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# **2<sup>nd</sup> Technical Workshop: Gas Market Design and Natural Gas Transmission Grid Codes**

## **Practices for Grid Code Harmonization – Examining Capacity Allocation and Congestion Management**

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## AGENDA

- Application of capacity allocation mechanisms in the EU
- Selection of congestion management procedures in the EU and their actual performance



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## Capacity Allocation

Congestion Management Procedures



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## Offering of capacity booking products

- At IPs, the EU TSOs are offering firm and interruptible capacity, and capacity booking products in line with the EC Network Codes' requirements (yearly, quarterly, monthly, daily, within-day)
- In the vast majority of EU IPs, **capacity is offered through auctions**. Only in interconnections with derogation other mechanisms are applied
- ACER monitoring shows that shippers **increasingly book capacity on a short-term basis** to cover needs associated to “profiling” of the bookings, or to profit from gas price differences on short-term gas markets
- According to ACER, most of the TSOs have indicated **problems of application in cross-border IPs to 3<sup>rd</sup> countries**. In these cases either FCFS or pro rata mechanisms are applied



## Reserved capacity

- The TSO must ensure that **both long-term and short-term capacity is available** to be offered at IPs (at least 10% yearly and 10% quarterly). The regulator **decides on the capacity** that will be reserved
- If 20% of capacity cannot be reserved, then the **maximum available capacity** must be reserved
- According to ENTSOG:
  - 35 TSOs have reserved capacity of at least 20%
  - 3 TSOs have reserved the maximum available capacity, below 20%
  - 2 TSOs did not apply the measure as all long-term capacity was booked on long-term basis
- E.g. TIGF (FR) -> Enagas (ES) capacity was booked at 89% of annual firm capacity, therefore it was not possible to sell more long-term firm capacity

## Capacity allocation mechanism at IPs

Use of booking platforms – 2016/17



- Three booking platforms are being used for actions in the EU, PRISMA, RBP, GSA
- Selection of the booking platform must be agreed by TSOs. If no agreement, the regulators must jointly select the platform
- Use of a common platform at both sides of an IP will facilitate the booking of capacity by shippers
- 8 TSOs without decision of platform in 2015 made selection in 2016
- In 2016 in only two IPs different platform was used at each side

# Timeschedule for auctions

Daily / within-day booking calendar – 2016/17



- Auctions for all capacity products must be carried out **simultaneously across EU**
- ENTSOG publishes every January the **“auction calendar”** defining the exact timing of each auction
- E.g. auctions for annual products for 2017/18 are scheduled for 6<sup>th</sup> March 0217
- TSOs with recent interconnection agreements initiated first auctions **outside ENTSOG’s calendar**



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## Offering of interruptible capacity

- Interruptible capacity is only offered if **all firm daily capacity has been booked**
- According to EC Network Codes only **daily interruptible capacity** is obligatory for TSOs
- New CAM Network Code (Regulation 2017/459) explicitly **allows monthly, quarterly or yearly interruptible products** to be offered if the corresponding firm capacity has been booked
- Interruptible capacity is offered in **auctions**
- In 2016 only few TSOs did not offer daily interruptible capacity according to EC requirements, mainly due to large firm capacity unbooked
- Most TSOs define in their interruptible contracts the **foreseen reasons for interruption**



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Capacity Allocation

**Congestion Management Procedures**



## Congestion Management Procedures

**Capacity  
oversubscription and  
buy-back (COBB)**

TSO offers more firm capacity to the market than is technically available, with TSO option to buy back if required

Regulator decides if it will be used and the terms of its application

**Firm Day Ahead Use  
it or Lose it (UIOLI)**

Limitation of re-nominations to allow access of more shippers in the system

Application only if identified in ACER report  
Regulator may decide not to apply

**Surrender of  
capacity**

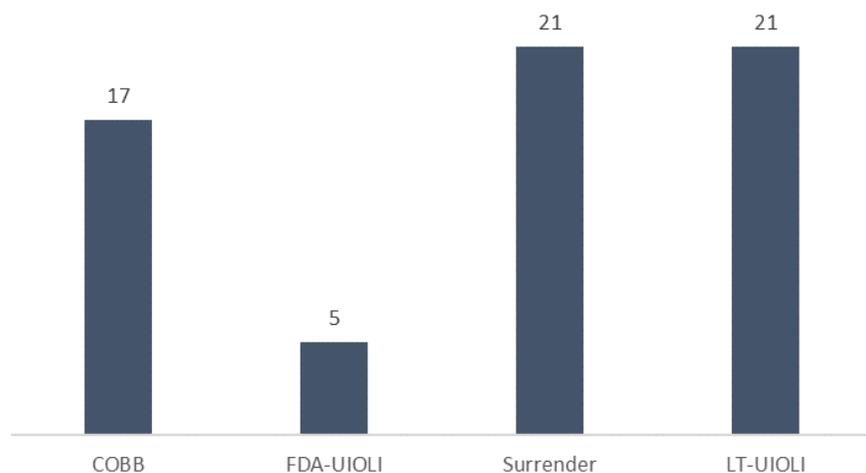
TSO accepts surrender of firm capacity contracted by shippers (not day-ahead and intra-day)

**Long-term use it or  
lose it (UIOLI)**

TSO can withdraw capacity contracted by the shipper that is systematically underutilized

## Application of CMPs in EU

Application of CMPs in EU Member States\*



Source: ENTSOG

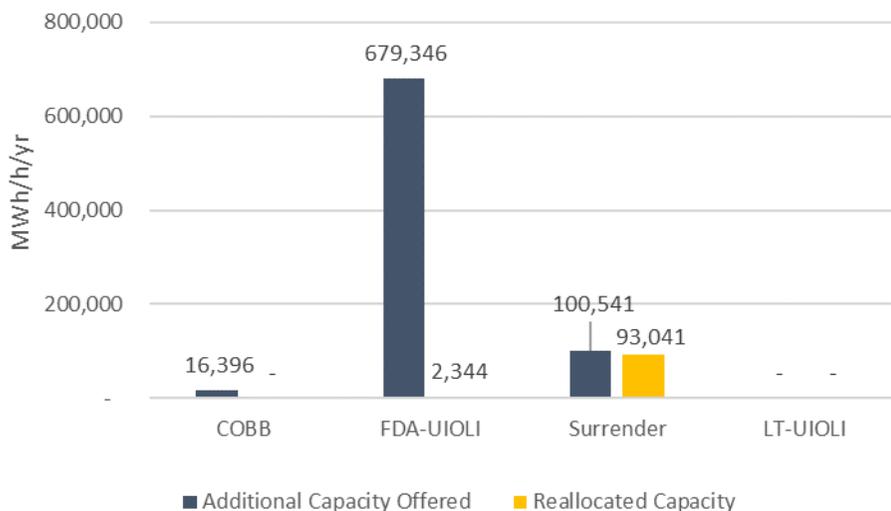
\* 5 Member States have derogation (EE, FI, LV, LU, SE)

- Capacity surrender and LT-UIOLI is **in place in all Member States** that have to apply CMPs
- Regulators of most Member States **decided to apply COBB** instead of FDA-UIOLI
- However, most TSOs whose IPs are considered by ACER to be “congested” have **implemented FDA-UIOLI**
- At countries that applied COBB in 2013, but had congested IPs in 2016:
  - In Czech Republic the regulator decided to apply the FDA-UIOLI mechanism
  - In Poland, UK and France the regulators decided that the situation was unlikely to occur in the next years



## Actual use of CMPs

Results of CMPs at congested IPs  
Gas Year 2015\*



Source: ENTSOG

- Most regulators of congested IPs have decided to apply FDA-UIOLI instead of COBB
- Capacity released through FDA-UIOLI is the highest among CMPs, because up to 10% of capacity is released daily
- The low allocation of FDA-UIOLI shows that despite congestion at IPs, the additional capacity was not required
- Most of capacity surrendered is attributed to a single large TSO. Otherwise on 12% of offered capacity was allocated, showing that actual need for capacity is limited



## Effectiveness of CMPs

- According to ENSTOG, **surrender of capacity is considered to be an efficient mechanism**, because:
  - The mechanism to re-offer capacity is the most simplistic one
  - Similar mechanisms are already in place in all Member States
  - In most Member States the priority of allocating capacities through CMPs is FDA-UIOLI-> Surrendered Capacity -> COBB -> LT-UIOLI
- **LT-UIOLI is not applied** as the short-term mechanisms make capacity available in the short-term, and no long-term systematic underutilization of capacity was considered to be in effect
- Apart from CMPs, a significant **reallocation of capacity is carried out in the secondary market**