

RESPONSE TO ERGEG'S PUBLIC CONSULTATION PAPER – CALCULATION OF AVAILABLE CAPACITIES: UNDERSTANDING AND ISSUES

Eurogas welcomes the Consultation Paper of ERGEG on the important issue of calculation of available capacities. It is in the interests of all market participants that there is a common understanding on a TSO's approach to calculating capacity, and adequate transparency for network users. Eurogas totally endorses the objective of maximizing and optimizing utilisation of existing capacity. An effective and pragmatic approach has to be developed.

Eurogas participated in earlier discussions on this complex issue. Eurogas is pleased that its input has been taken into account, particularly with the Paper's emphasis on the need to safeguard firm capacity.

Eurogas finds the paper very balanced and well considered. Main issues for Eurogas are that there should be full implementation of the Regulation 1775/2005, transparency of the capacity calculation process, procedures for establishing which should involve appropriate regulatory scrutiny and user consultation. Guidelines would be useful.

Below are more detailed remarks on issues raised.

What is your understanding of transparency and how should greater transparency be achieved? (para. 7)

As a minimum TSOs should be observing the transparency requirements that relate to Regulation 1775/2005, taking into consideration DG TREN Guidelines. TSOs have to do more to comply fully with the Regulation.

Eurogas welcomes the plans GTE has for a transparency platform, but this will only improve transparency at a general level and, in any case, its success will still depend on the quality of data made available by individual TSOs.

What is your understanding of capacity calculation and how should greater consistency be achieved? (para. 9)

Eurogas emphasizes the importance of achieving clarity on the assumptions. The robustness and acceptability of such assumptions will affect the outcome. To achieve greater consistency, a more co-ordinated approach among TSOs has to develop. This is a challenge for the GRI.

What is your understanding of transportation capacity maximization and how should greater network efficiency be achieved? (para. 10)

It is important to optimize utilisation of existing capacity and there should be incentives as well as requirements on TSOs to achieve this. Compliance with Regulation 1775/2005 will contribute to this goal, and in addition, it is essential to promote the Secondary Market.

The network simulation model used by the TSO to simulate network scenarios for capacity calculation should be adequate and accurate. Is there a need to validate these network models by an independent organization? What should be the role of the NRA? What about any responsibilities and liabilities? (para. 23)

The assumptions underpinning the Simulation Model should be transparent, justified and open to regulatory scrutiny as well as consultation with users. The TSOs' models should take account of patterns of use.

GTE+ should have a role in ensuring consistency of modeling principles and assumptions and enable TSOs to share best practice. We cannot envisage a role for another organization.

Responsibilities and liabilities for the models remain with individual TSOs.

Would capacity buy-back be an option that TSO may apply in order to guarantee the effective availability of capacity when requested? (para. 28)

As explained in our previous submission on this point, Eurogas encourages the use of discretionary rights by the TSO to sell additional firm capacity, and capacity buy-back is an option.

At no time should network users lose firm capacity rights. If a TSO on the basis of its model oversells firm capacity and then finds itself short, the risk is the TSO's. It is the TSO's responsibility to buy back capacity for use of its firm customers.

Are the following requirements adequate? Each TSO should make its OM values and calculation methodology available to the NRA. The OM should be reviewed by the NRA and appropriate updates must be made. What about any responsibilities of the NRA? What type of reviewing process is feasible and reasonable? Is it right to stipulate that the NRAs investigate when there is a refusal of capacity request or a complaint but does not approve network scenarios nor calculation methods? Is it right to stipulate that adequate calculation of available capacities must remain one of the core responsibilities of TSOs? (para. 31)

The NRAs should have the possibility to scrutinize the operational margin (OM) values and calculation methodology, but ultimately the responsibility for adequate calculation of available capacities rests with the TSOs. This should not, however, lead to long delays in implementing a methodology.

Are following requirements adequate?

Network scenarios for calculating available firm capacity must meet at least EU security of supply criteria (see e.g. Directive 2004/67/EC concerning measures to safeguard security of gas supply). This implies that legislative standards as the "1 in 20 winters" rule for households have to be translated in practical criteria. Any more critical constraints for network scenarios for calculating firm capacity than for which EU legislation exists, have to be reviewed by the NRA and communicated to the market?

What about any responsibilities of the NRA? What type of reviewing process is feasible and reasonable? Is it right to put that NRAs investigate when there is a refusal of capacity request or a complaint but do not approve network scenarios nor calculation methods? Is it right to put that adequate calculation of available capacities must remain one of the core responsibilities of TSOs? (para. 33)

The security of supply criteria which should be published in accordance with the requirements of Directive 2004/67/EC have to be taken into account for network design and scenarios.

The co-existence of different capacity models may not jeopardize the proper and consistent calculation of AC across networks. Are there any likely bottlenecks to guarantee consistency? How could any bottleneck be remedied? (para. 34)

A co-operative and constructive approach to identified problems is required, and a sharing of best practices among both TSOs and NRAs.

Should each TSO make its linepack values and calculation methodology available to the NRA? Should the flexibility requirements be reviewed by the NRA and must appropriate updates be made?

What about any responsibilities of the NRA? What type of reviewing process is feasible and reasonable? Is it right to stipulate that the NRAs investigate when there is a refusal of flexibility services request or a complaint but do not approve the calculation method of linepack and flexibility needs? Is it right to stipulate that adequate calculation of linepack and flexibility needs must remain one of the core responsibilities of TSOs? (para. 35)

Linepack values and calculation methodology should be published.

Should each TSO make its reliability values and calculation methodology available to the NRA? Should the reliability requirements be reviewed by the NRA and must appropriate updates be made?

What about any responsibilities of the NRA? What type of reviewing process is feasible and reasonable? Is it right to put that NRAs investigate when there is a refusal of capacity request or a complaint but do not approve the reliability requirements nor calculation methods? Is it right to stipulate that adequate calculation of available capacities must remain one of the core responsibilities of TSOs? (para. 36)

Initially at least, the NRA should be in a position to scrutinize the detailed methodology. It will also assist ERGEG+ in eventually identifying areas for harmonizing.

This NRAs in any case should be responsible for ensuring that TSOs meet the obligations set out in Article 8.1(a) of Directive 2003/55/EC, with regard to operating a secure, reliable, and efficient transmission system.

ERGEG seeks views whether there are elements which can be agreed within the EU for enhancing the consistency of risk management and liabilities. (para. 41)

The TSOs should be prepared to take an appropriate level of commercial risk, but their reasonable and prudent operation should ensure firm capacity rights are met in full.

Is there a need for more evidence and consistency of incident management? (para. 43)

TSOs and NRAs need to co-operate to ensure that procedures to deal with incidents in one Member State do not have an undue impact on suppliers and consumers in another Member State or on the functioning of the internal market.

Network users need to be clearly informed about the TSOs incident management procedures. Ideally the procedures should be published.

Is there a need for more evidence and consistency of 'Force Majeure' clauses? What about any contractual clauses going beyond the standard legal definition of force majeure?

How to deal with e.g. planned maintenance? Should TSOs provide back-up capacity for firm contracts and guarantee that the network users can reorganize themselves without bearing extra costs or are contracts still considered firm if contracts may be interrupted for maintenance as specified in the contract? What about the reasonable durations for maintenance?

What about incidences due to negligence of the TSO, including lack of investment? (para. 44)

It would be useful to have a common legal understanding of Force Majeure, across all TSOs, so the consequences of an event on linked networks is consistent. Eurogas recalls that Force Majeure properly concerns an unforeseen event, which happens outside the control of a

“reasonable and prudent” operator, and no one is liable. It cannot be considered as part of a risk control and management procedure.

Procedures to respond to Force Majeure need to be published.

Other Contractual Clauses (para. 44)

If there is failure to meet obligations in the event of poor management, or bad judgments on capacity availability, or problems stemming from poor maintenance of the networks, then the TSO is liable, and must compensate the supplier.

Planned maintenance schedules need to be published. TSOs should discuss planned maintenance with network users, in order to determine maintenance periods which will cause minimal disruption.

May financial commitments improve network efficiency? Firm should be firm but what might happen if firm capacity sold cannot be honoured for some reason? (para. 45)

Unless it is for recognized reasons of Force Majeure, the TSO is liable.

Generally, there is a risk that TSOs opt for the very worst network scenario to hedge themselves against problems of liabilities. On the other hand, very worst network scenarios may dramatically drop the AC.

How should guidance on this hedging behaviour of TSOs look like? How can an appropriate equilibrium between liabilities and levels of AC be found?

How should failures of commitments to nominate on TSO's request be dealt with?

How should the circumstances where a shipper cannot provide anticipated gas flow that have been relied upon in capacity calculations by the TSO (cf. operational options see section 3.2) be dealt with? Is there a possibility to release TSOs responsibility? (para. 46)

There is a need for a procedural framework to ensure that the TSO does not opt for a poor scenario. As mentioned above, this should include regulatory scrutiny and user consultation.

Could periodical recalculations be an option?

In the case of periodical recalculations, there may be room to harmonise the period and therefore the dates of AC recalculation (network simulation) throughout the EU. What time period would be reasonable and practical feasible? Annual, quarterly, monthly recalculations? (para. 48)

No matter whether there are automatic or periodical AC recalculations, should network scenarios be set according to the moment of the year, for instance different sets of network scenarios in summer than in winter; in spring than in autumn for instance? (para. 49)

In a capacity calculation regime where AC are not indicative, how can a situation be avoided where the TSOs chooses the very worst network scenario that may lead to a dramatic drop in the level of AC?

Could guidance on parameter values in the critical scenario be an adequate option? For instance, parameters in the network scenario for which (national) legislation, directives, rules, guidelines, etc. exist are set equal to these values and may not have more critical values (for the calculation of available firm capacity). Secondly, parameter values for network scenarios should be consistent with values in other areas such as network planning, congestion management, security of supply, etc.

This parameter setting may avoid that more critical values are used than for which rules exist. (para. 50)

The above are detailed questions principally for TSOs. Individual TSOs should be able to update their calculations to reflect any material changes. The process should, however, involve agreement on a common timetable including periods of sharing assumptions between TSOs before recalculation.

Is it feasible to consider the published AC for each point as binding to the TSO? Or should the published AC for individual point be considered as binding but not necessarily the sum of all AC at all points?

How should we deal with the risk that under a binding regime of published AC, TSO's may choose the most critical network scenarios which lead to a dramatic drop of AC? (para. 55)

If the assumptions underpinning the scenarios are reasonable, and open to scrutiny, and TSOs understand that they have to accept a level of risk, AC should remain at practicable levels.

Users need to be confident that published AC data for individual points is an accurate reflection of the AC that is available for booking at that time.

How to achieve consistency of AC calculation across networks?

How can coordinated network planning and operation solve network inefficiencies like under-utilisation of facilities?

How can coordinated network operation lead to a "network service concept" that crosses borders with maximum assistance between TSOs? (para. 70)

Efforts to meet these objectives are required by TSOs, GTE+ and ERGEG+. Agreed guidelines could be a useful tool to help ensure consistency and co-ordination.

It is an important issue for the GRI.

How to deal with the potential of shippers themselves to provide capacity by means of signing contracts of the "operational options" type? (para. 76)

Eurogas would have concerns about such an approach, as the shippers because of problems upstream may not be able to meet commitments.

Shall such a scheme be subject to review by the NRA? What about any responsibilities of the NRA? What type of reviewing process is feasible and reasonable? (para. 86)

Yes, initially until a satisfactory method is established. As mentioned above, we favour a process open to regulatory scrutiny and end user consultation.

Is there a need for such kind of web based simulator? Should it be designed for the whole EU grid? Is such a tool feasible and practical? Should GTE be requested in particular to put forward such a tool to calculate available capacities on a case-by-case basis? Who is liable for this capacity? Which information does the published AC provide if shippers can calculate different values? Is the system blocked while one shipper calculates? (para. 90)

Access to the TSO's capacity calculation model (or a simplified version) and assumptions would be of value, but it is probably over-ambitious to think in terms of an EU grid model at this stage.

How can consistency be achieved between network design criteria, the capacity calculation method and the definition of congestion?

Convergence of planning and capacity calculation criteria must be an objective, e.g. it would be inconsistent with the applicable planning criteria to evaluate a transmission service request using more extreme events than planned for. Consistency would mean for instance that if the network is designed according the "1 in 20" winters rule, the networks scenario for firm capacity calculation must also use this rule and not for instance a more stringent temperature according to a "1 in 40" winter. (para. 107)

TSOs should be obliged to follow Guidelines established by DG TREN/ERGEG with appropriate technical input from industry. The various Guidelines should promote a coherent approach.