

ESSENTIAL ELEMENTS OF A EUROPEAN FRAMEWORK GUIDELINE FOR CAPACITY ALLOCATION

('F' numbers from original ERGEG proposal E09-GNM-10-05, dated 10 Dec 2009)

0. CONSULTATION *(General clause to be included in all Framework Guidelines)*

Obligations on transmission system operators to consult

During the development, implementation and operation of a network code the proper consultation by ENTSOG or an individual transmission system operator must include:

- The transmission system operator's description of the problem
- Proposals by the transmission system operator for resolution of the problem
- A timeline of at least 4-6 weeks for market participants to respond
- An explanation by the transmission system operator of how they have taken market participants' views into account
- ACER or individual NRAs to monitor the consultation process

1. SCOPE OF THE ARRANGEMENTS

F1 General Rules

F1.1 Scope

This framework guideline applies to capacity as calculated by transmission system operators for the interconnections between gas transmission systems.

The network code shall require that ENTSOG shall publish with the approval of ACER and maintain an up to date list of transmission system operators appointed as the responsible party for capacity allocation at each interconnection point under the scope of these Guidelines.

These framework guidelines apply to all allocation of primary capacity at interconnection points. Whilst implementation might have a different emphasis when major investments in new capacity are required, the network code must ensure that there is a consistent approach for the allocation of both existing and new primary capacity.

2. EXISTING CONTRACTS

The network code shall ensure that offers of primary capacity by transmission system operators do not favour existing capacity holders. In particular the tacit extension of part of an existing contract shall not be permitted.

3. TSO COOPERATION

F1.3 Cooperation

The network code shall set out the responsibilities and procedures for cooperation between transmission system operators at interconnection points to promote efficient cross-border trade, efficient network access and to offer the maximum firm capacity to the market. These responsibilities and procedures shall include to:

1. exchange relevant data,
2. harmonise capacity products and capacity allocation, including their timing,
3. harmonise maintenance and other operations to optimise network access,
4. cooperate in the area of network modelling, capacity calculation and maximisation.

Capacity calculation and maximisation

The network code shall set out that:

1. transmission system operators shall jointly determine the firm and interruptible capacity that will be marketed at each interconnection point
2. transmission system operators shall make their capacity calculation and its methodology transparent.

3. new investments will lead to an increase of firm capacity the moment the new capacity comes online and will be offered to the market in due time, according to the relevant auction process.
4. transmission system operators shall cooperate to maximise the firm capacity they offer and specify how this cooperation takes place.

4. CONTRACTS, CODES AND COMMUNICATION PROCEDURES

F1.4 Contracts, conditions and communication

The network code shall require and define:

1. primary capacity contracts that facilitate secondary capacity trading
2. harmonised content of transportation contracts and conditions of access to capacity as regard to capacity allocation
3. relevant data to be published at every interconnection point
4. standardised communication procedures that are applied by transmission system operators to exchange information between themselves and with their users.
5. coordinated information systems and compatible electronic on-line communications for capacity allocation and transfers of capacity rights.

5. CAPACITY PRODUCTS

F2 Third party access

F2.1 Capacity products

The network code shall set out that:

1. published firm capacity shall be binding on the transmission system operators
2. capacity products shall include daily, monthly and quarterly firm capacity
3. firm capacity products shall require the capacity holder to pay for their whole capacity and shall give the capacity holder the right to use their capacity during the relevant usage period¹
4. capacity offered shall be expressed in energy units per unit of time.
5. separate capacity products shall not be offered for transit purposes

6. INTERRUPTIBLE CAPACITY PRODUCTS

F2.2 Interruptible capacity products

The network code shall set out that:

1. transmission system operators shall offer a single harmonised interruptible capacity product at every interconnection point in each direction and shall provide all necessary data to enable market participants to assess the risk of interruption.
2. automatic or preferred upgrading of interruptible to firm products shall be forbidden.

7. BREAKDOWN AND OFFER OF CAPACITY PRODUCTS

F2.3 Breakdown and offer of capacity products

The network code shall set out that:

1. the transmission system operator shall offer the firm capacity available, plus
 - any remaining firm capacity not previously allocated,
 - any firm capacity from previous allocations surrendered by capacity holders,
 - any unused firm capacity released through other mechanisms.
2. a reasonable percentage of the available firm capacity shall be set aside for firm short term capacity products.

¹ For the avoidance of doubt, this is without prejudice to network code or national congestion management provisions

8. CROSS-BORDER PRODUCTS

F2.4 Cross-border products

F2.4.1 Combined products

The network codes shall set out that transmission system operators jointly offer combined capacity products at every interconnection point, in addition to the existing entry and exit products. Combined products shall include the exit capacity from one zone and the entry capacity into the adjacent zone. This requires transmission system operators to agree and publish who allocates all available combined capacity.

F2.4.2 Bundled products

The network code shall foresee that once capacity offers, products, allocation and utilisation mechanisms are harmonised, transmission system operators should offer bundled capacity products. The network code should therefore set a timetable for the exit and entry capacity at interconnection points to be integrated in such a way that the transport of gas between interconnected balancing zones can be provided not only on the basis of a single allocation procedure but also with a single contract and single nomination.

9. PRIMARY CAPACITY ALLOCATION

F3 Primary Capacity Allocation

The network code shall set out:

1. how transmission system operators offer capacity on a regular basis for all firm products
2. that for the same capacity product the allocation procedures take place at every interconnection point in Europe in a coordinated way
3. that capacity allocation shall use auction procedures that are designed with regard to market conditions and published
4. that auction procedures shall be regularly reviewed and revised when necessary though proper consultation with market participants

10. AUCTION DESIGN

The network code shall set out that:

1. In addition to providing regular and coordinated offers of capacity, the auction design should enable:
 - all reasonable demands for primary capacity to be met where it is economically efficient to do so
 - Capacity to be allocated to those who value it most
 - Capacity holders to have clear and enforceable rights
2. transmission system operators shall design one or more auction types, facilitating the different needs of the market and investments
3. long term capacity allocation with a regulated reserve price shall allow quarterly capacity products to be contracted for up to a [ten] year period
4. short term capacity allocation shall be based on market value with a zero reserve price
5. each allocation procedure shall contain a time window during which capacity can be requested through the auction process. The auction process should ensure allocation of capacity takes place without delay after the time window is closed.

11. PLATFORMS

F3.5 Allocation platform

The network code shall set out that transmission system operators establish joint, anonymous, web-based platforms for primary capacity allocation.

F3.6 Registry platforms

The network code shall

1. set out that transmission system operators establish joint, web-based platforms for the registration of secondary capacity trades concluded between market parties.
2. allow OTC trading of capacities, as well as trading of capacities on trading platforms.