

ESSENTIAL ELEMENTS OF A GUIDELINE FOR CONGESTION MANAGEMENT

(Headings are from original ERGEG proposal E09-GNM-10-07, dated 10 Dec 2009)

1. SCOPE

These guidelines apply to all capacity as calculated by transmission system operators for the interconnections between gas transmission systems.

2. BORDER SPECIFIC ADJUSTMENTS

During a monitored transition phase of two years after these guidelines come into force, NRAs may request transmission system operators adjoining more than one system to apply different terms and conditions at interconnection points to different systems in order to foster compatibility with adjoining systems.

3. EXISTING CONTRACTS

Provided it is clear that these guidelines apply both to capacity under existing and new contracts, this section could be deleted,

4. INCENTIVISATION

NRAs shall ensure that transmission system operators have incentives to achieve the aim of these Guidelines and to properly comply with the requirements resulting from these Guidelines, with a focus on maximisation of available capacity and congestion management in an economically efficient manner.

These incentive structures will be designed after proper market consultation.

5. CAPACITY CALCULATION AND NETWORK SECURITY

The network code on **capacity allocation** shall set out that:

1. transmission system operators shall jointly and regularly determine the floor level of firm and interruptible capacity that will be marketed at each interconnection point
2. transmission system operators shall make their capacity calculation 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 primary allocation process
4. transmission system operators shall cooperate to maximise the firm capacity they offer and publish how this cooperation takes place

On **network security**, three situations with different effects can occur and should be recognised by the transmission system operator:

1.) Emergencies within the transmission system operators control

Emergencies in the control of the transmission system operator occur when capacity is curtailed due to technical constraints caused by actions or the lack of actions by the transmission system operator. The firmness of capacities must then be guaranteed through mechanisms of buy-back or interruption/curtailment, with market-based pricing.

2.) Emergencies in the sense of the Security of Supply Regulation

Capacity curtailments in the scope of the EU Security of Supply Regulation for which market parties shall be compensated on the basis of that Regulation.

3.) Other Emergencies beyond the TSO's control, i.e. Force Majeure

The transmission system operator is not responsible for Force Majeure events and cannot be held responsible. Compensation is based on the original value of the capacity product. Curtailment can be proportionate and must be applied in a non-discriminatory manner.

6. CAPACITY MAXIMISATION (used to be 7. procurement of system energy)

Transmission system operators shall apply economically efficient measures that maximise capacity and alleviate congestion.

7. CAPACITY INCREASE BY OVERSUBSCRIPTION AND BUY-BACK ARRANGEMENTS (used to be chapter 6.)

Transmission system operators shall implement an oversubscription and buy-back mechanism to offer additional short and longer term firm capacity, based on their analysis of capacity utilisation. In case of actual or potential physical congestion, transmission system operators shall tender for buying back capacity.

National regulatory authorities shall implement an incentive structure that ensures transmission system operators are encouraged to oversell capacity to increase capacity utilisation. The incentive structure ensures these incentives do not lead to a decrease of the floor level of capacity that has been calculated.

8. CAPACITY CHARGES

(This section should be moved to a framework guideline on tariff structures)

9. RE-MARKETING BOOKED CAPACITY

Market parties may offer part of their capacity contract back to the transmission system operator, which will offer and allocate this capacity anonymously together with other primary capacity, according to the same terms and conditions. The transmission system operators must split and combine the surrendered capacity to match the demand of the market, during the auction processes.

The transfer of the surrendered capacity is not affected by the transmission system operator unless and until the relevant capacity is sold to another market participant. When this is the case, the transmission system operator purchases and sells the capacity, acting as the counterpart for all market parties involved.

The possibility of market parties to surrender (part of) their capacity to the transmission system operator in no way hinders or limits the possibilities to trade capacity directly between market parties.

10. FIRM DAY AHEAD UIOLI

The dynamic recalculation of firm capacity, optimal selling of firm capacity (characterised by oversubscription and buy-back), remarketing booked capacity and proper facilitation of secondary capacity trading should be the priority CMP measures. In the future, fundamental improvements should also result from the full implementation of market-based primary capacity allocation. If proposals for short-term firm UIOLI are then necessary they should be designed to improve operation of the market and ensure that short-term remedies would not lead to long-term regulatory intervention.

11. LONG-TERM UIOLI CONGESTION

Competition remedies involving long-term firm capacity rights remain appropriate for targeted action, but there is genuine concern that empowering regulators to implement as yet undefined long-term UIOLI through these CMP guidelines would be unwise.