



# **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 2<sup>nd</sup> 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 .....

# **Roles and Responsibilities of TSOs (II)**

- 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

# **Necessary TPA Services (I)**

- 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



# 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



# EFET 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

# EFET 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 structure and derivation (II)**

- 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



## 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***