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CMP-regulation in the Netherlands

Training Energy Community on CMP-regulation
23 september 2019

Meinoud Hehenkamp

Inhoud

- About the gas transmission system in The Netherlands
- Implementation of CMP
- Surrender of capacity
- Oversubscription and buy back
- LT UIOLI



Pipelines: ca. 13.000 km
Transporting volume: ca. 930 TWh/y
Regulated revenue: ca. €900 mln/y



LEGEND

Storage	Depleted gas field	Exit point	export point
LNG	Cavern	Entry point	from production field
Aquifer		import point	
Offshore pipelines		Nitrogen station	◇
Pipelines third parties		Metering/regulation station	▲
Regional pipeline system		Injection station	▼
Main pipeline system (Wetgas-index M,lnh²)	H-gas (40-55,7)	Blending station	■
	NGT-gas (44,4-49)	Reduction station	▶
	G-gas (43,5-44,5)	LNG terminal	□
	L-gas (43,7-46,8)	Compressor station	○
	N2		
Blocks			
Gas fields			
Direct exit to an industrial customer	◆		
Into the public distribution system	●		





- Oude Statenzijl**
- Gasunie Deutschland (L-gas)
 - Gasunie Deutschland (H-gas)
 - GTG Nord (L-gas)
 - GTG Nord (H-gas)
 - Gascade (H-gas)
 - OGE (H-gas)

○ = CAM relevant IPs

Julianadorp
BBL (H-gas)

BBL

Groningen

Emden
Gassco (H-gas)

Winterswijk
OGE (L-gas)

Zevenaar

- Thyssengas (L-gas)
- OGE (L-gas)

Hilvarenbeek
Fluxys (L-gas)

Tegelen
OGE (L-gas)

Zelzate
Fluxys (H-gas)

Zandvliet
Fluxys (H-gas)

's-Gravenvoeren
Fluxys (H-gas)

Bocholtz

- Fluxys TENP (H-gas)
- OGE (H-gas)
- Thyssengas (H-gas)

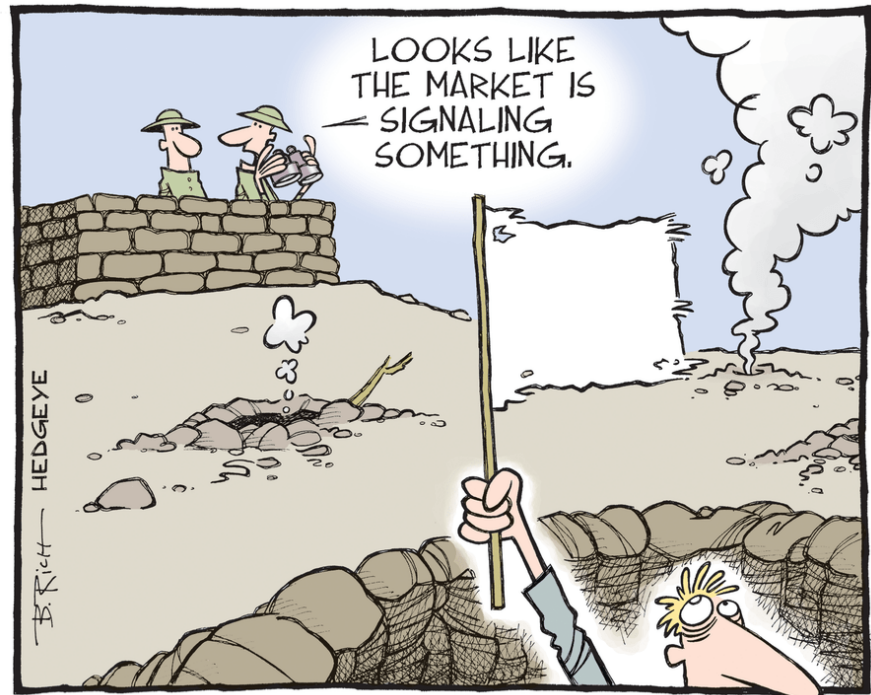
CMP-regulation

- Measures to counter and prevent contractual congestion
 - Surrender of capacity
 - Oversubscription & buy back
 - Long term use-it-or-lose-it → 'Vision paper' with guidelines published in 2015
 - Day-ahead use-it-or-lose-it → not applicable
- Currently no congestion

} Implemented by change to national codes in 2013

Surrender of capacity

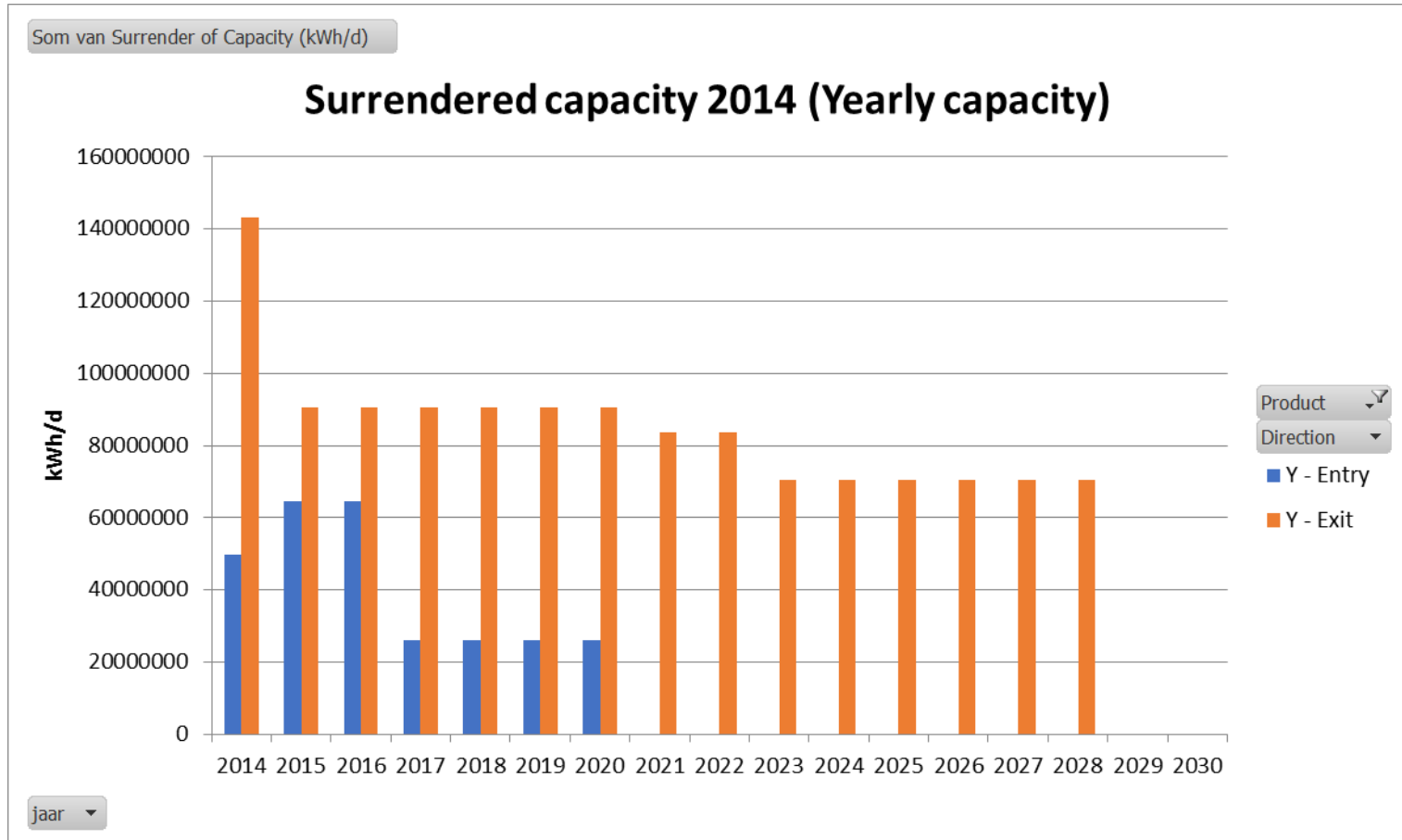
- TSO accepts any surrender of firm capacity (except DA and WD)
- Shipper retains rights and obligations until reallocation
- TSO allocates surrendered capacity only after available capacity is fully allocated



Surrender of capacity

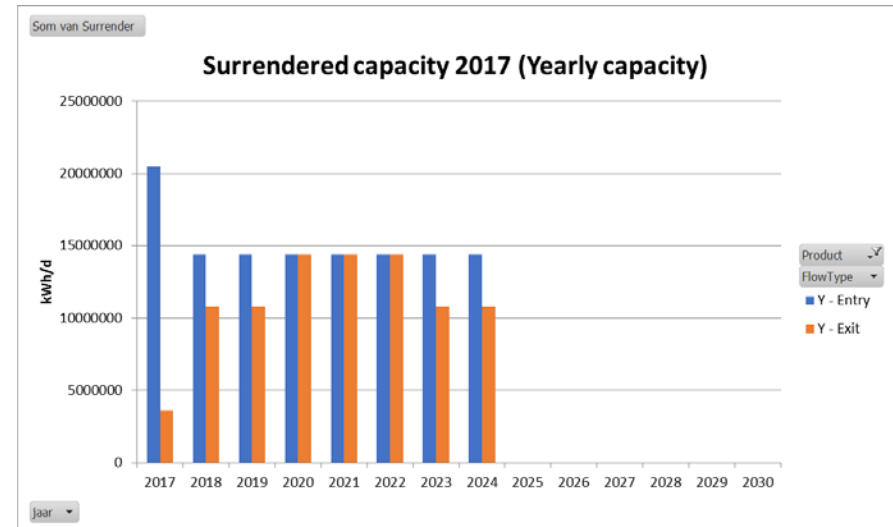
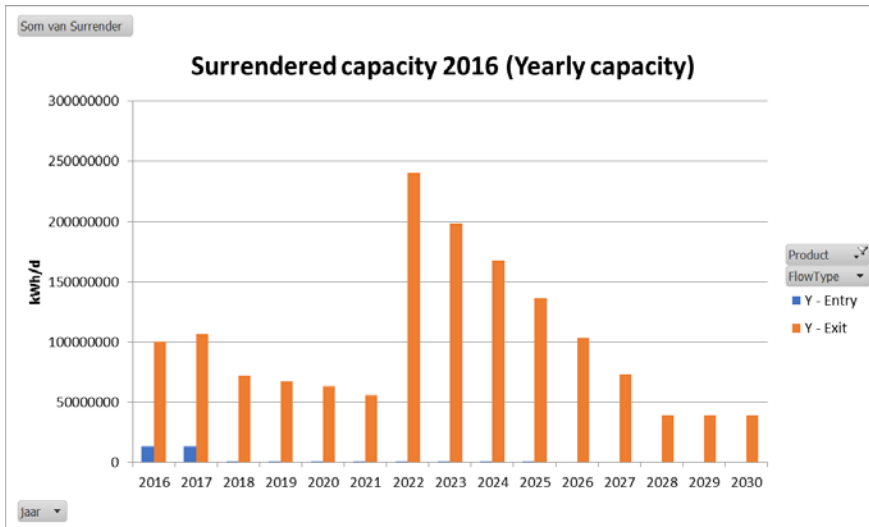
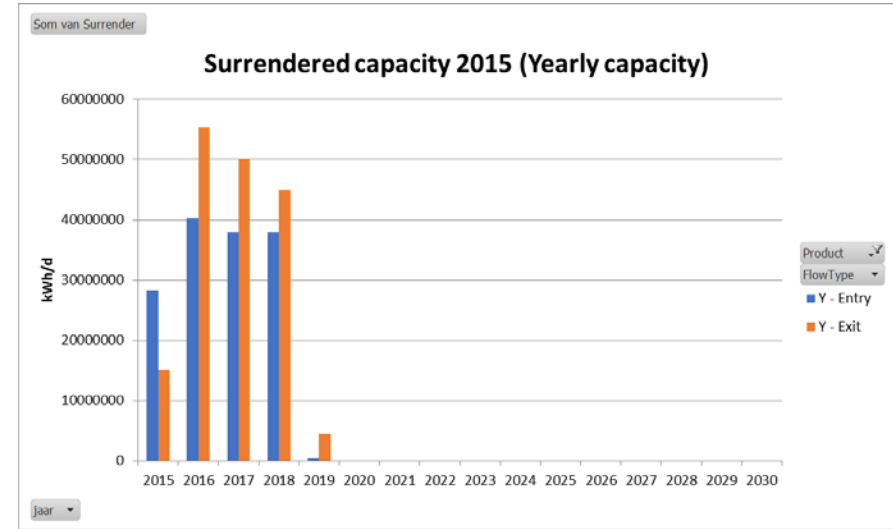
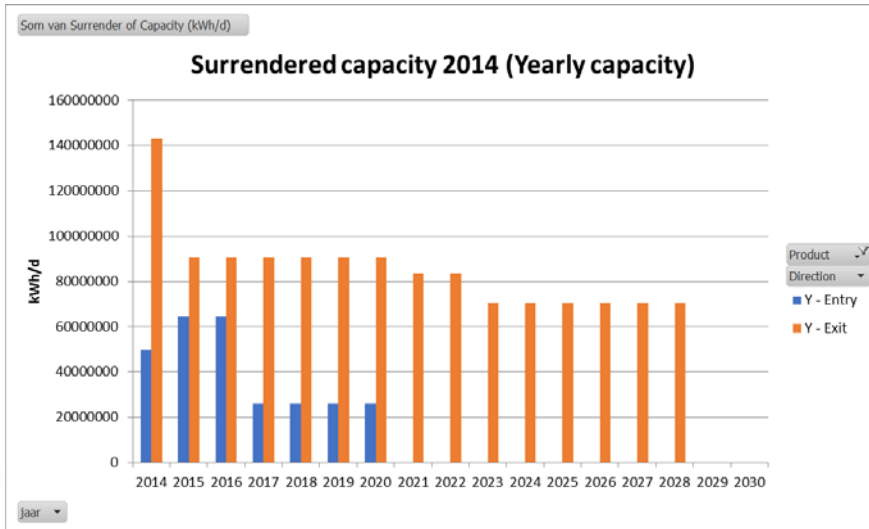
- Additional conditions for SoC in national codes:
 - GTS offers the surrendered capacity in the corresponding auction
 - Shipper is not allowed to trade surrendered capacity until after the auction
 - If more than one shipper surrenders capacity for the same auction, but not all surrendered capacity is reallocated, the reallocation will take place based on the time of offering (fcfs)
 - Payment obligation is cancelled for the amount of surrendered capacity that is reallocated

Surrender of capacity



- Allocated: 0

Surrender of capacity



● Allocated: 0

Oversubscription & buy back

- Incentive-based scheme for offering additional capacity
- Dynamic approach for recalculating technical/additional capacity
 - Statistical scenario's for determining the amount of unused capacity
 - No excessive buy-back obligation
- Market-based mechanism for buying back this capacity
- Buy back for maintaining system integrity, and no alternative measures are more cost-efficient
- Revenues and costs must be shared between TSO and network users

Oversubscription & buy back

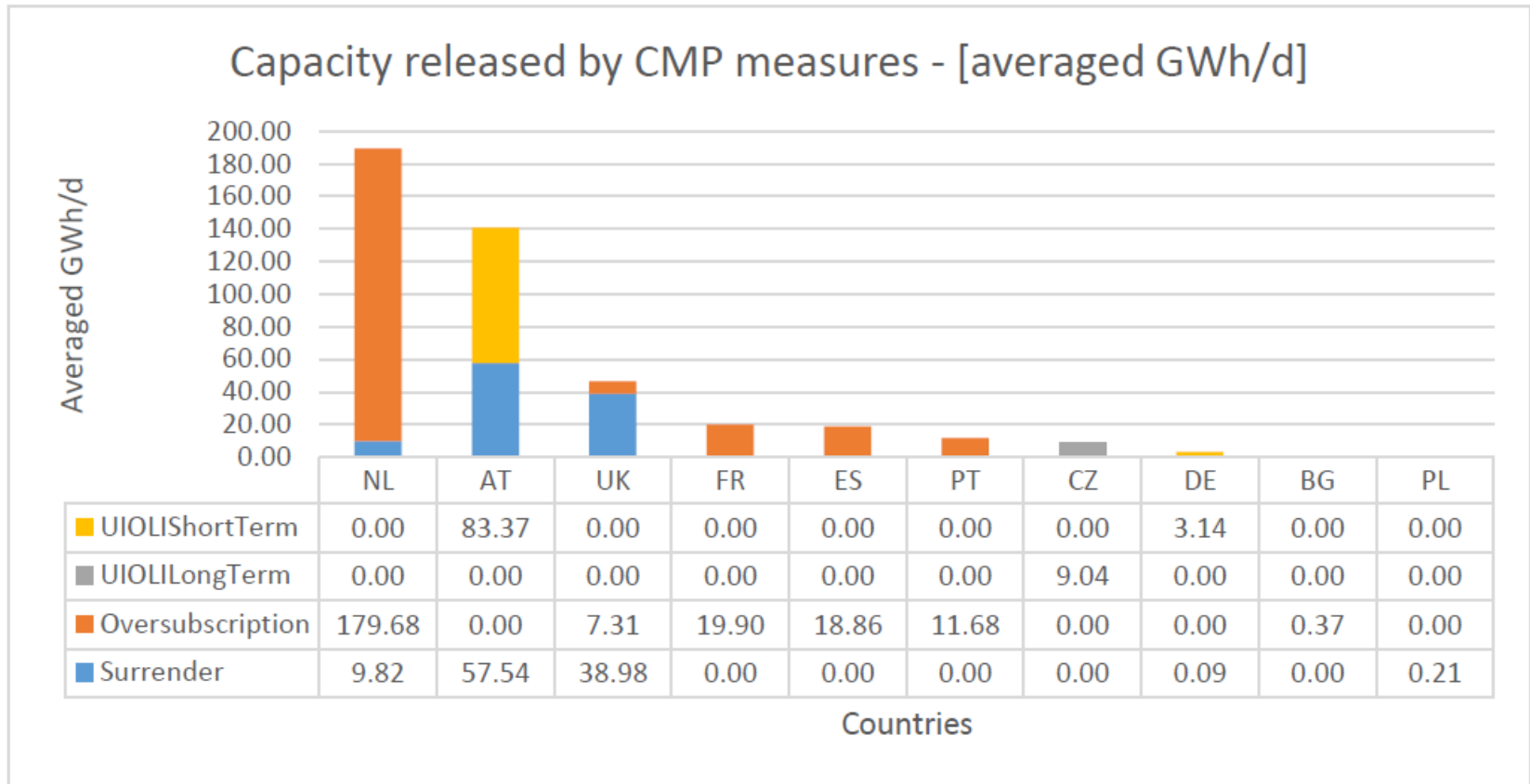
- Difficulty: Technical capacity vs. Oversubscription
 - *maximum* firm capacity vs. *additional* firm capacity
- Additional conditions in national codes:
 - Detailed description of process calculating technical capacity: scenario-planning
 - Dynamic approach: per D/M/Q/Y GTS determines the additional capacity taking into account statistical scenario's for the concerning product
 - Details on buy back procedure:
 - Based on uniform price auction
 - Auction result leads to obliged renominations

Oversubscription & buy back

- Incentive via Method of regulation
 - Currently: 50-50 split between GTS and market, revenues and costs
- Buy back not occurred yet

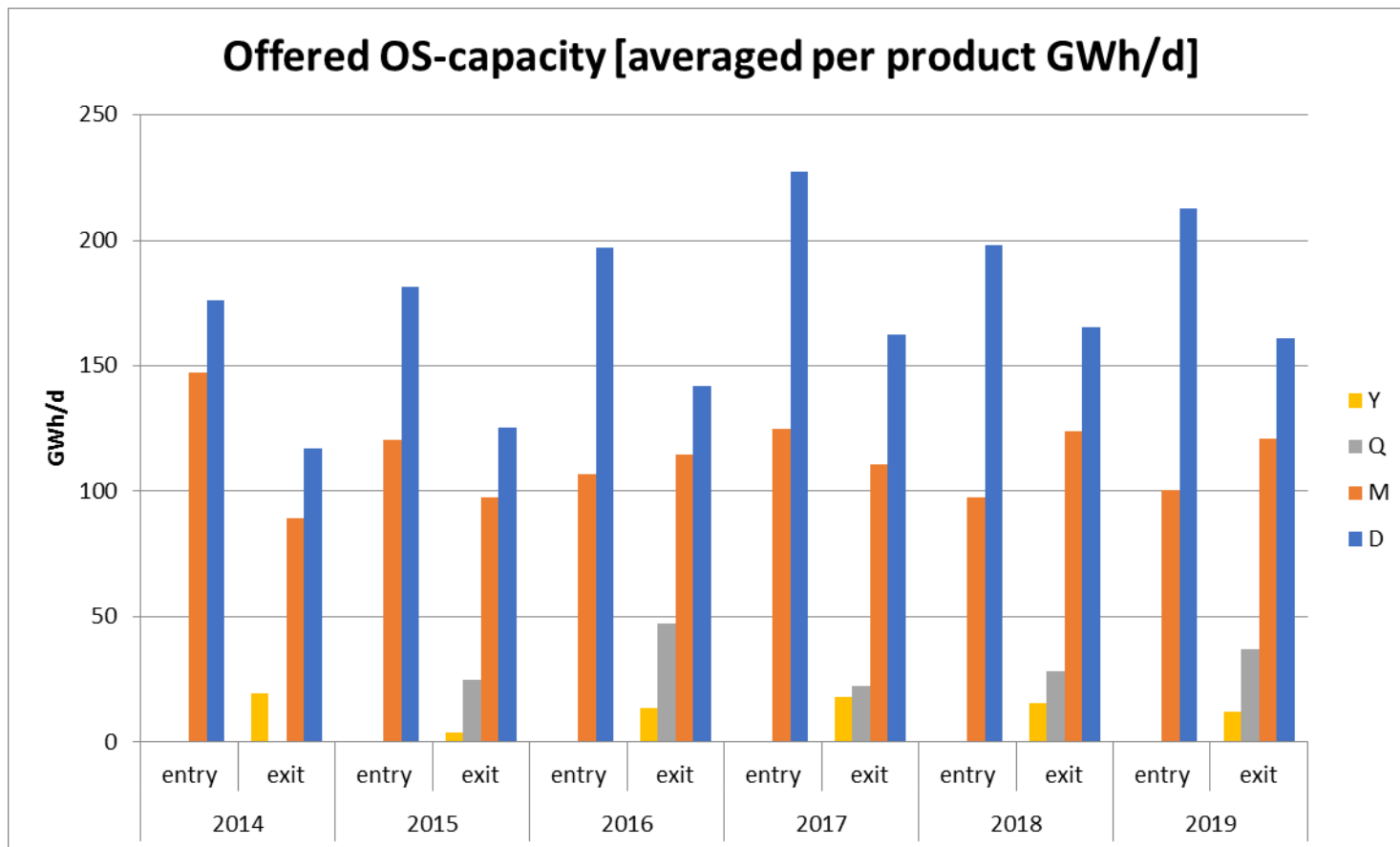


Oversubscription & buy back

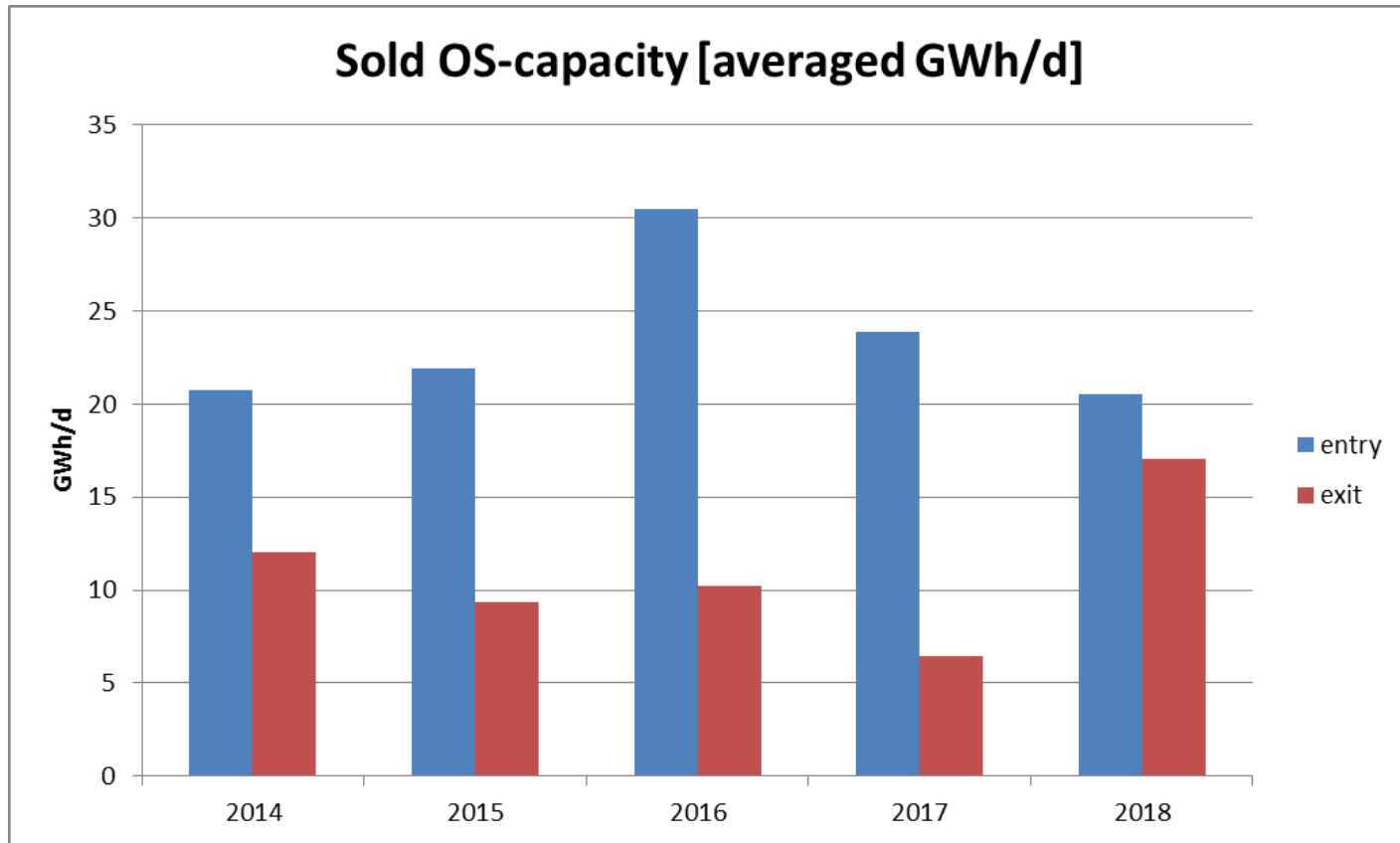


Graph from ACER's congestion report

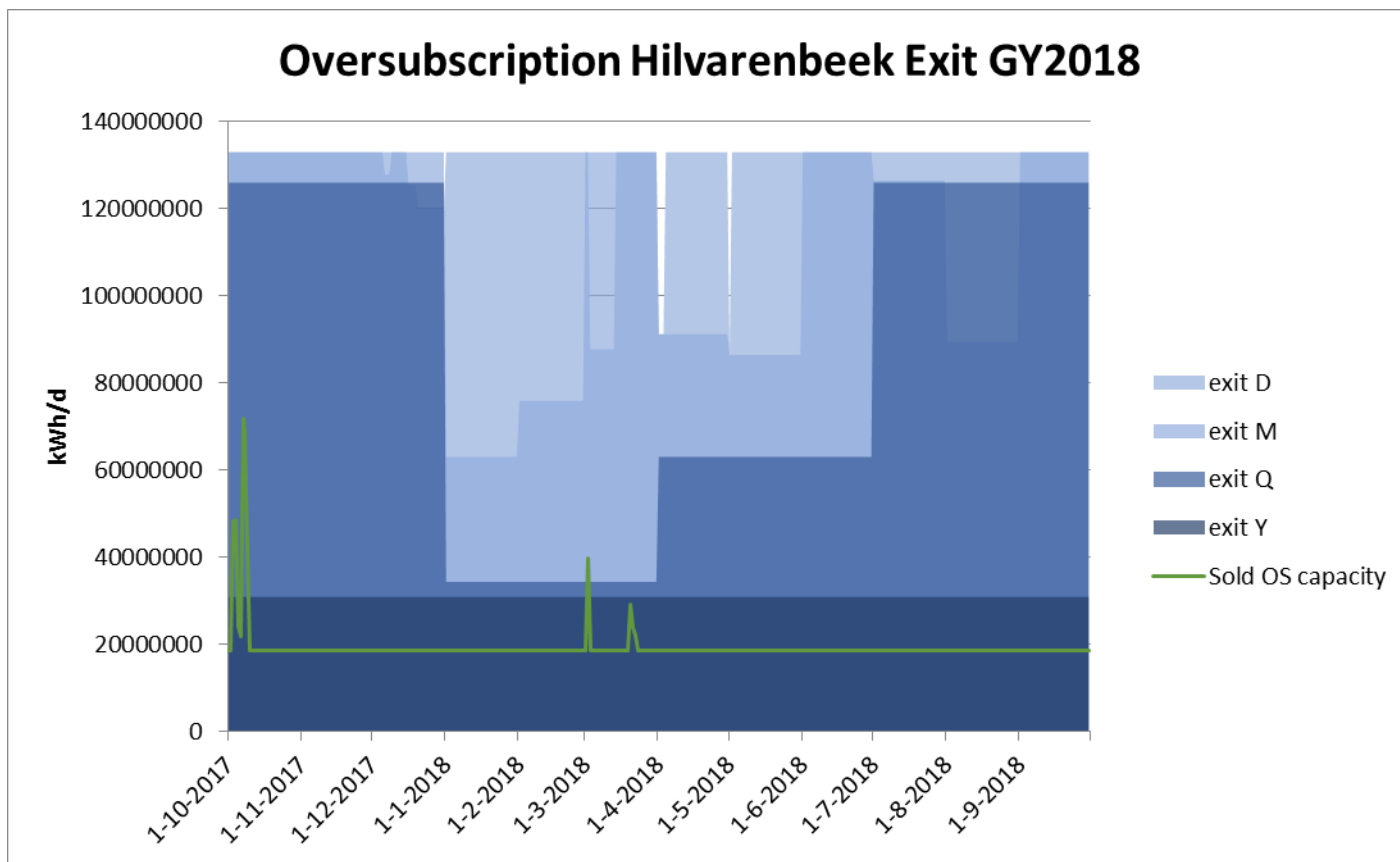
Oversubscription & buy back



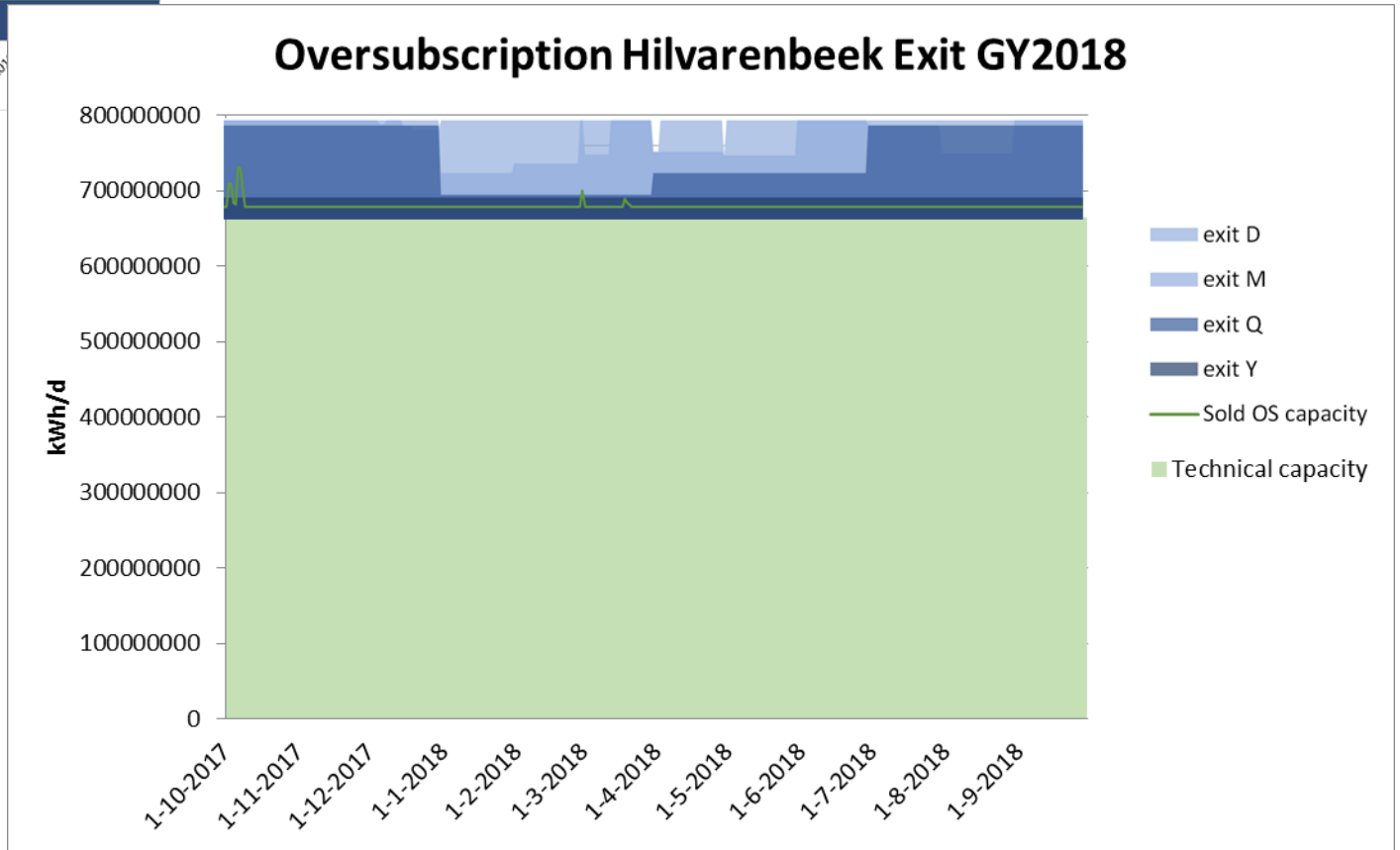
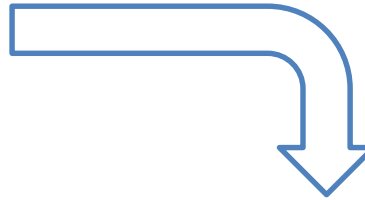
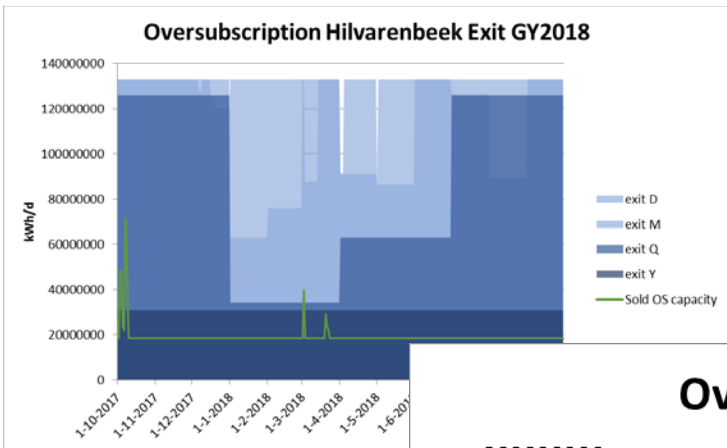
Oversubscription & buy back



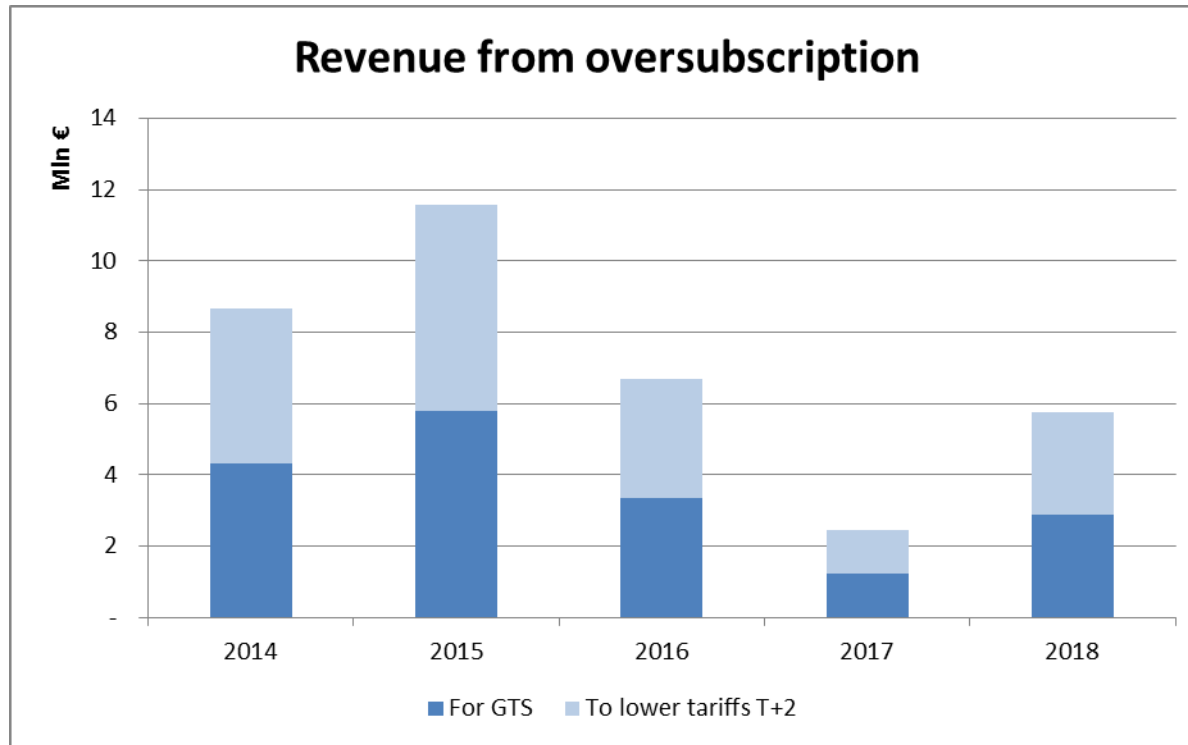
Oversubscription & buy back



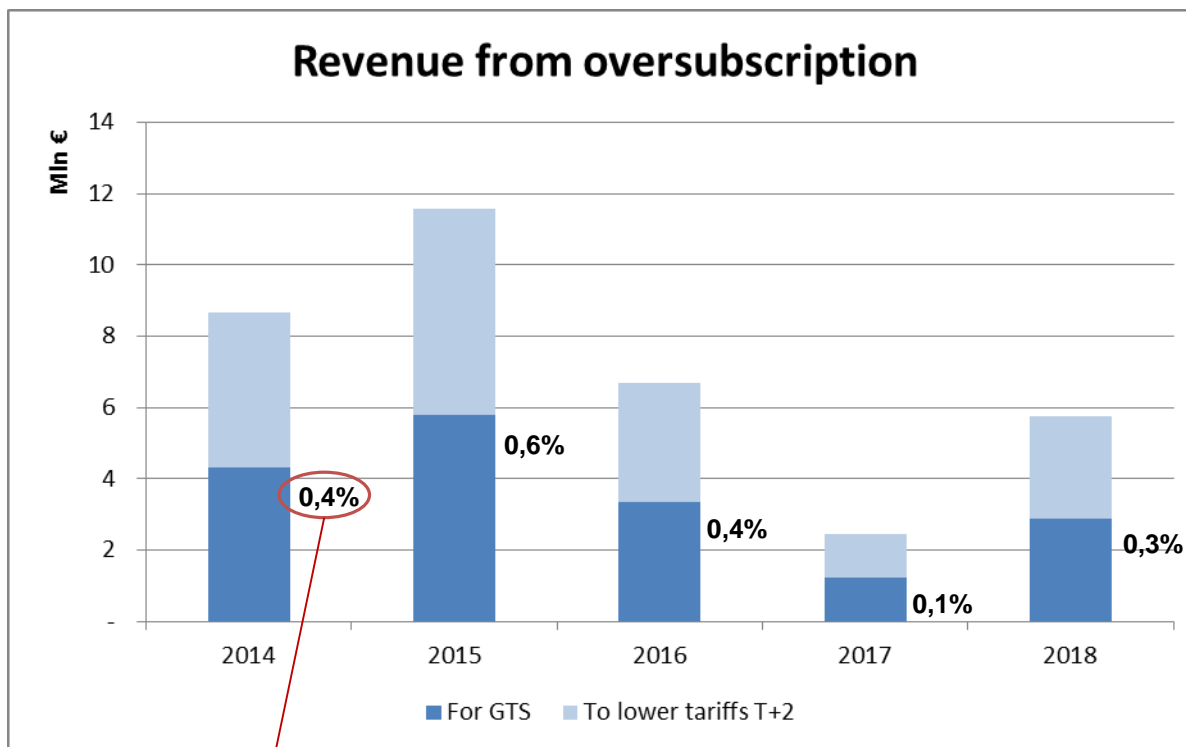
Oversubscription & buy back



Oversubscription & buy back



Oversubscription & buy back



Percentage of regulated revenue

LT-UIOLI

- NRA requires TSO to fully or partially withdraw contracted capacity when:
 - capacity is systematically underutilised without proper justification
 - utilisation must be at least 80% (both in April - October and October - April)
 - other shippers request firm capacity
 - shipper has not sold or offered capacity under reasonable conditions



"Absolute power is a tricky thing, Son
— You've got to use it or lose it."

LT-UIOLI

- ACM published a Vision Paper together with CREG and Ofgem (see: www.acm.nl)
- Following questions need to be answered:
 - Is there contractual congestion? (Yes)
 - Is there a request for firm capacity by another shipper? (Yes)
 - Is the utilization rate of the contracted capacity < 80%? (Yes)
 - Did shipper offer his capacity under reasonable conditions? (No)
 - Can shipper provide a proper justification for not using capacity? (No)

LT-UIOLI

- Withdrawing capacity
 - Decision per case by NRA: instructing TSO to withdraw capacity
 - Amount to withdraw depends utilisation rate and offered capacity (up to the 80% threshold)
 - Maximum duration for withdrawing capacity: 2 years

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