Overview of points that must be included to get a useful *Guidelines for Good TPA Practice*. 
Statement of purpose

- to provide the quality of services needed by the TSO’s customers
- systems and processes implemented by the TSO maintain the safe operation of the system whilst facilitating the development of competition in national and EU gas supply
- Text that goes beyond the level of detail in the 2nd Gas Directive
- TSOs should coordinate their developments so that processes in neighbouring systems are harmonised and consistent
Commitment & scope

- all high pressure pipeline operators required to provide third party access.
- TSOs themselves to commit to complying at the earliest possible date
- 1 July 2004 the medium-term target
- for proper implementation of some individual items more time may be needed
- overdue or short-term improvements should be in place by 1 October 2003 e.g. publication of monthly capacities in energy units/time
- implementation timetable for all commitments, not just information provision
Roles and Responsibilities of TSOs (I)

- Safety of the network is a prime role of TSOs
- TSO must take responsibility for providing a physical residual balancing service
- Coordinate procedures for emergencies in gas supply and provide an appropriate level of transparency, consistent with TPA processes
- Provide information to allow efficient use of the network
- TSOs should help facilitate the development of traded gas markets
- Co-operate to remove barriers to cross-border gas trade and ensure cross-border capacity is made available for gas trade
Accept transitional balancing arrangements with asymmetric responsibilities and/or obligations
Unbundle to avoid conflicts of interest, create functional independence and not provide any commercial advantage to an affiliate
Appoint a compliance officer
TSO puts in place relevant IT, provides data required, manages credit checks
Address compliance issues in the trading arm of companies that are not ownership unbundled
The nominations process is one of the main interactions between the network user and TSOs it should be seamless and user-friendly
Credit guarantees should be non-discriminatory, transparent and proportionate (i.e. reflective of the actual risk)

IAs and OBAs should be explained

Services should be offered by the TSO on terms that limit the liabilities of network users, TSOs should also accept appropriate liability provisions towards network users

Recovery of efficiently incurred costs as the basis for tariffs

Services must be offered down to a minimum period that is consistent with the relevant balancing period
Necessary TPA Services (II)

- Target date for introduction of daily balancing services no later than 1 July 2004.
- Non-standard start dates for annual services must not result in an arbitrarily higher tariff.
- Interruptible services should be offered, irrespective of the level of firm capacity bookings.
- Short-term firm and interruptible services should be made available.
- Price should reflect the probability of interruption.
- Transmission service design should allow standard EU secondary capacity trading terms to develop.
- TSOs must immediately publish any changes to maintenance that affect network users.

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Capacity Allocation and Congestion Management

- Aim to use market-based mechanisms
- Regulatory review process is needed
- Avoid specific disadvantages for new entrants
- TSOs make available ‘unused’ long-term firm capacity
- Asymmetric regulation needed as a transitional measure to establish a real level playing field
- Income from congestion management systems should be ring-fenced
- Information on interruption should reflect the level of information available to the TSO
Transparency Requirements

- TSOs must not use or withhold information on a discriminatory basis
- Publication in English at the same time as publication in the national language
- Description of the gas system, to the extent that it can have a commercial impact on a user.
- Publication of entry/exit capacity at all points, not just border point capacities
- Aggregated available capacity must be published, irrespective of the number of shippers
- Published capacities shouldn’t require confirmation
- Publish within-day info available to the TSO
- No charge for general information requests
Tariff structure and derivation

- TSOs are entitled to an appropriate ROR and appropriate incentives for new investments, only efficiently incurred costs should be recovered [1]
- Tariff structures, underlying methodologies and cost calculations must be clear, transparent and ensure the development of sustainable competition. (e.g. based on LRMC analysis)
- Tariff benchmarking only as an additional check.
- TSOs should face penalties for inefficiency and poor service levels

[1] When a separate legal entity takes the investment risk in a gas interconnector, that satisfies the competition criteria in Article 22 of the Gas Directive, the commercial arrangements for use of the pipeline are at the discretion of the pipeline owner/operator.
Tariff structures must be designed to promote trade and competition in gas supply.

Benchmarking of efficiency and operational standards is useful to promote improvements.

TSOs should not adopt any charging principles that in any way restrict market liquidity or distort trade.
Balancing, imbalance charges and settlement processes

- Balancing charges should reflect efficiently incurred costs, eventually charges derived from market-based mechanisms.
- General principle of cost neutrality for the TSO.
- Incentives for TSOs to minimise the total cost of balancing.
- In transitional phase a cap on the prices that the incumbent user bids/charges for providing balancing services, appropriate balancing tolerances for new entrants.
- Sufficient transparency provided to system users to allow them to use the system efficiently.
- *Ex post* imbalance trading must be made available to users.
- Information must be updated within the balancing period to reflect any changes.
- Allocation information must be provided in time to allow corrective action.

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Market based mechanisms such as secondary market

- TSOs must recognise capacity transfers between network users.
- TSOs need to be pro-active to ensure that all capacity is made available to network users.
- Properly unbundled TSOs must consider how they can best optimise the availability of capacity, ensuring non-discrimination and transparency.
- Revenues must not be a windfall for TSOs.
Conclusion

We have an opportunity to establish meaningful "Guidelines for Good TPA Practice"