

EASEE-gas

European Association for the Streamlining of Energy Exchange - gas

Explanatory paper to CBP 2003-002/02 "Harmonisation of the Nomination and Matching Process" and CBP 2005-002/02 "Interconnection Agreement"

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1. Introduction

In 2008, the Business Process Working Group created a Task Force in order to investigate the possibility to extend the application area of the here above mentioned CBPs to other segments than TSO and Shipper, with a view to streamlining the relevant procedures at the interface with TSOs, SSOs, LTOs and producers (all together Infrastructure Operators - IO).

The Executive Committee of EASEE-gas agreed with the Business Rules Working Group investigating this issue and, if needed, amending the CBPs. To this end, the Task Force met several times between July 2008 and January 2009.

The Task Force proposed to amend the two CBPs by replacing where applicable TSO by IO and by adding paragraphs stating on one hand that other matching rules than the lesser rule can be applied at specific interfaces when it comes to mismatch handling and on the other hand that applying the modified CBPs within less interconnected markets could make them work less efficiently than they actually do.

The Business Process Working Group stated that the additional paragraphs were introducing elements of disparity within both documents, thereby leading to less harmonisation. Therefore, the Task Force was asked to reflect the discussions on these topics in explanatory notes, as well as to present remedies to such disparities where applicable.

2. Specificities

2.1. Spain and Portugal (Enagas and REN)

In peripheral systems, with a lack of interconnections with the mainland and where operating rules are issued by relevant national authorities and where TPA to all infrastructures is fully regulated without exemptions, the CBPs shall be applied at least at cross-border transmission interconnection points. Other internal interconnection points to such peripheral systems shall be governed by the rules emanating from the relevant national authorities, and established in cooperation with all stakeholders. Nevertheless, such internal principles shall not cause a discontinuity at the interface point and shall be agreed upon by adjacent IO.

Stakeholders in Spain, including the Spanish regulator, have been asked whether or not they would like to implement the EASEE-gas recommendations stated in the two CBPs examined by the Task Force.

The first conclusion was that the peripheral characteristics of the Spanish market, which is 70% LNG dependent, and the integration of the procedures of all infrastructures in a single Code, implies different needs that in well interconnected systems.

Moreover, the general feeling amongst the shippers' community was that introducing those recommendations would have a detrimental effect on the current flexibility provided by the infrastructure operator (e.g. re-nomination deadline next full hour vs. next full hour+2).

In Spain and Portugal, high pressure infra-structures have regulated access and a single Infrastructure Code (f.i. NGTS in Spain) applies for transmission, underground storage and LNG, under the operational coordination of a specific national entity, the System Technical Manager (Global System Manager in Portugal). This entity coordinates gas operations in all high pressure infrastructures in order to guarantee a high level of operational transparency, flexibility and compatibility. Internal interfaces in these systems are therefore coordinated and compatible on each side of the interface.

With regards to gas day, both countries have aligned with electricity, since gas-fired power plants in Spain account for 43% of the total gas demand and in Portugal for about 50%. Consequently, a gas day starts at 00:00 (local time) both in Spain and Portugal.

The Task Force members pinpointed that applying a gas day 06:00-06:00 at a cross-border point and 00:00-00:00 elsewhere is a bit counterproductive in terms of harmonisation and leads to an additional burden on both infrastructure operator and

shippers. A higher level of harmonisation should be reached when applying the same gas day all over Europe, regardless of the nature of the predominant end-user.

2.2. Specific mismatch handling for LTOs and SSOs (ELENGY and STORENGY)

ELENGY proposal: However, in order to optimise the physical flow at the Interconnection Point, the LTO can impose, in a timely, transparent and consistent manner, the quantities provided to its shippers (which can be different from their nominations) at the lower value of the two (2) following quantities :

- Quantities defined by the LTO for its shippers according to the LTO code,
- Maximum capacity to flow into the network.

Concretely, this means that long term shippers can nominate send-out quantities (but are not obliged to), which can be re-arranged by the LTO and that short term shippers' send-out is fully managed by the LTO according to its contractual rights (with a view to making enough space available in the tanks before each and every unloading).

STORENGY: During the within day re-nomination process, the so called "lesser-rule" principle will be applied to avoid a discontinuity over the intersection. If the result of this matching rules do not respect shippers' contractual rights on both sides of the matching point, the "return to the last matched positions" can be imposed by the operators.

The proposal is based on the fact that STORENGY authorizes an intra-day flow direction inversion for storage nominations, applying at all time a "pro-rata temporis" rule which prevents its shippers to nominate a within-day figure exceeding 1/24th of the opposite direction daily capacity per remaining hour. The adjacent TSO does not apply the same rule, and it has been agreed that the "return to the last matched positions" shall apply in case contractual storage rights are not met due to application of the lesser rule.

The problems mentioned here above arise from the fact that adjacent IOs' both commercial and operational offers widely differ. Since it is difficult to harmonize commercial business models, The Task Force members agree that operational agreements in place should be based on EASEE-gas recommendations, and that operational specificities should be treated by the operators before the matching (using the lesser of rule) takes place.