



## **GTE detailed comments with regard to the draft Guidelines for Good Practice dd. 21 October 2002**

**02GGP235-final**

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### **Introduction**

The Guidelines for Good Practice were agreed at the 5<sup>th</sup> meeting of the Madrid Forum held on the 7-8 February 2002. GTE is committed to promote these Guidelines and urged its Members to comply with them.

The Commission issued a compliance overview on the 21<sup>st</sup> October 2002 as well as a proposal for revised Guidelines. GTE welcomed the overview report prepared by the Commission on the compliance by individual TSO's with the Guidelines adopted in February 2002. It was noted that progress has been made by the TSO's but further actions are needed for a full compliance. It was agreed, at the 6<sup>th</sup> meeting of the Madrid Forum held on the 30-31 October 2002, to set up a "Specific WG" under the chairmanship of the Commission to discuss a revised version of the Guidelines aiming to be adopted at the next meeting of the Forum.

Initial GTE comments (ref. 02GGP232-draft3) on the revised version of the Guidelines for Good Practice dd. 21 October have been issued to the Commission on the 17<sup>th</sup> December 2002.

Following the first meeting of the Specific WG held on the 18<sup>th</sup> December 2002, GTE reiterates its commitment to give best efforts to reaching an agreement with the other parties of the Madrid Forum on the revised Guidelines. GTE underlines that it will be in a position to actively support them among its members only if there is such an agreement. This needs a constructive dialogue to be pursued between involved parties and an appropriate balance to be struck between their respective interests.

GTE detailed proposals are presented hereafter on a point-by-point basis including comments and reasons for updating the proposed Guidelines dd. 21 October 2002.

GTE is of course committed to continuing to make an active contribution to the progress to be achieved within the Madrid Joint WG and the Specific WG.

### **General comments**

- GTE shares the Guidelines' objective to contribute to achieving a fully operational internal gas market in Europe through common standard practices.
- Binding multi-annual capacity agreements between shippers and TSO's have a crucial role for ensuring long-term investment planning.
- "Good Practices" have to be defined and should be reached by each TSO in the mid-term taking into account the most important objectives, the customers' needs, the economics and the specific situation of the concerned Member States. Therefore, it should be recognised that the goal of achieving "Good Practice" should not be a moving target per se.
- GTE agrees that the evolution of the legislative framework (notably the entry in force of the 2<sup>nd</sup> Directive) could imply in the future some modifications of the Guidelines. However, it should be made clear that with regard to any issues in the Guidelines that anticipate the entry into force of the 2<sup>nd</sup> Directive, these provisions do not have to be implemented before the Directive is in force. Moreover, the implementation of the Guidelines should be in line with the respective national framework.

**GTE detailed proposals and comments**

	<b>Draft Guidelines issued by DGTREN on the 21<sup>st</sup> October 2002 with GTE proposals</b>	<b>GTE comments</b>
<b>1.</b>	<b>Background</b>	
<b>2.1</b>	<b>Main Roles and Responsibilities of TSO's</b>	
1	TSOs, be they separate entities or unbundled transmission functions of integrated companies, are responsible for <u>operating, ensuring the maintenance of, and, if necessary, developing the transmission system, and to ensure the long-term ability of the system to meet reasonable demands for the transportation of gas. the provision of adequate technical transmission capacity and the technical integrity and safety of network operations.</u>	Cf. definition of TSO in the draft 2 <sup>nd</sup> Directive
2	The minimum role of the TSO would involve the maintenance, operation and development of its network including sufficient long-term investment planning based <u>on contractual commitments from network users</u> , on proper <u>consultation</u> <u>indication</u> of potential system users and, if any, <u>on</u> guidelines by national authorities; provision of non-discriminatory access to its network moving or processing any network users' natural gas within its system in fulfilment of a contract or network code (see section 3 on TPA services); co-operation with other TSOs and operators of other connected systems (including LNG and storage facilities and distribution networks) to <u>ensure pursue</u> interoperability between different systems and efficient and non-discriminatory procedures facilitating trade and allowing network users to transport natural gas throughout the EU transmission network; maintain physical <u>short-term</u> system balance (residual balancing role) and the non-discriminatory provision to all network users of the information they need for efficient access to the network.	Long-term planning involves taking into account long-term transportation contracts if any.  Potential system users should provide appropriate information.  Residual balancing role means maintaining short-term system integrity. It is complementary to the balancing roles of system users who are responsible for balancing their supply and demand portfolios within the balancing requirements of the system.
3	<del>TSOs should ensure interoperability between different systems inter alia by entering into both standardised interconnection agreements (IAs) and standardised operational balancing agreements (OBAs) at any interface. IAs and OBAs must be designed to facilitate competition and the services offered under these agreements must be published.</del>	There is no need to duplicate section 3.3.
4	TSOs shall be equipped, either through ownership control of assets and gas or through formal contracts or agreements, with sufficient system resources including natural gas necessary for carrying out their functions as transmission system operators including notably its residual balancing role. The system resources available to the TSO in this respect shall be <del>transparent.</del> <u>available to the relevant public Authorities, subject to the national legislation.</u>	It should be the TSO's choice and responsibility, in accordance with the national legislation, to determine the optimal mix of resources to carry out its functions.  Such means are part of the internal business of the TSO, and might be part of its specific know-how. It might also involve third parties. There is therefore no reason why these means should be transparent towards the network users, provided they are available to the relevant public Authorities.



		Authorities.
5	<del>There shall be sufficient separation and functional independence between system operators (including transmission and storage system operators) and network users including the supply and trading businesses of vertically integrated companies in order to ensure that system operators do not have any conflict of interest when providing infrastructure services and do not provide any commercial advantage to an affiliate. TSOs shall establish a compliance programme, which sets out measures taken to ensure that discriminatory conduct is excluded. An annual report, setting out the measures to ensure this, shall be submitted to the relevant national regulatory authority and shall be published.</del>	When the GGP anticipate the 2nd Directive, the wording should be the same and moreover, the obligation to comply with such part of the GGP should not be set at an earlier date than the Directive. GTE believes it is necessary to make the parts of the GGP that refer to the Directive dependent on the actual implementation of that Directive including the dates of compliance (see general comments).
<b>2.2 Main Roles and Responsibilities of network users</b>		
1	A network user is a customer of a TSO <del>and</del> <u>which</u> would sign the relevant network code <del>and/or</del> enter into <u>other types of transmission</u> contracts with TSOs for shipping of gas. <u>Eligible</u> end-use customers, producers, suppliers, <u>TSO's</u> , traders <del>and shippers</del> may choose to be network users, <u>subject to the relevant national legal framework.</u>	<p>"Shippers" should not be in the list, as it designates the person which has a transmission contract with a TSO. "Shipper" is synonymous to "network user".</p> <p>The national law ordinarily gives the list of persons which have the right of access to the network.</p> <p>TSOs may have other types of contracts with other persons (e.g. connection contracts), which are not relevant for these Guidelines. We understand that we are referring here only to transmission contracts.</p>
2	<p><del>As one of the most important market participants, network users have their roles and responsibilities which need to be defined and described.</del></p> <p><u>Amongst others</u>, network users are responsible for <del>making nominations to the TSO(s) and commercial</del> <u>physical</u> balancing of their gas in-put and off-take from the system in accordance with prevailing <del>contractual specifications, technical rules, agreed procedures and non-discriminatory and broadly cost-reflective</del> <u>contractual</u> balancing rules set by the TSOs according to the principles as described in section 7.</p>	<p>Making nominations is not a crucial responsibility of the shippers. It depend on the contract. The core responsibility of the shipper is to physically balance its inputs and outputs on each contractual balancing period.</p> <p>There is no need to duplicate section 7 regarding balancing issues.</p>
<b>3. Necessary TPA Services</b>		
0	In order to ensure non-discrimination between related undertakings and third parties, avoid potential distortions to trade <u>as far as possible</u> , and facilitate gas trade <del>and liquidity</del> , TSOs should:	The liquidity of the market is the result of the frequency of trading and therefore not something TSO's can influence. TSO can facilitate trade, but traders are themselves responsible for the liquidity. It only is in the TSO's possibility to avoid distortions as far as possible.
1	Offer unbundled TPA services for access to pipelines and LNG facilities as well as all necessary ancillary services to the extent that such facilities are operated <u>and can be made available</u> by the TSO. Ancillary services <u>may</u> include inter alia, allocation, blending, quality monitoring and conversion, metering, flow control and <u>load</u> balancing. <del>Operators of gas</del>	There may be facilities operated by the TSO but not owned by the TSO; Furthermore services can only be offered when available. Otherwise it would imply an obligation to



	<p><del>of gas storage facilities, including TSOs insofar as TSOs operate gas storage facilities or any equivalent flexibility instruments, shall offer unbundled TPA services (including injection capacity, storage volume and withdrawal capacity) on a non-discriminatory basis to such facilities when such access is necessary for providing efficient access to the transmission and/or distribution networks;</del></p>	<p>an obligation to invest.</p> <p>These Guidelines only apply to Transmission System Operators, not to Storage System Operators. GTE only represents TSOs.</p>
2	<p>Offer the same range of services on the same conditions according to the principle of non-discrimination to any eligible third party within the EU as to marketing affiliates on a formal and verifiable basis <u>subject to, if asked for by TSO's, appropriate guarantees from the network users in respect of creditworthiness of such network users.</u> Offer these services on the same <u>non-discriminatory</u> contractual basis to all network users, either using standard contracts or a common network code.</p>	<p>A network code cannot be negotiated, contracts can.</p>
3	<p><del>Co-operate with other TSO's and, where relevant, other system operators, on all relevant interoperability issues to develop Interconnection Agreements (IAs) and inter-TSO operational balancing agreements (OBAs) on a standardised and transparent basis. <u>IAs and OBAs must be designed to facilitate competition and the services offered under these agreements must be offered on a non-discriminatory basis. Such agreements should be standardised as far as reasonably achievable taking into account the specificities of the systems involved. IAs shall cover energy specification (including pressure, temperature and chemical gas specifications), change of flow rates and the operation of the interconnection point between the network operators. OBAs shall cover the operation of the network operators' energy accounts at the interconnection point. OBAs shall be used to pool small operational imbalances ensuring that network users are allocated all their full nomination, unless there is a significant net shortfall (e.g. as result of a Force Majeure event);</u></del></p>	<p>Full standardisation is probably not achievable nor appropriate due to different contexts.</p> <p>Operational procedures (incl. IA and OBA) and gas specification issues should be considered within EASEE-gas as agreed at the Madrid Forum in October 2002.</p>
4	<p>Actively pursue harmonisation or convergence to facilitate interoperability e.g. with regard to gas quality specifications where practical and economic. TSOs will actively support the activities of EASEE-Gas aimed at streamlining gas transportation <del>and trading procedures</del> across the EU;</p>	<p>Trading procedures are not a matter for TSO's.</p>
5	<p>Offer both long-term and short-term firm services including capacity services down to a minimum period of one <u>day month.</u> <del>Offer and non-firm interruptible services down to a minimum period of one day where requested by the market, and practically reasonable and when firm capacity is not available and no liquid secondary market exists.</del></p> <p><del>The total fee for any transportation contract with a shorter duration than a reference period (e.g. year, month and day) shall not, unless approved by the relevant national authority, exceed the fee for a transportation contract with such reference duration;</del></p>	<p>Some GTE members are not prepared to offer one-day contracts in the short or medium term, notably due to the cost and time of the IT involved.</p> <p>No obligation to offer interruptible capacity on the primary market should take place when firm capacity is still available or when there is an effective secondary market.</p> <p>The total fee for any transportation contract with a shorter duration than a reference period should only be subject to regulatory approval in case such service cannot be bought on the secondary market. In case such service can be offered on the secondary market, no restriction should be in place. The GGP should not go further on</p>



		further on tariff issues than national regulatory requirements.
6	Develop TPA services and access rules so that facilities and ancillary services can be used to meet obligations in neighbouring regimes on a non-discriminatory basis, subject to availability of such facilities and services, <u>to public service obligations</u> and to technical, <u>economical</u> and operational feasibility;	Priority rules may be decided by any Member State for the fulfilment of PSO.  Economical feasibility should be fully recognised.
7	Design <u>capacity transmission</u> services to facilitate trading and re-utilisation of capacity and in a way, which would not hamper capacity release;	
8	<del>No later than 1 April 2003, European TSOs will</del> <u>Endeavour to develop</u> - in close consultation with EASEE-Gas - standardised nomination procedures and units of measurement and <del>develop</del> <u>propose</u> information systems and electronic communication means to provide adequate data to network users and simplify transactions (such as nominations, capacity booking etc.).  Formalised request procedures and response times should be harmonised among <del>European</del> TSOs according to <u>best standard</u> industry practice <u>as far as reasonably practical and economically feasible taking into account national legislation and national market needs</u> with the aim of minimising response times and providing for on-line screen-based capacity booking and confirmation systems, nominations and re-nominations <del>no later than 31 December 2003.</del>  The <del>standardised</del> procedures shall be applied on a non-discriminatory basis to all network users including affiliates.  <del>Network users shall not be separately charged for information requests and transactions associated with nominations and capacity booking, including nomination changes;</del>	It cannot be the transporters' responsibility only, but the shared responsibilities of the market players involved in EASEE-gas to come to an agreement regarding the standardisation. Therefore TSO's cannot commit themselves on a precise date for having an agreement.  The development of IT tools (incl. simulation tools) for the on-line booking of capacity may take considerable time and will involve significant IT investments. GTE is therefore reluctant to put in the GGP a precise date, as many TSOs will not be able to meet the requirement in time, which would damage the credibility of the Madrid Forum.  For capacity requests beyond the published available capacity, it could be allowed charging transactional cost to ensure the requests are genuine, as it may cause costs for the TSO in terms of studies to determine any reinforcement of the system. TSO's should also have the right to claim costs if a lack of information involves extra measures to avoid endangering the grid integrity.
9	<del>Co-operate</del> <u>ordinate themselves</u> with other TSOs in <u>co-ordinating</u> for the maintenance of their respective networks in order to minimise any disruption of transmission services to network users <del>and TSOs in other areas in order</del> and to ensure equal benefits with respect to security of supply including in relation to transit. <del>To avoid distortion in trade</del> TSOs should <u>publish</u> <u>inform the relevant network users</u> at least once a year <u>about</u> all planned maintenance periods that might affect <u>their rights from transmission contracts gas flows</u> and the corresponding operational information with adequate advance notice.	The shippers need information with respect to their contractual rights.
<b>4.</b>	<b>Capacity allocation and Congestion Management</b>	
1	TSOs should implement and publish non-discriminatory and transparent capacity allocation mechanisms and, when applicable, congestion management procedures, which should (i) facilitate the development of competition and <u>liquid</u> trading of capacity <u>while at the</u>	It is important to keep in mind that mechanisms facilitating development of competition and trading should always be checked against potential detrimental



	<p><u>the same time ensuring the firm transmission rights in support of security of supply and the overall efficiency of the system;</u> (ii) provide appropriate economic signals for efficient and maximum use of technical capacity and facilitate investment in new infrastructure; (iii) avoid <u>discrimination specific disadvantages</u> for new entrants; and (iv) be compatible with the market mechanisms including spot markets and trading hubs, while being flexible and capable of adapting to evolving market circumstances.</p> <p><del>These mechanisms and procedures should be reviewed and approved by the relevant authorities prior to implementation.</del> Revenue from congestion management systems should not create disincentives to reduce congestion.</p>	<p>effects on the firm capacity rights relating to security of supply.</p> <p>It is not reasonable to provide for the absence of any specific disadvantage for new entrants; for example there are necessarily some differences between network users due to the size of their respective portfolio, which cannot be avoided.</p> <p>The first sentence of this paragraph anticipates the 2<sup>nd</sup> Directive.</p>
2	<p>Network users, notably those who may be interrupted, shall be <u>advised informed</u> about the type of circumstances <u>(in general)</u> that could affect the availability of contracted capacity, <u>such information being indicative</u>.</p> <p>In case difficulties in meeting contractual delivery obligations should arise <del>due to short term congestion</del>, TSOs should notify network users which might potentially be affected and seek a non-discriminatory solution without delay.</p>	<p>TSOs are not necessarily able to give in advance precise and binding reasons for interruptions.</p> <p>Such notifications should be done whichever the reason of such failures.</p>
<b>5.</b>	<b>Transparency Requirements</b>	
1	<p><del>TSO should</del> publish in national language(s) and English on the Internet the main conditions of all services, including tariffs and imbalance charges and maps of their network <del>identifying indicating at the major entry and exit cross-border points interconnecting its system with that of other TSOs.</del> TSOs shall publish at least the following information about their system and services:</p> <ul style="list-style-type: none"> <li>a) detailed and comprehensive information about all services offered and the charges for these;</li> <li>b) the different types of contracts available for the services offered;</li> <li>c) the flexibility and tolerance levels included in transportation and other services without separate charge and as well as any flexibility offered in addition to this and the corresponding charges;</li> <li>d) a <del>detailed</del> description of the gas system of the TSO <del>identifying indicating at the major</del> connection points with other <del>cross-border</del> systems;</li> <li>e) as applicable, the network code and/or the main standard conditions outlining the rights and responsibilities for all users of the gas system of the TSO;</li> <li>f) the capacity allocation, congestion management and <u>if any</u> anti-hoarding and re-utilisation provisions;</li> <li>g) standard documents and procedures in relation to the use of the gas system of the TSO including definitions of key terms;</li> <li><u>h) the rules regarding the notification to the TSO of the new owners of the transmission rights; the rules applicable for capacity trade on the</u></li> </ul>	<p>It should be taken into account civil protection requirements.</p> <p>The publication of "all" interconnection points in the internet might not be achievable with a view providing customer friendly information.</p> <p>TSO cannot -by definition- set rules for trading on the secondary market. TSO's need to know who is responsible for contractual balancing and other contractual obligations, to whom to send bills and</p>



	<p>secondary market;</p> <p>i) the rules applicable for connection to the system operated by the TSO;</p> <p>j) gas quality and pressure requirements.</p>	bills and which network user will nominate.
2	<p>For the different services provided, <del>TSO should</del> publish <del>no later than 1 January 2003</del> physical, booked and available capacities for <del>monthly</del> <u>daily</u> periods at <del>all major cross-border relevant points including key points in the transmission network, LNG terminals and underground storage facilities and all points of interconnection with other TSO systems</del> on the Internet on a regular/rolling basis and in a user-friendly standardised manner. Where feasible, capacities for entering or exiting the system in <del>counter</del> <u>reverse</u> flow shall also be published.</p> <p><u>When a TSO considers it is not entitled for confidentiality reasons to publish such data, it should publish quantitative information through the traffic light system. It should also provide the relevant national Authority with substantiation for not publishing data.</u></p> <p>TSOs shall publish at least the following information about the capacity situation of their systems at <del>all major cross-border relevant points including key points in the transmission network, LNG terminals and underground storage facilities and all points of interconnection with other TSO systems:</del></p> <p>a) the maximum technical capacity;</p> <p>b) the total contracted firm and non-firm capacities <u>subject to confidentiality reasons as provided here above;</u></p> <p>c) the available firm <del>and non-firm</del> capacities;</p> <p>d) user-friendly instruments for calculating tariffs for a specific service (e.g. a tariff "calculator") <del>and for verifying on-line the level of available capacity;</del></p> <p>TSOs shall publish <del>daily</del> <u>regular</u> up-dates of short-term capacity availability (<del>day ahead and week ahead</del> <u>at least month-ahead</u>) based, inter alia, on prevailing <u>contractual commitments conditions and nominations</u> and <del>TSO shall publish</del> regular long-term forecasts of available capacities on a <del>quarterly</del> <u>and</u> annual basis for up to 10 years for all <del>main entry and interconnection</del> <u>major cross-border</u> points.</p> <p>Available capacities in the medium term shall be published for a period of 18 months ahead and shall be updated at least every month or more frequently if <u>significant</u> new information becomes available.</p> <p><u>The publication of available capacities may be indicative and subject to confirmation each time a shipper makes a request, provided such confirmation is given according to section 3.8.</u></p> <p>The calculation of available capacities shall be based on network modelling and flow simulations taking account of all relevant operational parameters for an efficient and safe operation of the system. A methodology for calculating available capacities based on a standardised <u>energy units</u> shall be proposed by GTE <del>and agreed by to</del></p>	<p>The deadlines should be updated taking into account that the revised Guidelines should be adopted at the next meeting of the Madrid Forum.</p> <p>"monthly period": same comment as section 3.5</p> <p>TSO's should publish the numerical figures on available capacities at major cross-border points only. The publication of capacities must not conflict with contractual confidentiality clauses that TSO's may have when requested from their customers (i.e. the Shippers). In that case, TSO's should publish quantitative information through the traffic light system.</p> <p>It might become practice, that available capacity at major cross-border points will be published if three or more Shippers are involved. Exceptions to the rule that data will be published should be substantiated to the competent national Authorities and the Commission.</p> <p>The publication and updating of all the mentioned data should be considered against the trade-off of the value of additional information and the related costs. In order to ensure the completeness of data and the possibility of the TSO to fulfil the requirements, some details should be clarified in order to avoid increased costs which would then be socialised.</p> <p>Available interruptible capacity is not easy to publish, as the conditions for interruptions may depend of the actual quantity of interruptible capacity which is sold.</p> <p>Same remark as section 3.5 on daily updating.</p> <p>TSO will probably be unable in most cases to make reasonable forecast on a quarterly basis for the next 10 years.</p> <p>GTE cannot commit for an agreement by the Madrid Forum.</p>



	<p>the Forum no later than 1 <del>January</del> <u>July</u> 2003.</p> <p>Historical maximum and minimum capacity utilisation rates and annual average flows at the above points shall be published <del>for the past three years no later than 1 January 2003 and a daily log of actual aggregate flows will be updated daily thereafter every year for the past year, starting from 1 July 2003.</del></p> <p>TSOs shall keep effective records of all capacity contracts and all other relevant information in relation to calculating and providing access to available capacities. If necessary, the relevant national authorities shall, <u>according to the national legislation</u>, have access to such records in relation to complaints about refusal of access due to lack of capacity.</p>	<p>Some GTE members are not prepared to publish such data for more than one past year.</p> <p>Daily publication of a daily log will be costly. It remains to be checked whether it is worth spending such an amount of money on the account of the shippers. Moreover, TSOs would be faced with confidentiality concerns from their shippers with respect to their utilisation of the booked capacity.</p>
3	<p>All network information shall always be disclosed in a meaningful, quantitatively clear and easily accessible way and on a non-discriminatory basis. As the general rule, information and transparency shall be provided via the Internet and shall not be charged for <u>separately. However charges may be used for customer specific information.</u></p>	<p>Charges related to publication have to be borne by the shippers, individually or collectively.</p>
<b>6. Tariff structure and derivation</b>		
1	<p>TSOs shall design tariff structures according to the following <del>three</del> <u>four</u> key principles. Tariffs should be:</p> <p>(i) <u>reflective of efficiently incurred costs, including appropriate return on investment; alternatively reflect international tariff benchmarks taking into account national specificities; however tariffs should be market based if effective competition exist for the same service, in order not to distort the market;</u></p> <p>(ii) <u>facilitate efficient gas trade competition while at the same time avoiding cross-subsidies between network users, and not endangering the continuity of supply for final customers and the operability of the system and;</u></p> <p>(iii) promote efficient use of the network;</p> <p>(iv) <u>provide appropriate incentives on new investments necessary to remove capacity constraints and to facilitate market development.</u></p> <p>The tariff structure should be reviewed on a regular basis to ensure that it continues to support these <del>three</del> <u>four</u> principles, as the market develops. <u>In any way tariff structure and derivation should be stable, clear and transparent in order to provide a long-term visibility of the business necessary for the network users and TSO's to plan their activities;</u></p>	<p>Tariffs have to provide the necessary incentives and signals for new investments necessary to facilitate the development of the market, to maintain a high level of security of supply and as a result to remove capacity constraints where the market is prepared to pay for such removal.</p> <p>Tariffs should be market based in case of effective pipe-to-pipe competition. Tariff design according to benchmarking taking into account national specificities is an acceptable principle also.</p> <p>Inappropriately designed tariffs could endanger the continuity of supply of final customers.</p>
2	<p>In order to ensure transparent, objective and non-discriminatory tariffs and facilitate efficient utilisation of the gas network, TSOs <u>or relevant national Authorities</u> should publish reasonably and sufficiently detailed information on tariff derivation and tariff structure, including at least:</p>	<p>The publication of the cost base underlying the tariffs is not applicable to all Member States.</p>



	<ul style="list-style-type: none"> <li>- Tariff methodology and derivation;</li> <li>- <del>Tariff structure designed to promote trade and competition in gas supply;</del></li> <li>- <u>Where applicable and in accordance with national legislation, the definition of the cost base underlying tariff setting taking into account asset valuation and depreciation principles and benchmarking of efficiency and operational standards;</u></li> <li>- <del>Functional allocation and capacity/commodity allocation principles;</del></li> <li>- Detailed tariff design (tariff elements) including charges for capacity overrun and their derivation;</li> <li>- <u>Where applicable, indexation of tariffs (if any), or principles for tariff variations;</u></li> <li>- Specific tariffs or rules applied to backhaul transportation or specific services if any;</li> <li>- Regulatory involvement in tariff setting.</li> </ul>	<p>Publication of benchmarking elements should be left to the responsibility of national Authorities, taking into account the appropriate national legislation.</p> <p>There might also tariffs reflective of international benchmarks or market based tariffs as mentioned in section 6.1.</p>
3	<p><del>TSOs, in accordance with national authorities and relevant legislation should not adopt any charging principles and/or tariff structures that in any way would either hamper or distort market liquidity and trade across borders of different TSO systems or hamper system enhancements and integrity. In case differences in tariff structures or balancing mechanisms would hamper cross-border trade, TSOs should actively pursue convergence of tariff structures and charging principles including in relation to balancing (see section 7).</del></p>	<p>Tariffs have to provide the necessary signals for new investments to facilitate the development of the market, to maintain a high level of security of supply and as a result to remove capacity constraints.</p> <p>Harmonisation is not necessary per se, but only if the lack of harmonisation hampers cross-border trade.</p>
<b>7.</b>	<b><i>Balancing, imbalance charges and settlement processes</i></b>	
1	<p><del>Design fair, non-discriminatory and transparent residual system contractual balancing rules (e.g. in relation to issues such as tolerance levels, balancing period, balancing requirements in heat units etc.) that are based on objective criteria, and are reflecting genuine system needs and reasonably necessary on the basis of genuine system requirements, i.e. including the actual technical capabilities of the transmission system, and flexibility resources available to the TSO. Provide information to the relevant regulatory authorities and system users with regard to the system resources (including related assets, contracts, costs etc.) at the disposal of the TSO dedicated to system operations including residual balancing.</del></p> <p><del>Balancing rules and charges, which should be reviewed by the relevant authorities, should be broadly cost reflective and avoid cross-subsidisation between system users;</del></p>	<p>Resources that the TSO uses for PSOs and any commercial activities should not be taken into account when designing balancing rules The amended article incorporates the possibility of PSOs and of TSOs having access to or control over assets that are used for commercial services.</p> <p>Cf. remark on section 2.4</p> <p>There is no need to duplicate section 7.4.</p>
2	<p>Ensure that the same rules (including the same charges for flexibility services provided by the TSO) are applied to own commercial operations of vertically integrated companies as to third parties on a formal and verifiable basis. <del>Tolerance levels shall be designed in a way</del></p>	<p>The Guidelines should not go into such</p>



	<del>which reflect daily effective temperature and the actual technical capabilities of the transmission system;</del>	details.
3	Ensure that balancing charges are non-discriminatory, broadly cost-neutral to the TSOs and published whilst <u>avoiding cross- subsidisation between network users and competing energy markets and providing appropriate incentives on network users to balance in-put and off-take of gas and not to endanger the system neither to create a risk of disruption of gas supply.</u> Penalties collected by TSOs, over and above the actual efficiently incurred balancing costs, from system users being out of balance shall be redistributed back to the system users on a non-discriminatory basis <del>at the end of each month;</del>	It should be noted that cross-subsidisation between users should be avoided.  Inappropriate balancing rules could lead to a risk of physical disruption of supply for final consumers.  No need for GGP to be so precise.
4	Ensure <u>in accordance to national legislation</u> compatibility of balancing regimes (tolerances, imbalance charges etc.) in order to facilitate gas trade across borders of different TSO systems. European TSOs shall endeavour to harmonise balancing regimes <del>and streamline structures and levels of balancing charges</del> in order to facilitate trade <u>and to respect the needs of domestic use.</u> <del>Where it is justified that</del> <u>Where</u> balancing regimes (tolerances, imbalance charges, balancing periods etc.) <del>remain are</del> different between interconnected networks, <del>standardised</del> agreements and procedures between TSOs should be put in place in order to facilitate gas trade. <u>Where applicable and subject to the national legal framework,</u> such arrangements shall be published and notified to the relevant regulatory authority;	The level of balancing charges depends on the relevant possibilities of the TSO to balance (costs incurred), the specific condition of each grid (long-short) and on the national legislation.
5	Design balancing regimes in a way, which would not hamper the development of competition in the provision of ex ante balancing services;	
6	Facilitate pooling and <u>ex ante</u> trading of imbalance services between different system users in a non-discriminatory and cost-reflective manner <u>according to national legislation.</u> <del>Trading of imbalances shall not require system users to combine their transportation contracts vis-à-vis the TSO;</del>	GTE cannot support the ex post trading of imbalances as this creates a clear disincentive for system users to balance their portfolio. We do not understand the last sentence.
7	Market participants shall be provided with sufficient, well-timed and reliable <del>internet based</del> information about their balancing status and imbalance charges to be updated on <del>at least on a daily</del> <u>regular</u> basis and in function of the balancing period applied, where such information can be provided at reasonable costs. Information on imbalance positions shall allow system users to take timely corrective actions <u>if TSO do have all information available to do so and if such information can be provided at reasonable costs.</u>	That information needs not to be internet-based since it is customer specific.
<b>8.</b>	<b><i>Market based mechanisms such as secondary market</i></b>	
1	Allow and facilitate TPA capacity rights to be freely tradable in a secondary market without any undue obstacles, <u>taking into account the need for TSO to make sure that all contractual obligations are reasonably guaranteed.</u> Develop standardised contracts and procedures <u>on the primary market</u> to facilitate secondary trade of capacity. <u>Where requested and paid for</u> by network users, provide cost-reflective services (such as an electronic platform or bulletin board) to facilitate secondary capacity trading and associated transfer of capacity rights between network users;	It cannot be imposed on the TSO to try to get money from companies with un-secure legal status  It is not up to the TSO to organize the secondary market.



2	<p><del>According to national Authorities rules and indications, actively endeavour to discourage capacity hoarding and facilitate reutilisation of un-used capacity. In case of prolonged and significant non-use of reserved capacity by a system user, TSOs shall, in consultation with the competent authorities, actively endeavour in their contractual relationships with system users including notably related undertakings to retrieve un-used capacity and make it available to the market. TSOs shall facilitate trading of unused capacity at least on a day-ahead and an interruptible basis. The basis for a possible interruption must be clearly set out. Revenues from released interruptible capacity shall be paid to the TSO and ring-fenced for re-distribution to all system users.</del></p>	<p>The main responsibilities in the definition of the detailed rules for avoiding capacity hoarding and in applying them should be up to national Authorities. Some TSO's are not able (and not willing) to deprive the Shippers of any of their contractual rights. The prolonged non-use by a shipper of its maximum capacity does not mean that there is any willingness of capacity hoarding by such a shipper, as such capacity may be booked for arbitrage purpose or for an exceptional circumstance.</p> <p>The redistribution to system users of revenues from interruptible capacity cannot be accepted. It would not create any incentive for the TSO to promote efficient use of the network.</p>
	<b>Definitions</b>	
	<p>"technical capacity": the maximum <u>firm</u> capacity that the transmission, <del>or LNG or storage</del> undertaking can offer to the system users, taking account of the system integrity and the operational requirements of the transmission network.</p>	<p>TSO are not storage operators. GTE cannot act on behalf of storage operators. Before entry in force of the 2<sup>nd</sup> Directive, there is no TPA to storage.</p>
	<p>"firm capacity": gas transmission, <del>or LNG or storage</del> capacity contractually <del>and unconditionally</del> guaranteed by the transmission, <del>or LNG or storage</del> undertaking.</p>	<p>There are always conditions (force majeure, maintenance,...).</p>
	<p>"non-firm <del>or interruptible</del> capacity": gas transmission, <del>or LNG or storage</del> capacity that can be interrupted by the transmission, <del>or LNG or storage</del> undertakings according to the conditions stipulated in the access contract. The contract <u>may</u> specify the permitted duration, frequency and timing of the interruptions. It <u>may</u> also specify the previous notice required and possibly a fee related to the duration of the interruptions.</p>	<p>There is a need to reconcile the interruptible capacity and "non-firm" capacity concept in order to avoid unnecessary definitions.</p>
	<p><del>"interruptible capacity": an extreme form non firm capacity whose availability is not guaranteed in any way by the natural gas undertaking.</del></p>	
	<p>"available firm capacity": the part of the technical capacity that is not allocated and is still available to the system users at that moment.</p>	
	<p>"primary market": <u>market of the</u> capacity traded directly by the TSO <del>under regulated conditions.</del></p>	
	<p>"secondary market": <u>market of the</u> capacity traded otherwise than on the primary market.</p>	
	<p>"contractual congestion": <u>situation where</u> the level of firm capacity demand exceeds the technical capacity (all technical capacity is booked as firm <del>but some capacity remains unused</del>)</p>	
	<p>"physical congestion": <u>situation where</u> the level of <del>firm</del> demand for actual deliveries exceeds <del>capacity use that equals</del> the technical capacity</p>	



	capacity <u>at some point in time</u> ( <del>all firm capacity is actually being used; there is no capacity hoarding</del> ).	
	"congestion management": management of the capacity portfolio of the transmission undertaking with a view to optimal and maximum use of the technical capacity and the timely detection of future congestion and saturation points.	
	"capacity": the <u>maximum flow</u> , expressed in normal cubic meters per time unit <u>or in energy unit per time unit</u> , to which the system user is entitled in accordance with the provisions of the transmission contract.	
	"nomination": the prior reporting by the system user to the transmission undertaking of the <del>part of the allocated capacity</del> <u>actual flow</u> that he wishes to <u>inject into or withdraw from the system-use</u> ;	
	"re-nomination": the reporting of a corrected nomination;	
	"nominated <del>capacity flow</del> ": the <u>capacity flow</u> that the system user has previously reported to the transmission undertaking as <del>capacity actual flow</del> <u>that he wishes to inject into or withdraw from the system-use</u> ;	
	"balancing period": the period within which the off-take of an amount of natural gas, expressed in units of energy, must be offset by every system user by means of the injection of the same amount of natural gas into the transmission network <u>in accordance with the contract or the network code</u> ;	
	"system integrity": any situation in respect of a transmission network or a transmission facility in which the pressure and the quality of the natural gas remain within the minimum and maximum limits laid down by the transmission undertaking, so that the transmission of natural gas is guaranteed from a technical standpoint;	
	<del>"entry/exit capacity allocation system" : system where capacity is booked separately at the entry and at the exit points;</del>	Not used
	<del>"entry/exit tariff system": tariff regime where injection and off take are priced and invoiced separately, without prejudice of the rules related to the balance between injections and off takes.</del>	Not used