



Congestion management procedures

Recommendations for guidelines to be adopted via a comitology procedure

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INFORMATION PAGE

Abstract

This document E10-GWG-67-04 is an ERGEG document on recommendations for guidelines to be adopted via comitology procedure on congestion management procedures.

This document aims to provide an input to the European Commission's proposal for amending Chapter 2 of Annex I of Regulation (EC) no 715/2010. ERGEG believes that the present recommendations will contribute to the Commission's work and will due to harmonised procedures in every Members State support the establishment of the internal market.

Related Documents

- ERGEG's revised principles on Capacity allocation and congestion management in European gas transmission networks", ERGEG, December 2009, Ref. E09-GNM-10-03
- Recommendations for Guidelines adopted via comitology procedure on Congestion Management Procedures on European Gas Transmission Networks", ERGEG, December 2009, Ref. E09-GNM-10-07
- Recommendations for Guidelines adopted via comitology procedure on Congestion Management Procedures on European Gas Transmission Networks – Impact Assessment", ERGEG, December 2009, Ref. E09-GNM-10-04

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1 General issues

1.1 Scope

The rules on congestion management procedures in these Guidelines apply to cross-border interconnection points between Member States, as well as interconnections between adjacent entry-exit-systems within the same Member State, insofar as the points are subject to booking procedures by shippers. Exit points to end consumers and distribution networks, entry points to supply-only networks, as well as entry points from LNG-terminals and production facilities and entry or exit points to or from storage facilities are not subject to these Guidelines.

The rules on congestion management procedures in these Guidelines do not apply to interconnection points which are not currently congested¹ and where congestion is not expected to occur. The concerned national regulators shall jointly decide that an interconnection point is not congested or where congestion is not expected to occur and is thus exempted from the rules of these Guidelines.

These Guidelines will be applied by transmission system operators without prejudice of the regulatory regime for cross border issues pursuant to article 42, of Directive 2009/73/EC and of the responsibilities and powers of regulatory authorities established according to article 41, paragraph 6, of Directive 2009/73/EC.

1.2 Border specific adjustments

In order to ensure compatibility with the congestion management procedures applied in the adjacent systems, national regulatory authorities may request and oblige transmission system operators adjoining more than one system to apply different terms and conditions for congestion management procedures at the interconnection points to different systems.

1.3 Existing contracts

All capacity management clauses in capacity contracts existing prior to the application of these Guidelines shall be amended in line with the implemented provisions, six months after entry into force of the guideline. This requirement shall apply to regardless of whether the relevant contracts or general terms and conditions provide for such an amendment.

During this implementation period, network users shall be entitled to reduce or terminate their capacity contracts, provided that TSOs, other users and final customers are not affected by a loss of revenue or an increase of costs as a consequence of the application of this provision.

¹ As defined in Art. 2 of the Gas Regulation (EC) No. 715/2009

2 Third party access

2.1 Capacity calculation

When calculating technical capacity, transmission system operators shall offer the maximum amount of capacity without restrictions.

Technical capacity must be calculated through transparent methodologies, using best available and cost-efficient procedures by transmission system operators. Transmission system operators shall identify all capacity that can be physically used in order to maximise the offer of capacity to the market. When forecasting system use for the purposes of identifying technical constraints, transmission system operators may also consider market trends, historical flow data and data on results of allocation processes.

TSOs shall maximise available capacity. Adjacent transmission system operators shall exchange information when planning day-to-day network operation, including daily forecast entry and exit flows as well as the availability of network components. They shall also exchange information on potential congestions on their respective networks and on the use of congestion management procedures, such as use-it-or-lose-it mechanisms, known transactions on the secondary market, capacity buy-back mechanisms and system balancing energy, if any. Transmission system operators shall maximise the amount of capacity available at interconnection points.

In case of short-term congestion TSOs shall define further details of capacity calculation subject to review by NRAs. In particular this may cover the calculation of short-term capacity down to daily and intraday capacity, to be based upon transmission system operators' current knowledge of, inter alia, the actual calorific value of the gas, expected consumption, climatic conditions, system configuration and the availability of network components.

2.2 Network security

In applying the rules of these Guidelines, transmission system operators shall take into account the network security requirements, possible public service obligations and the integrity of the system concerned. The services provided shall take into account the facilities' technical constraints. Any limits on the services offered shall be made public and duly substantiated.

2.3 Emergencies

Should difficulties in meeting contractual delivery obligations arise due to system integrity reasons beyond the transmission system operator's control, transmission system operators shall notify network users and seek a non-discriminatory solution without delay, e.g. proportionate reduction of nominated flows. Where possible, transmission system operators shall consult network users on procedures prior to their implementation and agree them with the national regulatory authority.

2.4 Oversubscription and capacity buy-back

Transmission system operators shall implement an oversubscription and buy back mechanism in order to offer additional capacity exceeding the currently published technical

capacity on a firm basis. Based on statistic scenarios about the probable amount of unused capacity they shall make available an extra amount of capacity exceeding the currently published technical capacity. Oversubscription shall not lead to a degradation of firm capacity within the framework of the proposed arrangements. When determining the oversubscribed capacity transmission system operators shall also estimate the possibility and the costs of buying back capacity on the market and reflect this in the amount of additional capacity made available. In case of actual or potential physical congestion transmission system operators may tender for buying back capacity or other commercial measures such as flow commitments. TSOs shall ensure that any associated costs do not exceed an economically efficient level.

The oversubscription and buy back mechanism and possible transition periods for the implementation of this mechanism shall be subject to review by the national regulatory authority. National regulatory authorities shall set up financial incentivisation of transmission system operators for the implementation of such a mechanism. National regulatory authorities shall ensure that there is no abuse of financial incentivisation, for example by approving the baseline capacity from which the TSO calculates the capacity for oversubscription and the buy back mechanism. National regulatory authorities may set the proportion of additional capacity to be made available through oversubscription. The financial incentivisation of transmission system operators through the oversubscription and buy back mechanism may result in TSOs keeping (or losing) some revenue.

2.5 Increase of available capacity by procurement of system energy

Subject to the national regulatory authorities' approval, transmission system operators shall apply cost-effective measures in order to maximise capacity and to alleviate congestion through the procurement of system energy. It shall be ensured that any associated costs do not exceed an economically efficient level.

2.6 Surrender of capacity

Transmission system operators shall define terms and conditions for network users to surrender booked capacity to them. Surrendered capacity products are offered and allocated anonymously by transmission system operators together with primary capacity products. Transmission system operators are entitled to split and combine surrendered capacity products. Transmission system operators shall make reasonable endeavours to sell capacity that is surrendered. If the transmission system operator is not able to sell the capacity surrendered by a network user, the capacity and any associated obligations remain with the network user. The terms and conditions for surrendering capacity and the methods of rewarding initial capacity holders for the capacity sold are subject to the national regulatory authorities' decision.

3 Congestion Management

3.1 Firm day-ahead UIOLI procedure

In case the demand for firm day-ahead capacity exceeds the offer, national regulatory authorities shall establish a transparent and non-discriminatory firm day-ahead UIOLI

procedure, which brings unused firm capacity back to the market on a day-ahead basis. TSOs shall not be entitled to financial incentivisation for this firm day-ahead UIOLI procedure.

3.1.1 Nomination schedule

If a firm day-ahead UIOLI procedure is established, national regulatory authorities shall set the time of nomination so that any resulting day-ahead capacity can be allocated in due time to allow participation to the start of the main day-ahead trading activities.

Capacity reallocated through the firm UIOLI procedure is nominated separately after the close of the main trading activities.

3.1.2 Limitation of existing re-nomination rights

National regulatory authorities may reduce rights for re-nomination of firm capacity where the right exists and is applied. If a reduction of existing re-nomination rights is applied, the amount of firm re-nomination rights granted shall reflect in particular the requirements at specific points, the share of the booking of particular network users and their justified needs.

3.1.3 Offer and allocation of firm day-ahead capacity

The aggregated non-nominated capacity shall be offered as combined firm day-ahead capacity. Possibilities for firm re-nomination shall be taken in to account. Both offers shall be integrated with other offers of available firm day-ahead capacity.

Firm day-ahead entry-capacity is allocated by implicit or explicit auction only. Establishing reserve prices in these auctions may be disallowed by the national regulatory authorities. The offer and allocation of firm day-ahead entry-capacity shall be performed in such a way that buyers can take part in daily gas trading. The detailed auction design applied shall be subject to approval by the national regulatory authorities.

3.2 Withdrawal of underutilised capacity

National regulatory authorities may establish procedures for withdrawing systematically underutilised capacity. An application for withdrawal of systematically underutilised capacity procedure requires:

- shippers request capacity bookings at a particular interconnection point and are unable to obtain this capacity on the primary or secondary market;
- the capacity holder has a contract duration of more than one year and systematically underutilises at least part of his allocated capacity during a specific period namely covering at least one winter month;
- the capacity owner has not sold or offered in due time and at a reasonable price its unused capacity and
- the capacity owner is unable to satisfactorily justify his behaviour. The application of a short-term UIOLI mechanism shall not be regarded as justification for the purpose of long-term UIOLI.

The procedure shall describe the roles of the network users, the transmission system operators and the national regulatory authority and must be published. If two Member States are involved, coherent procedures shall be applied.

3.2.1 Definitions

Systematic underutilisation and capacity hoarding will be defined by the national regulatory authority; technical features of the interconnection point and market environment will be taken into consideration.

3.2.2 Specific procedures

In order to withdraw capacity determined to be systematically underutilised or hoarded, transparent, non-discriminatory procedures shall be established by the relevant national regulatory authority defining

- the responsible body for deciding if systematic underutilisation of capacity occurs;
- the way in which the capacity holder is consulted, if appropriate;
- underutilised capacity to be withdrawn;
- the duration of the withdrawal of the capacity;
- the responsible body for withdrawing the underutilised capacity;
- the appeals procedure.

3.2.3 Withdrawal

The capacity holder can lose his capacity rights, partially or completely, without prejudice to other prerequisites established by the national regulatory authority, for a given period or for the remaining term. Furthermore, the capacity holder can be limited in his nomination rights for a given period to the maximum flows of the previous year. The capacity withdrawn or subject to limits to the nomination rights shall be offered on the primary market by the respective transmission system operator.