

EASEE-gas

European Association for the Streamlining of Energy Exchange – gas

Common Business Practice

Number: CBP 2009-001/01

Subject: Harmonisation of the operating of contracts

Approved: 18th February 2009 by EASEE-gas Executive Committee

Ratified: **[Date ratified]** according to EASEE-gas Rule 9.6.

Summary: This Common Business Practice describes a set of recommendations for the operating of most types of commercial contracts used in the European natural gas business among non-system operators. As supplements to this document and as integral parts of this Common Business Practice, documents to be used to create a standardized operating agreement are provided.

About EASEE-gas

The European Association for the Streamlining of Energy Exchange-gas (EASEE-gas) was created by six founding members 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.

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, through 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.

1 CBP 2009-001/01

This following Common Business Practice (CBP) has been approved by EASEE-gas for use in the operating of commercial contracts in the gas business. This CBP defines a set of processes and principles to be used by parties in commercial contracts to operate these contracts.

This CBP reflects minimum requirements and does not exclude additional provisions between individual parties.

The work on this CBP was started after in 2006 the Business Modelling Group of EASEE-gas concluded the need of further streamlining of parts of the European gas business.

This CBP is supplemental to and complies with existing CBPs dealing with operational issues (e.g. CBP 2003-002/02, CBP 2005-003/01, CBP 2007-006/01 and the Edigas related CBPs).

2 Background

In May 2006 the EASEE-gas Business Modelling Group published a high-level model of the European Gas Business and addressed the areas where further streamlining was needed. One area that needed further streamlining was the operation of contracts among producers, trader/suppliers, final customers and system users. Figure 1 shows the model as published by the Business Modelling Group. The model contains roles a party can have and business related relationships between those roles.

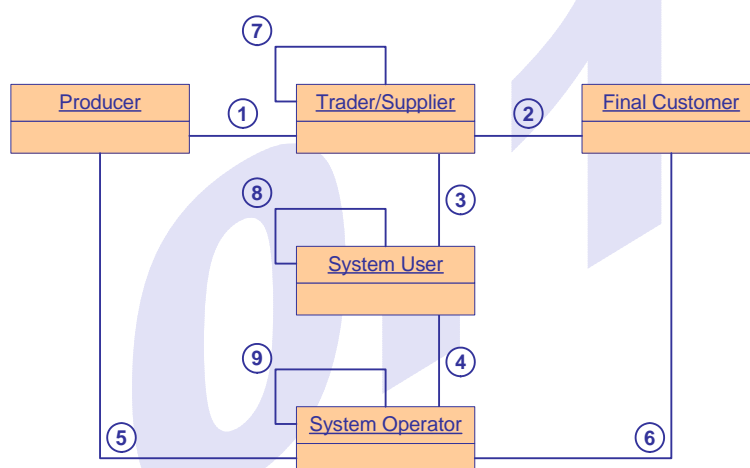


Figure 1

It should be clear that one party can play more than one role. For instance; a company producing natural gas can also be a trader/supplier as well as a system user.

In the guideline, accompanying the operating agreement template, provided as a supplement to this CBP, the definitions of the above mentioned roles, as specified by the EASEE-gas Business Modelling Group, can be found.

3 Application area

This CBP applies to the operating of all known types of contracts among the roles Producer, Trader/supplier, System user and Final customer, where one or more parties sell physical or non-physical natural gas or services related to natural gas (e.g. shipping or storage) to one or more counterparties. The relationships 1, 2, 3, 7 and 8 in figure 1 define the scope of this CBP. The other relationships 4, 5, 6 and 9 are covered in other CBPs.

Operating is defined as the process that starts after the signing of the contract and lasts until the contract has ended and the concerning accounts can be closed. This may include maintenance planning, periodical forecasts, ordering and the revisions thereof, contract allocation and invoicing.

Version 2009-001/01 of this CBP will only deal with the maintenance planning and the dispatching procedure, containing information exchange concerning periodic forecasts, periodic ordering and the revisions thereof.

In the guideline, accompanying the operating agreement template, provided as a supplement to this CBP, a non comprehensive list of contract types that are covered by this CBP can be found.

4 Objectives

The main purpose of this CBP is to provide common ways to operate the applicable contracts thus simplifying the day-to-day business, reducing mismatches and/or other operational issues and to provide a basis for a stable IT implementation.

A non comprehensive list of objectives:

- Easier for new companies to enter the gas business.
- Easier handling by the operational department because less "specials".
- Less mistakes and thus less issues caused by mismatches or handling of contract boundaries.
- Easier to provide an automated system handling the operating of applicable contracts. Standardized business processes can easier be automated.
- Better interoperability between parties' operational departments.
- Shorter time to market; starting the operating of a contract within a few days, including creation and signing of a new operating agreement.

5 Recommendations

For the applicable contracts the following processes and principles are recommended:

- Every contract that implies information exchange between the contract parties has to have a signed operating agreement in place before the start date of the contract, defined and agreed by the operational departments of the involved contract parties.
- In an operating agreement the contract parties agree upon:
 - Information exchange schemes for all the processes that need information exchange during the lifespan of one specific contract are agreed upon.
 - Information like addresses, phone number, email addresses and EDI settings needed for the information exchange.
 - Maximum and minimum quantities and rates as agreed upon in the commercial contract. On contractual level as well as on (re)delivery point level.
 - Quality boundaries if applicable.
 - Rounding rules when calculating hourly quantities from daily quantities.
 - Time definition used operating the contract.
- Information exchange schemes define:
 - The information that has to be exchanged, including measurement units that have to be used.
 - The deadlines that have to be taken into account sending initial documents.
 - The lead times that have to be taken into account sending revisions of the initial documents.
 - The operational unit that will be the sender of the information.
 - The operational unit that will be the recipient of the information.
 - A fallback scenario in case no information exchange can take place.
- When settling deadlines and lead times the deadlines and lead times as defined by the concerning system operators have to be taken into account.
- In order to optimise the information exchange schemes; every document used to exchange information has to be acknowledged or rejected.
- New operating agreements have to be created using the template as provided by EASEE-gas. This template and accompanying guideline are supplements to this CBP. Specific needs of the commercial contract may cause additions and/or changes to the generated documents. Although not prohibited this will result in more complex requirements to the relevant departments and might compromise some objectives of this CBP.

6 Implementation

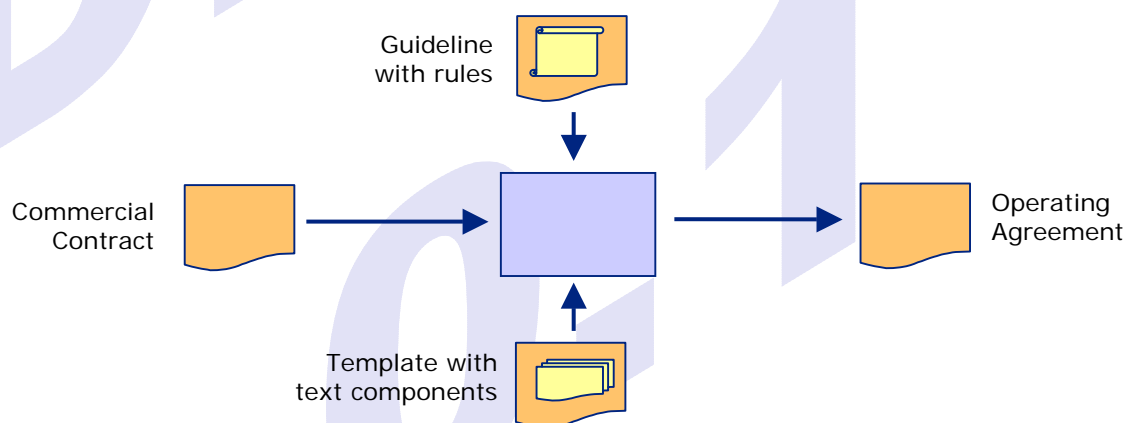
All processes and principles as set down in this CBP that are not IT system dependent will be implemented no later than six months after the official approval date of this CBP. Implementation of all aspects of this CBP will not be later than eighteen months after the official approval date of this CBP. All parties will make reasonable endeavours to implement sooner.

This CBP will not apply to already existing applicable contracts. However; parties will make reasonable endeavours to apply the processes and principles as defined in this CBP also to existing applicable contracts.

7 Supplements

The EASEE-gas business process group provides the following documents as supplement to his CBP:

- EASEE_CBP_2009_001_01_OA_Template.doc; a Word document to be used as a template for creating an operating agreement. By giving values to document properties a basic operating agreement can be created. Not applicable parts can afterwards be removed from the document and missing parts can be added.
- EASEE_CBP_2009_001_01_OA_Guideline.doc; a Word document providing a guideline with rules and descriptions how to use the template.



Please refer to the EASEE-gas website (<http://www.easee-gas.org>) for the most actual versions of the above mentioned documents.