Q IV 2013	Q IV 2013	
HUNGARY			Q IV 2013	Q IV 2013	– Awaiting NRA approval – No contractual congestion
IRELAND	Q IV 2013		Q IV 2013	Q IV 2013	No contractual congestion
ITALY	Q II 2015		Q III 2014		Awaiting NRA approval
LATVIA					Derogation not granted under Article 49 of Gas Directive
LITHUANIA					Derogation granted under Article 49 of Gas Directive
LUXEMBURG					Derogation granted under Article 49 of Gas Directive
NETHERLANDS	Q I 2014		(Q IV 2015)	Q I 2014	
	Q IV 2015 New TSO with own implementation deadline		New TSO with own implementation deadline	Q IV 2015 New TSO with own implementation deadline	LT UIOLI implementation in cooperation with NRA
POLAND	Q IV 2013 Q I 2014		Q IV 2013 Q I 2014	Q IV 2013 Q I 2014	
PORTUGAL	Q III 2014		Q III 2014	Q III 2014	No contractual congestion
ROMANIA	Q IV 2015		Q IV 2015	Q IV 2015	
SLOVAKIA	Q IV 2013		Q IV 2013	Q IV 2013	
SLOVENIA	Q IV 2013		Q IV 2013	Q IV 2013	
SPAIN	Q IV 2015		Q IV 2013	Q IV 2013	Awaiting NRA approval
SWEDEN					Derogation granted under Article 49 of Gas Directive
UNITED KINGDOM	3 TSOs Implemented		3 TSOs Implemented		– No contractual congestion at least in 3 grids
	2015		2015		– 1 TSO awaiting NRA approval

■ Has been implemented   
 ■ Implementation is underway (NRA decision pending)   
 ■ Not yet implemented  
■ Not applicable due to scope, implementation date or derogation granted under Article 49 of Gas Directive



## CONCLUSIONS ON EACH CMP MEASURE

### Implementation of CMP Measures

ENTSOG conducted an internal survey of its 44 members and three associated partners on the implementation of CMP measures. This survey demonstrated that 29 of 47 TSOs in EU have implemented all four CMP measures in order to offer additional capacity to the market while five other TSOs have implemented three out of four measures. Furthermore, five TSOs intend to implement one or more CMP mechanisms in 2015. Eight TSOs<sup>1)</sup> are exempt from having to implement the CMP guidelines since their member states have been granted derogation under Article 49 of the Gas Directive by European Commission or since they possess no IPs where CAM/CMP is applied.

1) Estonia, Finland, Latvia, Lithuania, Luxembourg and Sweden have granted derogation. One TSO in Italy and one TSO in Spain do not have CAM/CMP applicable IPs.



Image : iStockphoto.com

## Oversubscription and buy-back scheme

### Status of implementation and implementation deadline

20 European TSOs have implemented or are planning to implement the oversubscription and buy-back scheme in their transmission systems. Thus, this scheme will be implemented in the majority of all European member states.

In two member states the oversubscription and buy-back scheme is not applied, as in these countries the firm day-ahead UIOLI mechanism is used. This derogation from the European regulatory approach is facilitated by an exemption under Article 2.2.3 No. 6 granted by the National Regulatory Authorities (NRA). Hence, 15 TSOs are currently using the firm day-ahead use-it-or-lose-it (UIOLI) mechanism instead of the oversubscription and buy-back scheme.

Six member states are exempt from using the oversubscription and buy-back scheme since their member states have been granted derogation under Article 49 of the Gas Directive. For another three TSOs in the European Union, the oversubscription and buy-back scheme is not applicable due to other reasons.

### Offering Firm Capacity Products

The oversubscription and buy-back scheme is used by 18 of the 20 TSOs who have an oversubscription and buy-back scheme in place for daily capacity products or who are currently implementing the measure. One-third of the TSOs have also implemented the mechanism for within-day, quarterly or annual capacity products. Half of the TSOs use it to offer monthly capacity products.

### Description of Oversubscription and Buy-Back Schemes

The oversubscription and buy-back scheme is implemented similarly in the countries where this mechanism is applied. The vast majority of TSOs use reverse auctions or invite network users to tender in order to buy back capacities.

Nearly all TSOs stated that the decision from which network user, who participate in the buy-back procedure, the capacity is bought back, is based on price. In some countries, price cap mechanisms are in place for buying back capacity.

If the capacity bought back cannot ease a congestion situation in a transmission system, at least three TSOs are using a pro rata rule on nominations for non-Buy-back-offered capacity.

### **Firm Day-Ahead UIOLI Mechanism vs. Oversubscription and Buy-Back Schemes**

In the two Member States of the TSOs who have an exemption under Article 2.2.3 No. 6 granted by the NRAs the Firm day-ahead UIOLI mechanism was chosen instead of the oversubscription and buy-back scheme.

To the 18 of 20 TSOs using the oversubscription and buy-back scheme no such exclusion has been granted by their NRAs.

### **Capacity Calculation and CMP Measure Orders and Determination of Most Efficient Measure before Oversubscription and Buy-Back Scheme**

For TSOs using the oversubscription and buy-back scheme, additional capacity resulting from oversubscription is only allocated once the surrendered capacity and capacity derived from the application of Long-term UIOLI had been allocated. Before applying a buy-back procedure, all TSOs must verify whether alternative technical and commercial measures (e.g., pressure increases, flow commitments) can maintain the system integrity in a more cost-efficient manner.

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## **Firm Day-Ahead UIOLI Mechanism**

### **Status of implementation and implementation deadline**

The NRAs of two member states have decided not to implement oversubscription and buy-back.

As the firm day-ahead UIOLI mechanism is used as a substitute for the oversubscription and buy-back schemes the TSOs of these member states have fully implemented the mechanism before the fourth quarter of 2013.

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## **Surrender of Contracted Capacity**

### **Status of implementation and implementation deadline**

Surrender of capacity has been implemented by three-quarters of all European TSOs. TSOs who have yet to implement the mechanism plan to apply this CMP measure by the fourth quarter of 2015. Furthermore, seven TSOs are not obliged to implement Surrender of capacity since their member states (in most cases) have been granted derogation under Article 49 of the Gas Directive.

### **Offering Firm Capacity Products**

All TSOs implementing this mechanism offer the possibility of surrendering yearly capacity to their network users. Moreover over 80% of these TSOs also offer the possibility for quarterly and monthly capacity products. Furthermore, seven TSOs implemented the mechanism for capacity products with a runtime of less than a month.

### **Capacity marketing order**

The 'Surrender of Capacity' mechanism ensures that the reallocation of surrendered capacity takes place only once the available capacity has been fully allocated.

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## **Long-term UIOLI**

### **Implementation status and implementation deadline**

Long-term UIOLI has been implemented to the same extent as 'Surrender of Capacity'.

Three-quarters of TSOs from EU member states have put long-term UIOLI into usage. Fewer than 10% of TSOs have yet to implement this mechanism, but they are planning to apply this measure in the fourth quarter of 2015.

Moreover, seven TSOs are not obliged to implement long-term UIOLI since their member states have been granted derogation as permitted under Article 49 of the Gas Directive.

### **Long-term UIOLI description**

Almost all TSOs where long-term UIOLI mechanism is in place have implemented the measure according to Article 2.2.5 of the CMP guidelines.

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## **STATEMENTS ON ACER'S REPORT: IMPLEMENTATION MONITORING ON GAS CONGESTION MANAGEMENT PROCEDURES**

ACER published a detailed report on Implementation Monitoring on Gas Congestion Management Procedures in January 2015. The report contains six key messages of which four are addressed to TSOs. Since the other two are addressed to NRAs, they are not considered here.

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### **1. ACER's conclusion:**

**CMP implementation is not yet fully completed in the EU and application of CMPs is rather limited.**

ENTSOG agrees that the CMP implementation is not complete and that the application of CMPs is limited throughout the EU.

These delays can be explained by missing NRA approvals for TSO implementation plans. Infrastructure operators who received TSO status after mandatory implementation deadline may not have realised all of the CMP measures on time and have therefore agreed to an individual implementation scheme with their NRA.

In cases where TSOs have not fully implemented the proposed CMP mechanisms, they are working towards full compliance. On the other hand, there are also some TSOs exempt from CMP who have chosen to apply the guideline.

One of the main reasons for limited application is partially due to the fact that there is no contractual congestion at a significant number of interconnection points. Roughly one-third of the TSOs have stated that there is no contractual congestion at their IPs. This also means that, although CMP measures have not been fully implemented in all EU countries, the effect on the market is rather limited.

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### **2. ACER's conclusion:**

**The dynamic re-calculation of technical and additional capacity by TSOs needs improvement in terms of higher frequency.**

TSOs are subject to stricter requirements with regard to capacity recalculations. According to Regulation 984/2013, Article 6, TSOs shall identify (with each relevant adjacent TSO) the appropriate frequency for recalculation of capacities per IP. The deadline for implementing this requirement was 4 February 2015. These obligations could help to secure an appropriate frequency of capacity re-calculation.

In order to ensure maximum available capacity at IPs as defined in Article 6, a methodology to optimize the offer of bundled capacity has to be jointly established and applied by TSOs at IPs. This will improve the dynamic recalculation of additional capacity at IPs. TSOs already began to implement this during 2014.

### 3. ACER's conclusion:

**Generally, the harmonisation of CMP application could be further improved. The currently largely mixed CMP application (OS & BB vs. FDA UIOLI) at the two sides of one IP and its possibly negative effects is to be further investigated**

Of all CMP mechanisms foreseen by TSOs, only two of the measures are incompatible with each other: namely the oversubscription and buy-back (OS&BB) and firm day-ahead use-it-or-lose-it (FDA UIOLI) mechanisms. Despite the incompatibility of these two methods, an offer of additional capacity is not inevitably limited. TSOs can maintain any additional firm capacities they have sold based on their implementation of OS&BB and FDA UIOLI at only one side of an IP by applying gas flow stabilizing measures. Thus TSOs on both sides of a cross-border point with different mechanisms in place can still offer additional capacity, at the least, on a daily basis, and this is sometimes supported by specific agreements between TSOs.

However, ENTSOG supports ACER's conclusion that further investigation is required in order to determine whether CMP is being consistently implemented across IPs. ENTSOG and EFET commenced a dialogue with the aim of identifying potential issues related to the introduction of capacity bundling where this issue is currently discussed. Improved consistency of implementation across IPs is expected to increase the effectiveness of the CMP mechanisms.

### 4. ACER's conclusion:

**The capacity products' range for the surrender mechanism has to be enlarged by some Member States to be in line with the legal obligations.**

Most TSOs fulfil CMP obligations regarding the product range for the surrender mechanism. Especially the surrender of capacity products with duration from a month to a year is offered by almost all TSOs. Currently, only a few TSOs have implemented Surrender of Capacity products with durations shorter than a month.

ENTSOG agrees with ACER's conclusion regarding compliance with CMP guidelines, since the CMP guideline does not state that the Surrender of Capacity for products with daily duration is obligatory.



Image courtesy of GASCADE



# Abbreviations

<b>ACER</b>	Agency for the Cooperation of Energy Regulators
<b>CMP</b>	Congestion Management Procedures
<b>ENTSOG</b>	European Network of Transmission System Operators for Gas
<b>EU</b>	European Union
<b>FDA</b>	Firm Day-Ahead
<b>IP</b>	Interconnection Point
<b>LT</b>	Long-Term
<b>NRA</b>	National Regulatory Authority
<b>OS &amp; BB</b>	Oversubscription & BuyBack
<b>TSO</b>	Transmission System Operator
<b>UIOLI</b>	Use it or lose it



A green graphic element consisting of two L-shaped blocks, one larger than the other, positioned to the left of the word "Imprint".

# Imprint

<b>Content approved</b>	26 May 2015
<b>Publisher</b>	ENTSOG AISBL Avenue de Cortenbergh 100 1000 Brussels, Belgium
<b>Editor</b>	Vittorio Musazzi
<b>Design</b>	DreiDreizehn GmbH, Berlin, Germany <a href="http://www.313.de">www.313.de</a>
<b>Cover image</b>	Courtesy of Gascade



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