

**DRAFT GUIDELINES FOR GOOD PRACTICE IN RELATION TO
TRANSMISSION CAPACITY, TARIFFS, BALANCING AND INTEROPERABILITY**

GTE Draft Contribution

Background

The 3rd meeting of the European Gas Regulatory Forum held in Madrid on 26-27 October 2000 requested the Joint Working Group of representatives of the Commission, the CEER and interested Member States to:

"...consider the development of recommendations on Guidelines for Good Practice regarding all necessary TPA services, including tariff structures and derivation, balancing and imbalance charges and the role of market based mechanisms such as secondary capacity trading markets to facilitate the efficient use of the network."

Based on the first proposal of the Joint Working Group, GTE has further developed such recommendations in relation to each of the above issues. The recommendations are aimed in order to:

- ensure the application of the principle of non-discrimination,
- avoid distortions to trade, and
- facilitate cross-border trade and competition in the internal European market.

While these recommendations on Guidelines for Good Practice are not legally binding they may contribute to achieving a fully operational internal market for gas.

1. General recommendations regarding transmission services

1. Transmission companies (or the transmission functions of integrated companies) are responsible for the provision of technical transmission capacity and the technical integrity of network operations.
2. Transmission companies should offer transmission services including the necessary ancillary services. The same range of services should be offered on the same conditions according to the principle of non discrimination to third parties as to marketing affiliates.

3. The necessary ancillary services include blending, quality conversion and metering (where technically and economically feasible by the transmission companies). Balancing services may be considered where there is no market alternative.
4. Primarily firm transmission services should be offered. A mix of long and short term transmission services should be offered to suit customer needs. Interruptible transmission services should be offered at least when there is no firm capacity available and where there is not an active secondary market.
5. The main conditions of all services, including tariff and imbalance charges, should be published in English on the internet.

2. Recommendations regarding transmission capacity

1. Transmission companies should publish on their web site maps of their network identifying the major entry and exit points.
2. In general, information about available capacities at all major cross-border points should be made available and updated regularly. In the cases where the publication of available capacities would lead to a breach of confidentiality provisions (from the suppliers' or shippers' point of view), then a traffic light system should be used to give indicative information about the availability of capacity on the primary market at the respective cross border point.
3. Capacity trading on a secondary market should be facilitated by the transmission company as far as reasonable.
4. The provision of information on available capacities does not constitute a binding offer, since this will depend on the technical feasibility of the formal request from a shipper. Where such a request cannot be accepted, the transmission company should provide an explanation.
5. A formalised procedure for applying for capacity should be implemented and published on the transmission company's web site. Such procedures should *inter alia* specify a time scale in which the transmission company will respond to a request for capacity. They should also describe the means of communication by which applications for capacity should be made (which ideally should allow the use of e-mail).
6. The capacity allocation procedures should be in accordance with published general rules. Those capacity allocation procedures should be non discriminatory and transparent. Moreover, the procedures for congestion management should also be non discriminatory, transparent and published.
7. Transmission companies should implement mechanisms to enable independent review of decisions concerning the allocation of capacity within the framework of the respective legislation.

Recommendations regarding transmission tariffs

Transmission companies should publish reasonably and sufficiently detailed information on tariff derivation and tariff structure, including at least :

1. General methodology (cost based, international benchmarking, etc.) ;
2. Principles for determination of the cost base if relevant to tariff setting ;
3. Tariff structure (point-to-point, entry/exit, zonal or nodal system, postage stamp, etc.) ;
4. Detailed tariff design (tariff elements), including incentives or penalties (e.g. for capacity overrun) ;
5. Tariffs for ancillary services if any ;
6. Indexation of tariffs (if any), or principles for tariff variations ;
7. Specific tariffs or rules, if any, to be applied to back-haul transportation or specific services.

4. Recommendations regarding balancing and imbalance charging principles

1. Transmission companies should use balancing rules (including balancing period) that reflect genuine system needs and are reasonably necessary on the basis of the system and flexibility resources available to them.
2. The balancing rules should be fair and non discriminatory i.e. the same conditions should apply to third parties as to marketing affiliates. They should be based on objective criteria and should not unnecessarily hamper cross-border trade.
3. Transmission companies should ensure that balancing charges are reasonable, transparent and similarly non discriminatory.
4. Where balancing regimes (tolerances, imbalance charges, balancing periods etc.) are different between interconnected networks, agreements between transmission companies should be put in place in order to facilitate cross-border gas trade.
5. Balancing regimes should be designed so as not to prevent the development of competition in the provision of *ex ante* balancing services.
6. Well-timed information about balancing status should be available to market participants at reasonable costs.

Recommendations regarding interoperability

1. Transmission companies should support and help to realise GTE's and Edigas Group's commitment to set up a permanent, independent and non profit organisation, similar to GISB in the US, together with other interested parties with target date April 2002.
2. In this framework, transmission companies should enhance interoperability between the networks and harmonise business practices, for example, with regard to gas quality specification at the border points, IT communication protocols, nominations procedures, gas day, gas year, OBA's, units, and glossary of gas industry terminology.
3. In order to facilitate cross border trade, transmission companies should also co-operate in co-ordinating the maintenance on their respective networks in order to minimise the disruption of transmission services to shippers and publish the corresponding operational information.