

EASEE-gas

European Association for the Streamlining of Energy Exchange - gas

Common Business Practice

Number: 2008-001/01

Subject: **Secondary Capacity Trading**

Approved: 27 May 2008

EASEE-gas CBP 2008-001/01 has been approved by the EASEE-gas Executive Committee on 27th May 2008. Formal ratification according to EASEE-gas Rule 9.6 by

Summary

This Common Business Practice describes a set of recommendations for the trading of capacity rights, commonly known as secondary capacity trading, as described by article 8 of EC regulation 1775/2005 and involves TSOs and shippers.

About the Business Rules Working Group within EASEE-gas

The European Association for the Streamlining of Energy Exchange-gas or EASEE-gas was created by six founding members in Paris on March 14th, 2002. EASEE-gas's aim is to support the creation of an efficient and effective European gas market through the development and promotion of common business practices (CBPs) that intend to simplify and streamline business processes between the stakeholders. EASEE-gas has set up offices with Association Française du Gaz who provide administrative support.

The formation of EASEE-gas was prompted by the success of the Gas Industry Standards Board in the United States and has been modelled on it. The GISB has now evolved into the North American Energy Standards Board. The creation of EASEE-gas is a project that is fully supported by the European Commission and by the European Regulators through the so-called Madrid Forum. It was achieved through the work of a dedicated Task Force supported by EFET, Eurogas, Eurelectric, GEODE, GTE, OGP and the Edigas group.

The association is fundamentally based on company membership and voluntary contribution towards the development of common business practices.

Full membership in EASEE-gas is open to all companies, European or other, that are involved in the European gas business, from producers to end users, and to companies that are their service providers. Companies can subscribe to full membership in one or more of the eight gas industry segments.

Associate membership in EASEE-gas is open to government agencies, e.g., regulators, to organisations such as gas business trade associations and to individuals that may contribute to the benefit of EASEE-gas. Associate members do not pay annual fees, nor do they have voting rights.

The development of common business practices within EASEE-gas is organised through working groups under the supervision of an executive committee that is representative of the various gas industry segments. Participation in the working groups is limited to members only.

In the framework of EASEE-gas it was decided to create a Business Rules Working Group to propose recommendations which facilitate gas transport through the integrated European pipeline system. Harmonising business rules and practices will reduce the complexity to move gas throughout Europe and will allow buyers and sellers to obtain and transport gas from all potential sources and markets.

Common Business Practice 2008-001/01 "Secondary Capacity Trading"

1. APPLICATION AREA

This paper defines a set of processes and principles to be used by Transmission System Operators ("TSOs") and Shippers to facilitate trading of capacity rights as defined in article 8 of Regulation (EC) No 1775/2005 of the European parliament and of the Council of 28 September 2005 on conditions for access to the natural gas transmission network ("EC Regulation 1775/2005"), commonly known as secondary capacity trading.

The CBP defines the process of the transfer¹ of capacity from one shipper to the other, following the commercial agreement between these shippers, as at the time of drafting this CBP this is one of the most significant bottlenecks in the trading process and a harmonised process will provide a first step towards an improved secondary capacity market.

The CBP shall apply to all capacity trades on the secondary market. It does not apply directly to the primary allocation of transportation capacity, including use it or lose it (UIOLI).

2. IMPLEMENTATION TIME LIMIT

Implementation of all aspects of the CBP will be no later than 12 months after the official approval date of the CBP. All TSOs and Shippers will make reasonable endeavours to implement sooner.

The Implementation group of EASEE-gas, in its monitoring role, will monitor and report on the process of implementation of the CBP and their view on the level of improvement to secondary capacity trading, as far as this lies within their powers.

3. MARKET STRUCTURE

TSOs and Shippers will support the capacity transfer processes as described in this CBP, which enables the easy transfer of capacity between Shippers within a short lead time and a minimum of manual interventions.

All products (both long and short term) and segments of products (comprising shorter contract periods and/or smaller amounts than the original purchased capacity) that are offered on the primary market, can be traded on the secondary market and transferred through the capacity transfer process of the TSO.

The capacity transfer process will have to fulfil the following requirements;

- 3.1. Non-discriminatory and easy access to the communication and information system related to the capacity transfer process by all Shippers which have signed up to the terms and conditions of the TSO
- 3.2. Simultaneous use of the process by all Shippers should be possible

¹ The transfer of capacity, as mentioned in this CBP, can take place through the process of Transfer and/or Assignment. The term transfer, in this CBP, refers to the process in which part or all of the rights, relating to the capacity, change hands between shippers, in the administration of the TSO.

- 3.3. Transparency of all terms and conditions surrounding the process of capacity transfer and they should be easy to use
- 3.4. Compatible user interface to systems currently used and accepted in the market.
- 3.5. No system limitations which prevent instantaneous response to requests (The TSOs response lead time should not be extended due to system limitations)
- 3.6. Shippers should have access to relevant and up-to-date information in the context of the process

The TSO will set a framework of standard terms and conditions that Shippers need to sign up to before they are eligible to use the capacity transfer process and make it readily available to Shippers. Such terms and conditions standardise the rights and obligations of the Shippers with regard to the provision, transfer and use of the capacity and ensure that participating Shippers have appropriate financial strength to trade capacity according to the relevant TSO.

Consideration should be given to harmonising and coordinating capacity transfer processes between TSOs across interconnection points.

4. TRADE STRUCTURE

Shippers should be enabled to trade capacity, choosing the most suitable trade structure for the trade.

To enable fast and simple capacity transfers, the TSO will facilitate the capacity transfer process with the two (2) hour lead time as described in paragraphs 6.1 and 6.2 through at least one of the following trade structure combinations:

- 4.1. The Transfer trade structure whereby the usage rights of the transportation capacity are transferred from the Holder to the Receiver in the TSOs System and the contractual rights, including payment and credit obligations remain with the Holder.
- 4.2. The Assignment trade structure whereby the Receiver is contractually substituted for the Holder and the Assignment is communicated to the TSO. All rights are transferred to the Receiver and payment for the transferred capacity is to be made by the Receiver instead of the Holder.

Implementation of this process can also take place for both structures. Other trade structures may be used by Shippers and/or facilitated by TSOs in addition to Transfer or Assignment and the capacity transfer process may allow other trade structures in addition to Transfers or Assignments.

5. CAPACITY TRANSFER PROCESS

Either the Holder or Receiver shall notify the TSO of the desired Assignment or Transfer, after which the other Shipper confirms the requested capacity transfer, according to the lead times mentioned in chapter 6; 'TRANSACTION LEAD TIMES'. A request is complete when both Holder and Receiver have contacted the TSO in the required manner.

Following receipt of a complete capacity transfer request, the TSO shall, subject to the Assignment or Transfer meeting the contractual requirements of the TSO, transfer the appropriate quantity of transportation capacity from the Holder to the Receiver for the period of the Assignment or Transfer, taking into account the appropriate lead times.

In the event that a capacity transfer request does not meet the requirements of the TSO, or the resulting Assignment or Transfer cannot be implemented (e.g. the Holder has insufficient capacity) the TSO shall notify the Shippers within the applicable lead times.

The TSO shall ensure that, as far as reasonably practicable, measures are in place to prevent information regarding one Shipper's capacity position being passed to another Shipper (e.g. confidential information).

Notification of an Assignment or Transfer to the TSO may be withdrawn by the originating party subject to the Assignment or Transfer not having been confirmed by the other party.

6. TRANSACTION LEAD TIMES

6.1. Transaction request by Shipper

- The capacity exchange process will allow the Shipper to request:
 - o a day-ahead or longer term capacity transfer up to 2 hours before the closure of the closest commodity market for the TSO and at the latest at 18:00 hours of the last day before the start of the capacity contract;
 - o a within-day capacity transfer (in a later stage) up to 2 hours before the nomination deadline (full H+2), or less where practicable.

6.2. Response time by TSO

- When a capacity transfer process is operational (as of date specified in section 2) for the required transaction the TSO will respond within 2 hours of a valid request being made to the TSO, or less where practicable.

6.3. Lead times for Alternative trade structures

- For all trade structures offered by the TSO for which the capacity transfer process is not (yet) in place and manual intervention is required a Shipper shall provide to the TSO five working days notice before the capacity transfer becomes effective, or a shorter time if agreed by the TSO.
- In this case, TSOs shall respond to the request within 5 working days, or a shorter period if agreed by the TSO.

All notifications, confirmations and other communication will take place via the capacity transfer process.

The TSOs will endeavour to shorten all transaction request times and response times as soon as technically possible. The development and implementation of the capacity transfer process should minimise or eliminate manual actions and aim to make valid capacity transfers effective instantaneously when communicated to the TSO by both relevant shippers.