



Gas Storage Europe

# **Capacity Allocation Mechanisms and Congestion Management Procedures for Underground Gas Storage**

***(State of play in view of the implementation of  
Regulation (EC) No. 715/2009)***

**Madrid Forum, 27-28 September 2010**

## GSE has worked with ERGEG and others to improve CAM & CMP since 2008

GSE started working on the topic of CAM & CMP in 2008 in conjunction with ERGEG, Eurogas and EFET.

Since then:

- ✓ First GSE Internal Survey and Position Paper on CAM & CMP of July 2008: results reported to XV Madrid Forum in **November 2008**
- ✓ GSE Basic Criteria for CAM & CMP of **December 2008**
- ✓ 3rd Package was approved with general provisions on TPA services, CAM & CMP and transparency by SSOs
  - Commission has the power to issue detailed guidelines in all three areas in line with Article 23 of the Regulation
- ✓ Second GSE Internal Survey and Position Paper on CAM & CMP of **September 2010**
- ✓ ERGEG is preparing its own guidelines on CAM & CMP for storage, to be included in GGPSSO

## In 2008, GSE drafted key principles for CAM & CMP

GSE believes that there should be a choice between the different CAM & CMPs as long as they fulfill the following basic criteria:

### Capacity Allocation Mechanisms:

- Non-discrimination and transparency
- Provision of incentives to SSOs to invest in maintenance and development
- Consultation with users, NRAs and other stakeholders, if necessary
- Discouragement of capacity hoarding
- Maximization of the use of available capacity

### Congestion Management Procedures:

- Non-discrimination and transparency
- Market-orientation so as to provide pricing and demand signals
- Creation of an appropriate balance between long and short term contracts so as to promote effective competition
- Maximization of the use of available capacity

## The 2010 GSE Survey on CAM & CMP has shown major progress

- ✓ The 2010 GSE CAM & CMP survey covers a total of 24 GSE members representing over 60 bcm of commercial WGV, i.e. around 80% of the total commercial EU capacity
- ✓ The 2010 results show substantial progress in most areas:
  - **Storage users:** increased average number of storage users (SSOs representing almost 70% of all WGV report more than 10 storage users)
  - **Length of contracts:** One-half of all WGV is contracted for one year or less
  - **CAM:** move towards more transparent and market-based allocation mechanisms
  - **CMP:** more measures against capacity hoarding and improved facilitation of secondary trading of storage capacity
    - (All SSOs offer at least one but usually two forms of secondary capacity trading with electronic platforms, bulletin boards and OTC trading the most common)
    - (anti hoarding: one-half of SSOs believe UIOLI cannot be applied as effectively as in the TSO business and two-thirds have never actually applied UIOLI)
  - **Transparency:** following GSE daily gas stock, enhanced transparency and frequency of data publication (daily is the norm now, range of data includes available interruptible capacities)

- ✓ In spite of progress, room for improvement still exists and that is why GSE continues to work with ERGEG and other stakeholders to prepare the best possible rules for CAM & CMP
- ✓ ERGEG's CAM&CMP guidelines must be in line with the framework set by the Third Energy Package
- ✓ GSE believes that there should be a choice among the various CAM & CMP
- ✓ GSE also believes that UIOLI rules should be carefully developed taking into account the difficulty of applying backward-looking UIOLI to the gas storage business



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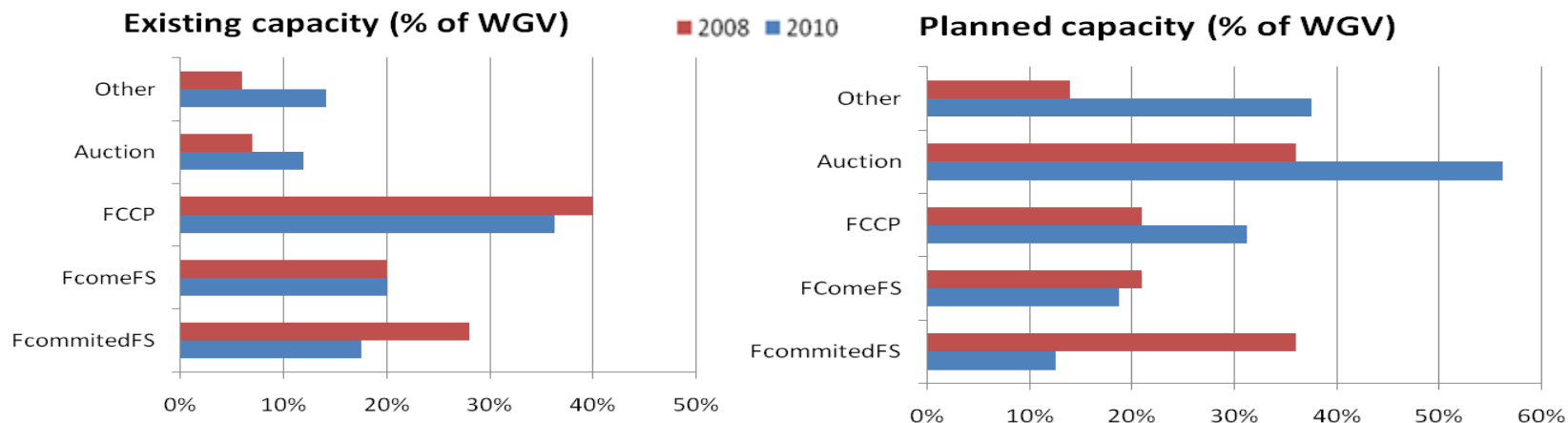
## BACKUP

## TPA regime / Length of contracts / Priority

- ✓ Two-thirds of all WGV is under nTPA regime, the rest under rTPA
- ✓ Half of all working gas volume is contracted for one year or less
- ✓ Storage use
  - SSOs representing almost 70% of all WGV report more than 10 storage users
  - 70% of SSOs report increasing the number of users in the past 2 years by 6 on average

## Capacity Allocation Mechanisms

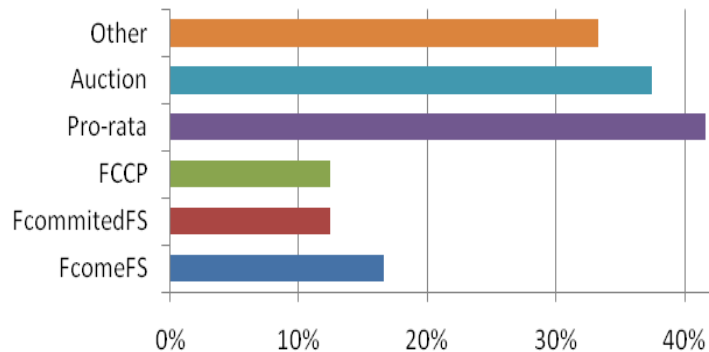
- ✓ The popularity of Auctions is growing , while the use of FCFS is decreasing



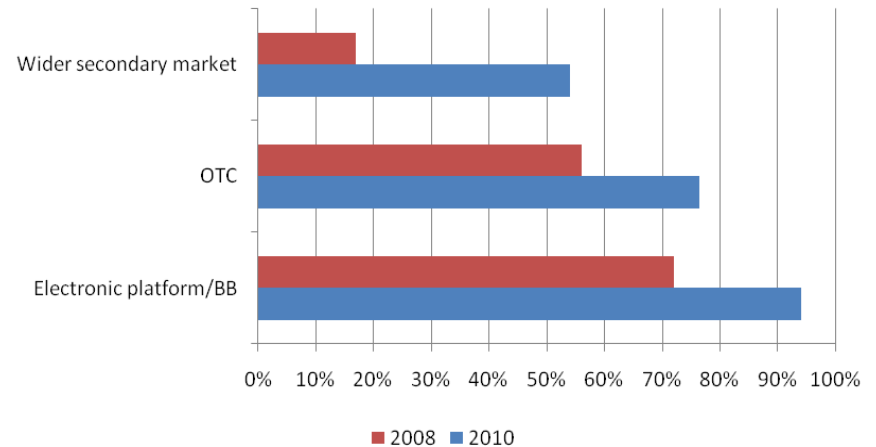
## Congestion Management Procedures

- ✓ When designed by SSOs, CMPs are consulted with users in 90% of cases
- ✓ All SSOs offer at least one but usually two forms of secondary capacity trading with electronic platforms, bulletin boards and OTC trading the most common.

**CMP used (% of WGV)**



**Secondary market tools used by SSOs**

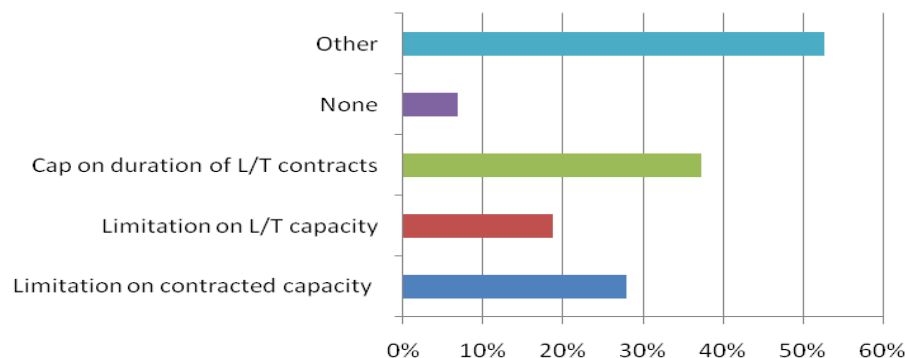


N.B. Please note that the definition of secondary market categories was slightly modified for the 2010 survey.

## Measures to tackle capacity hoarding

- ✓ SSOs apply many anti-hoarding measures including a limitation on capacity for incumbents and a cap on capacity dedicated to L/T contracts and their length
  - Almost three-quarters of SSOs have the possibility to apply UIOLI (backward, forward, LIOTI)
  - However, one-half of SSOs believe UIOLI cannot be applied as effectively as in the TSO business and two-thirds have never actually applied UIOLI
- ✓ Majority of SSOs applying UIOLI do so on an interruptible day-ahead basis – any other use of UIOLI seems arbitrary given the nature of gas storage and the role it plays in Security of Supply

**Measures applied against possible capacity hoarding**



Other includes UIOLI , pro-rata allocation and penalties

## Transparency

- ✓ GSE members publish a wide range of data useful for existing and potential storage users (see chart below), predominantly on daily basis (70% of all SSOs).
- ✓ All SSOs publish information on capacity which is to become available on their website, while majority also advertise this elsewhere (letters, trade publications, conferences).
- ✓ All but one SSO make available all information also in English, thus greatly enhancing its usefulness to potential storage users.

**Type of information published**

