



Three Secrets of Successful Market Integration

Balázs Tatár

Product and Market Development Manager, FGSZ Ltd

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Agenda

1. Introducing RBP
 - Value Proposition
 - Fast Facts
2. **What** is the EC Target Model?
 - Barriers
 - Crucial Considerations
3. **How** do you want to Achieve the EC Target Model?
 - Implementation
4. **Whom** are you Cooperating **with**?
 - Wider Picture
 - Governance
5. RBP Fees



1. Introducing RBP



RBP Value Proposition



Affordable

From €48k/year

Performant

**No auction /
network point
limit**

Fast-adapting

**New functions in
1-2 months**



RBP Fast Facts

- Live operations since 10 December 2014 (RO-HU IP)
- At the moment, 5 TSOs use RBP from 4 countries - **strong CEE/SEE coverage**
 - Romania: Transgaz
 - Croatia: Plinacro
 - Slovakia: eustream
 - Hungary: FGSZ, MGT
 - Further TSOs in 2016
- **RBP conducted the most CAM NC type capacity auctions** among the existing platforms according to the platform's publicly available data
 - **1 million capacity auctions** surpassed on 1 March 2016
 - Performance designed to support the whole European capacity market



+TSOs



FGSZ's Most Visible Platform

IT solution

**Regional
Booking
Platform**

**Informatic
Platform**

**Trading
Platform**

FGSZ is not only a TSO but a multi-platform operator

Main functions

- Joint CAM NC capacity booking platform
- Primary capacity sales
- Secondary capacity trade

- Capacity and contract management
- Nominations and gas management
- Country specific services

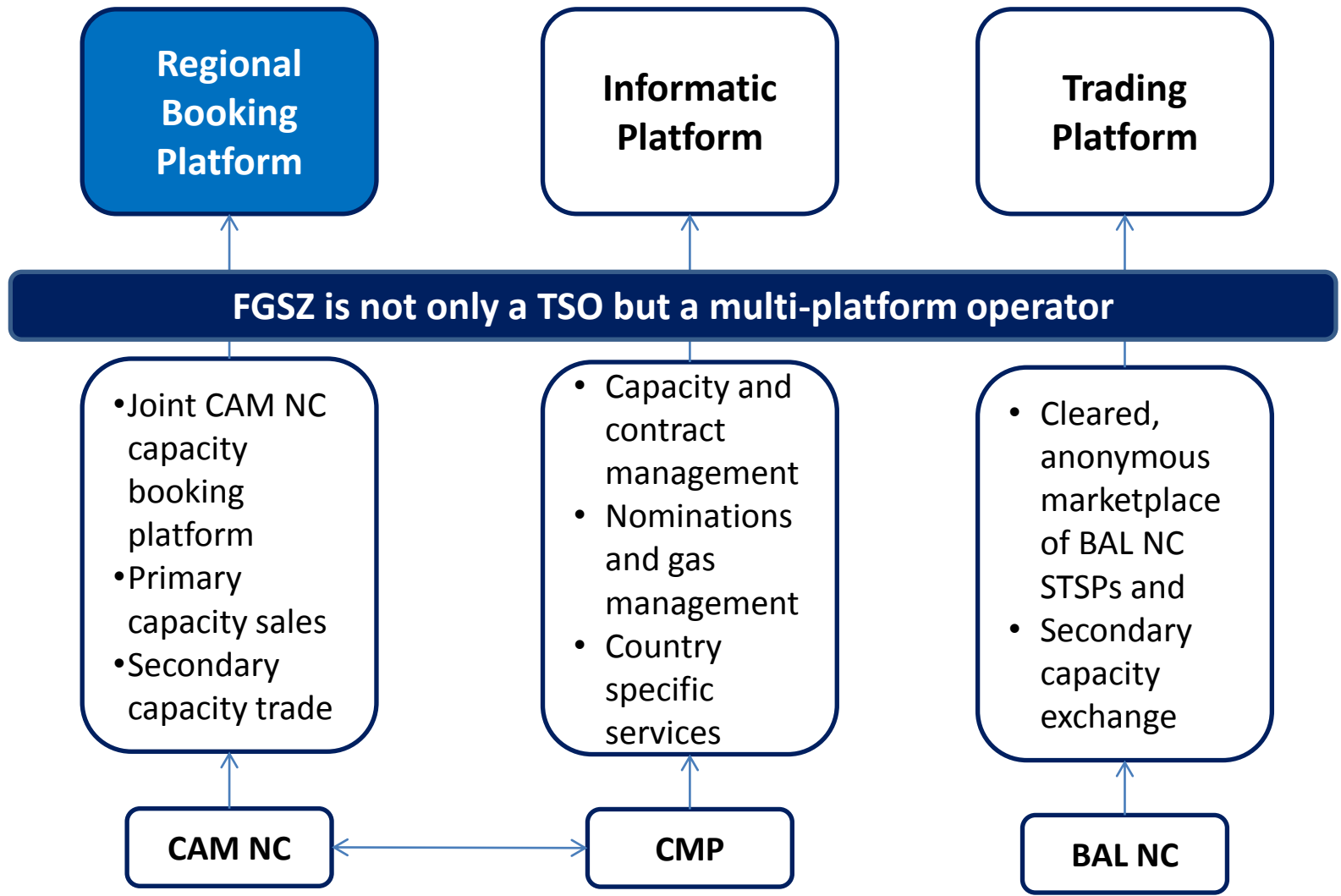
- Cleared, anonymous marketplace of BAL NC STSPs and
- Secondary capacity exchange

*Underlying
network code*

CAM NC

CMP

BAL NC





2. What is the EC Target Model?



To Lift Barriers in a Diverse Region

4.2.2 Improved wholesale market efficiency

Current development state of Contracting Parties' national wholesale markets

At the moment, all Contracting Parties have national markets separated, with distinct price and national balancing zones.

As a consequence, market participants willing to be active in more than one national market are facing various barriers, such as:

- operational barriers: separated and different market mechanisms for nomination and capacity booking at interconnection points, separate balancing in every market, separate registration and licensing requirements in every market, deposit of securities to different operators, etc.
- commercial barriers: contractual bottlenecks and capacity tariffs for transport of gas between markets which limit price alignment between the separated markets

Source: Energy Community Cross-Border Gas Market Integration Study by Wagner & Eibling GmbH, March 2016

These were (are) not only the Contracting Parties' issues

How can you most efficiently lift these barriers?

...without problems where there are no operational and commercial barriers...

...subject to the supportive legislative environment...

...which requires a tremendous effort to create



Three Crucial Considerations

RBP Design Principles

CAM NC

CEE and SEE Regional Specificities

Business Requirements

1. Multi-language
2. Multi-currency
3. Licensing
4. Varying IT background of TSOs and network users

1. Multi-purpose solution
2. Easily understandable and usable („plug-and-play“)
3. Highest security standards
4. Performance & function scalability

~~Refurbished~~ New IT solution

Years of legislative preparation with NRAs

Design (CAM NC)-Baringa Assessment of RBP as of 19 August 2015

Legend

The platform receives an unweighted score from 0 to 4 based on the four aspects stated below.



NC core and associated requirements		Enabling IT and user friendliness requirements	
In compliance with the criteria – 1 point	Fully documented – 1 point	In compliance with the criteria – 1 point	Platform specific considerations – 1 point
Available in the live environment – 1 point	Tested / demoed during this study – 1 point	Available in the live environment – 1 point	Maturity of implementation – 1 point

ID	Category	Requirement	RBP		Comments
			Unweighted	Weighted	
1	NC core requirements	Allocation of firm capacity	●	12	Full compliance with CAM NC firm capacity allocation
2		Allocation of interruptible capacity	●	4	Full compliance with CAM NC interruptible capacity allocation
3		Bundling of capacity products	●	12	Full compliance with CAM NC 1:1 capacity bundling
4		Ascending clock auctions (yearly, quarterly, monthly)	●	12	Full compliance with CAM NC ascending clock auctions
5		Uniform price auctions (day-ahead, within-day)	●	9	Compliance - live; no day-ahead or within-day auctions run yet in live environment**
6		Day-ahead bid roll over	◐	2	Function documented, to be implemented by November
7		Support of kWh/h and kWh/d as capacity unit	◐	4	Partial compliance; TSOs do have access to function; kWh/d to be implemented by November
8		Secondary capacity trading	●	9	Partial compliance; OTC available in RBP, other secondary capacity on Trading Platform
9		Automated bidding	●	8	Full compliance with automated bidding
10		Reporting of platform transactions (bidders and public)	●	8	Full compliance with reporting platform transactions and auction results
11		Bundling of capacity in 1:n situations	○	0	No current plans to implement 1:n bundling***
12		Offer of competing capacity products	○	0	No current plans to implement competing capacity***
13	NC ass. req.	Surrender of capacity	◐	1	Function documented, to be implemented by November
14		Buyback of capacity	◐	1	Function documented, to be implemented by November
15		REMIT data reporting obligations	●	8	Function documented, to be implemented by November
16	Enabling IT	Authorisation level management	●	8	Full control over the management of user authorisation and access
17		Network point display and administration	●	8	Full control over the management of network points
18		Secure platform access for network users	●	12	Secure access for both TSO and shipper users
19		Peak service load	●	8	High capacity, high availability infrastructure – average load 1%, testing peak 6%
20		(Financial) insurances taken up to cover disruptions	●	4	Platform specific insurance (€1-1.5m) in place, FGSZ cover other losses via Hungarian Civil Code.
21		Data backup and security	●	12	Platform specific data backup processes and security standards
22		Continuing development (EU / national regulations)	●	12	Planned and documented development milestones for future capability
23		Shipper and user registration on the platform	●	12	Clear registration processes for TSOs and shippers
24		Graphical user interface of the platform	●	12	Clear and easy to use GUI
25		Options for connection to the platform	◐	3	GUI, SOAP and Edigas* (not yet used) connection to platform available for users
26	TSO and shipper automated communication	●	12	SOAP and Edigas* protocols in use and documented	
27	User friendliness	Multi-currency booking	◐	2	Multi-currency supported though no conversion (or exchange rates data) within platform
28		Credit limit check	◐	6	Basic credit limit function in place
29		Cost reflective fees	●	12	Alignment of fees to costs: see further slides on 'Charging structures' and 'Governance'
30		Cost transparency for TSOs	●	12	Transparency of charging structure: see further slides on 'Charging structures' and 'Governance'

Fast Adaptation - FGSZ Assessment of RBP as of 11 March 2016

Legend

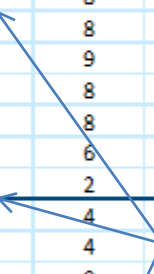
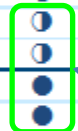
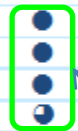
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5		Uniform price auctions (day-ahead, within-day)	●	12	Full compliance with CAM NC uniform price auctions
6		Day-ahead bid roll over	●	8	Function implemented
7		Support of kWh/h and kWh/d as capacity unit	●	8	Full compliance with support of kWh/h and kWh/d as capacity unit
8		Secondary capacity trading	●	9	OTC available, anonymous sec. capacity exchange on Trading Platform, same in RBP Q2 2016
9		Automated bidding	●	8	Full compliance with automated bidding
10		Reporting of platform transactions (bidders and public)	●	8	Full compliance with reporting platform transactions and auction results
11		Bundling of capacity in 1:n situations	○	6	In development environment, going live in Q2 2016
12		Offer of competing capacity products	○	2	In development environment, going live in Q2 2016
13	NC ass. req.	Surrender of capacity	●	4	Function implemented
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27	User friendliness	Multi-currency booking	○	2	Multi-currency supported though no conversion (or exchange rates data, exd. REMIT)
28		Credit limit check	○	6	In place with the correspondent interface
29		Cost reflective fees	●	12	Alignment of fees to costs: see further slides on 'Charging structures' and 'Governance'
30		Cost transparency for TSOs	●	12	Transparency of charging structure: see further slides on 'Charging structures' and 'Governance'

Improvements





3. How do you want to Achieve the EC Target Model?



Is Implementation Ready to Go?

4.2.2 Improved wholesale market efficiency

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Source: Energy Community Cross-Border Gas Market Integration Study by Wagner & Elbling GmbH, March 2016

*IT can facilitate market integration
but cannot overcome legal barriers*



RBP Implementation (Practical Experience)

Item	Milestone	Estimated duration
1	Letter of Intent to join RBP	1 week
2a	Review of the TSO Membership Agreement by TSO	1-2 months
2b	Review of additional requirements	1 week
2c	Finalisation of the TMA	1 month
2d	Signature of the TMA	1 week
3	Acquiring digital certificates from third party provider	1-3 weeks
4a	TSO training	1-2 days
4b	Network user training	1-2 days
5a	Manual connection	1 day
5b	Automated connection	1-2 months

Items 1, 2a-d, 3, 4a-b and 5a-b can proceed in parallel, therefore **a connection to RBP can be implemented in 2 months**, including the legal and IT (server-server link) workstreams



RBP Implementation (Practical Experience)

The fastest connection to RBP happened in 2 days



Connection Options

- Both for TSOs and network users
- Manual:
 - Graphic user interface
 - Excel upload / download (for bulk data)
- Automated:
 - edig@s 5.1 interface (xml) format, via SOAP protocol
 - RBP's own interface (xml) format, via SOAP protocol
 - From Q2 2016, both interface formats could be used via AS4 channel as well
 - The legacy protocol of AS2 is not supported



Fast Change Request Management

- The basis of the development is the Annual Development Plan
 - RBP Operator prepares it based on the input of the TSO Members
 - Extraordinary (out of the ADP) development is also possible
 - ADP translated into the Technical Content of the Development Contract
- Change request handling
 - Initiator to RBP Operator: Change request form
 - RBP Operator to initiator: feasibility study
- Following of the legislative environment
 - European legislation automatically implemented (no RBP fee increase)
 - National requirements or additional TSO / NU business requirements only if the beneficiary bears the associated costs → the beneficiary(ies) decide only
- Speed of developing the requested new functions:
 - Typically 4-6 weeks in case of smaller function development
 - Most RBP TSO requests have been like this so far
 - Major developments in quarterly cycles („milestones”)



4. You need Partners to Cooperate with



Can you solve these issues alone?

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All these parties have to cooperate...

Ministries

NRAs

TSOs

International organisations (EC, ACER, ENTSOG etc.)

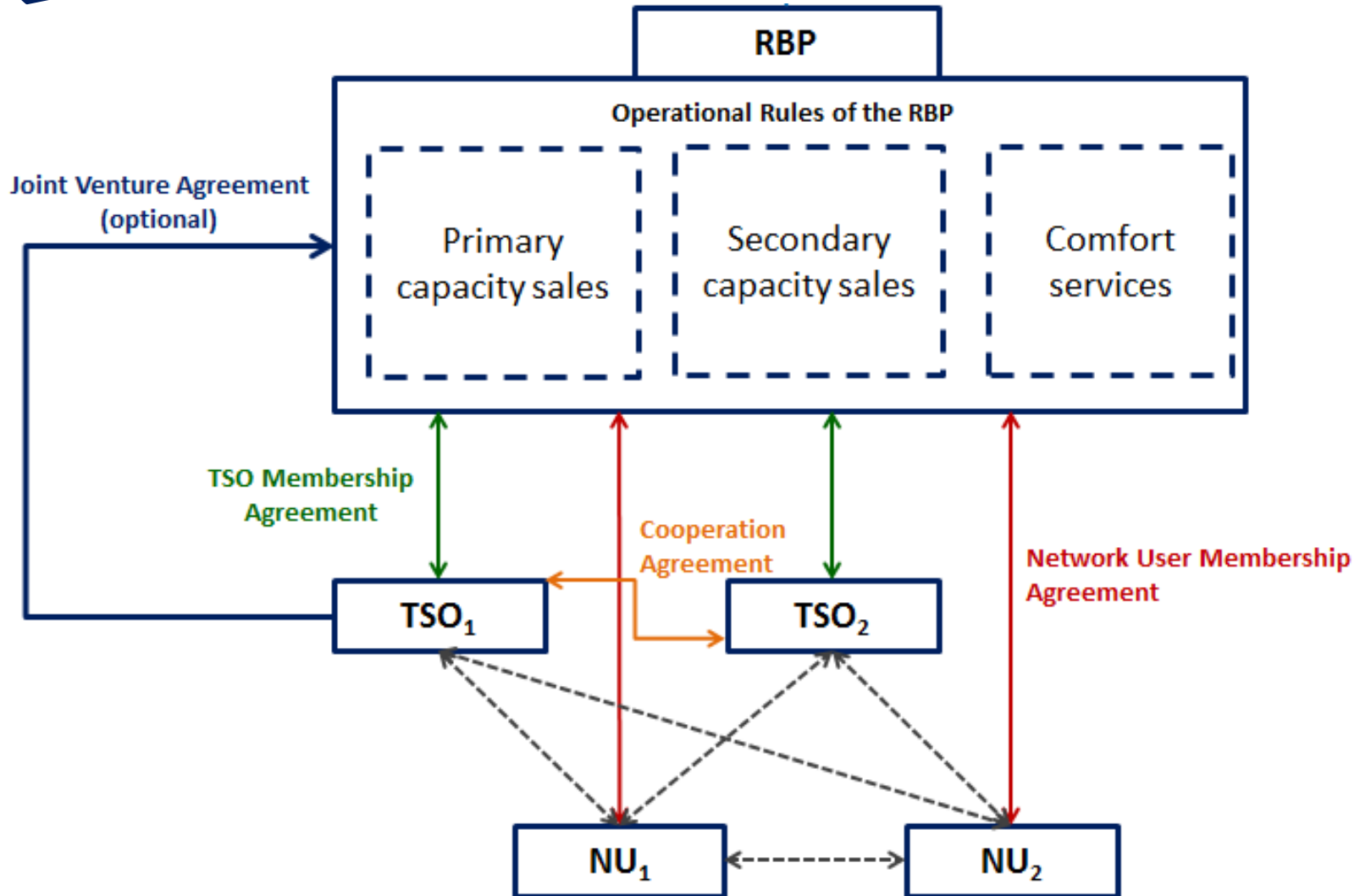
Network users



RBP Governance



Contractual Model of RBP





Contractual Model of RBP

- **Operational Rules:** describes the working of the RBP for the TSOs, RBP Operator and the Network Users
- **Network User Membership Agreement:** the agreement between the RBP Operator and the network users to use the services of RBP
- **TSO Membership Agreement:** the agreement between the RBP Operator and the network users to use the services of RBP
- **Cooperation Agreement:** the agreement between TSOs offering bundled capacities (optional)
- For the Operational Rules and NUMA please visit <https://rbp.eu>



How about a Joint Venture?

- According to CAM NC Art. 27.1., TSOs can operate booking platforms
 - Themselves, or
 - via an agreed party
- History: FGSZ did not have a legacy booking platform operator company
- RBP Operator Joint Venture:
 - Findings of the joint venture study by FGSZ and Transgaz:
 - Overhead costs would increase the operational costs compared to the current situation ca. 40%, mainly due to
 - Corporate costs attributed to the legal entity
 - Management and additional staff costs
 - Higher OPEX
 - For current RBP TSOs, this was not a business case
- **FGSZ is open to operate RBP in a joint venture provided that the interested company / companies contribute to the corporate costs**



5. RBP Fees
(this is not an official commercial offer)



RBP Fees

RBP Core Services = the minimum set of CAM NC criteria

- Equally priced for all TSOs per contracted year (**EUR 48,000**)
- Includes:
 - Auctions for firm / interruptible, bundled / unbundled capacity products,
 - Ascending clock auctions (Y, Q, M), uniform price auctions (D, WD),
 - Support of kWh/h and kWh/d as capacity unit,
 - Secondary capacity trading (OTC),
 - Automated bidding,
 - Electronic contracting (as per Directive 2000/31/EC),
 - Reporting of platform transactions (for bidders and public),
 - REMIT data reporting obligations,
 - Surrender of capacity,
 - Multi-currency booking,
 - Credit limit check,
 - Shipper and user registration on the platform,
 - Authorisation level management,
 - Training at the TSO's site
 - Incremental capacity auctions



RBP Fees

RBP Additional Services = Additional services which are not required by all TSOs

- Each additional service is equally priced for all TSOs using the given service per contracted year
- Include among others:
 - Allocation of domestic network points
 - Secondary capacity trading (anonymous)
 - Balancing group assignment,
 - RBP in (any) national language,
 - Customised auction result confirmations and email alerts,
 - Bundling of capacity in 1:n situations,
 - Offer of competing capacity products,
 - Buyback of capacity (OSBB)



So what are the Three Secrets?



The Three Secrets

1. You need to know what you want. Without a clear vision (target model) it is hard to implement anything
 - RBP: to implement and promote e-commerce in a new model of capacity allocation
2. You need continuous commitment to make the necessary steps towards your goals
 - RBP: existing (non-supportive) conditions can be challenged and changed
3. You need to cooperate to implement your vision
 - RBP: the cooperation and dialogue with NRAs, TSOs and network users enabled the success of RBP in the cross-border markets



Thank you for your kind attention!

For further information contact:
Balázs Tatár (btatar@fgsz.hu or +3670-938-7932)
or
rbp@fgsz.hu

Please visit the RBP Portal: <https://rbp.eu/>

