

Gas Network Codes and Guidelines

Implementation of Congestion Management Guidelines

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Agenda



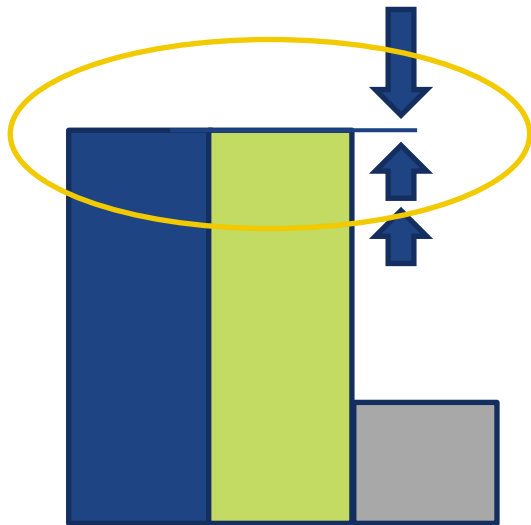
- > ***Congestion Management Procedure Guidelines***
- > ***Implementation Status***
- > ***Challenges and Lessons learnt***
- > ***ACER's Call for Evidence***
- > ***Conclusions***

Congestion Management Procedures (CMP)

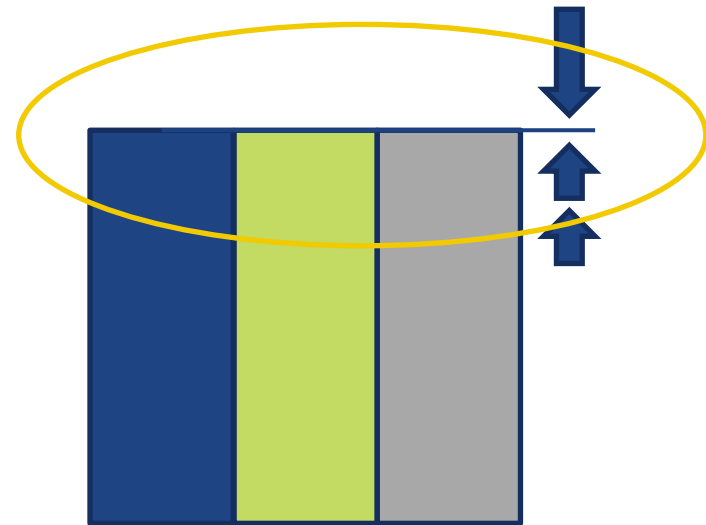


What is congestion?

Contractual congestion



Physical congestion

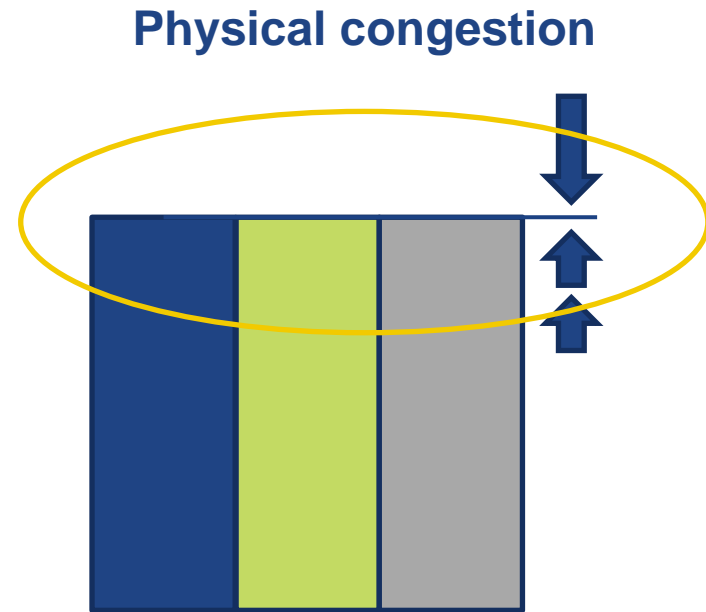
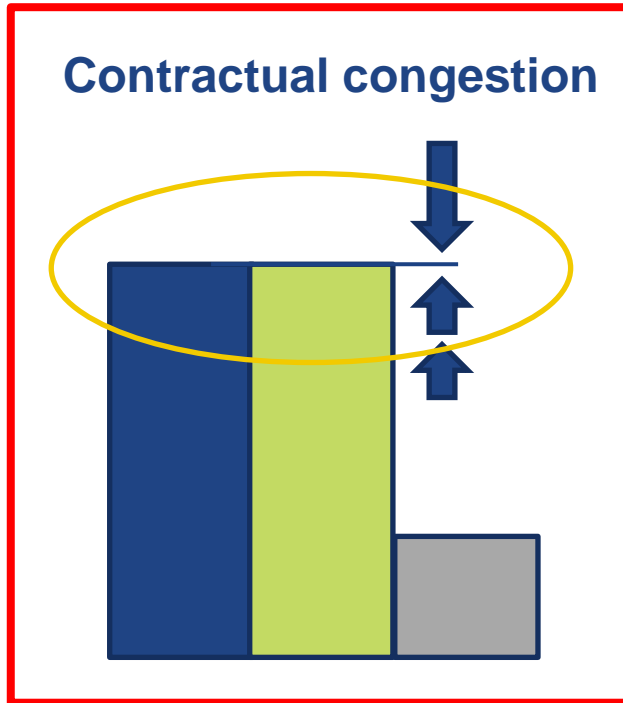


■ Technical capacity ■ Allocated capacity ■ Nominated capacity

Congestion Management Procedures (CMP)

What is congestion?

Scope of CMP Guidelines



■ Technical capacity ■ Allocated capacity ■ Nominated capacity

Congestion Management Procedures (CMP)



Congestion Management Principles introduced in 2012 by the European Commission for managing contractual congestion

Objective

Enhance markets access and thereby competitiveness by effectively targeting contractual congestion

Oversubscription and buy-back
or
Day ahead Use it or lose it: Restriction of renomination rights

Surrender of Capacity

Long-term Use it or lose it: Withdrawal of systematically underutilized capacity

IEM Contribution

✓ To relieve contractual congestion

✓ To enable shippers to re-offer unused capacity

✓ To avoid capacity hoarding



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CMP Implementation evolution

- > **Entry into force of CMP Guidelines on 17 September 2012 with application date 1 October 2013**
 - *2 Member States applied Firm day ahead Use it or lose it (FDA UIOLI) with renomination restrictions for Network Users instead of a Oversubscription and Buyback (OS+BB) scheme*
- > **Continuous rise in application of CMP, with already high implementation status on application date**

CMP implementation 2013 - 2015

Year	Oversubscription/ Buyback (OS+BB) or Firm day ahead Use it or lose it (FDA UIOLI)*	Surrender of Capacity*	Long-term Use it or lose it (LT UIOLI)*
2013	72%	78%	75%
2014	78%	89%	89%
2015	79%	95%	95%

* Percentage of TSOs that have implemented the mechanism



CMP Implementation Overview in 2015

- > *33 TSOs have fully implemented the CMP GL (75% Implementation rate)*
- > *From the remaining 9 TSOs:*
 - *6 TSOs are awaiting final NRA approval of their proposal regarding the implementation of certain mechanisms*
 - *2 TSOs is still waiting for its NRA to decide on whether to use OS+BB or FDA UIOLI*
 - *1 TSO on its way of implementing measures, however exempted from mandatory application*
- > ***According to the TSOs expectations, all TSOs in the European Union will be fully compliant with CMP Guidelines by the end of 2016***
- > *EE, FI, LV, LU, SE are exempted from implementing CMP Guidelines and TSOs from these Member States were not considered when conducting the surveys*



CMP Implementation Overview in 2015



Number of TSOs	Oversubscription and Buy-Back scheme (OS+BB) or Firm Day-Ahead UIOLI mechanism (FDA UIOLI)*	Surrender of Contracted Capacity	Long-term UIOLI (LT UIOLI)	Comments
33	Has been implemented	Has been implemented	Has been implemented	Including exemption as per NRA decision under point 2.2.3(6)*
6	Implementation is underway (NRA decision pending)	Has been implemented	Has been implemented	OS+BB: The NRA has not approved the proposed scheme yet. Including exemption as per NRA decision under point 2.2.3(6)*
1	Implementation is underway (NRA decision pending)	Has been implemented	Has been implemented	The NRA has not chosen between OS+BB and FDA UIOLI
2	Implementation is underway (NRA decision pending)	Implementation is underway (NRA decision pending)	Implementation is underway (NRA decision pending)	Implementation in 2016
7	Not applicable due to scope, implementation date or derogation granted under Article 49 of Gas Directive	Not applicable due to scope, implementation date or derogation granted under Article 49 of Gas Directive	Not applicable due to scope, implementation date or derogation granted under Article 49 of Gas Directive	No IPs/Derogation

Has been implemented
 Implementation is underway (NRA decision pending)

Not yet implemented
 Not applicable due to scope, implementation date or derogation granted under Article 49 of Gas Directive

* The Firm Day-Ahead UIOLI mechanism should be implemented as of 1 July 2016, where ACER's congestion monitoring report shows that there is an over demand for firm capacity products that are offered in the next three years or where no firm capacity is offered at all.



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Challenges and Lessons learnt

- > ***In most countries OS+BB used, in 2 countries FDA UIOLI applied instead of OS+BB***
 - *No fully aligned implementation of some CMP measures at border points between Member States due to lack of coordination between NRAs (OS+BB vs FDA UIOLI)*
 - *OS+BB not necessarily used to offer additional capacity on a daily basis - potentially no short-term offer of additional capacity*
 - *Conditions for TSOs to apply OS+BB differ between Member States (e.g. regarding incentive regimes to offer additional capacity, price caps for buying back capacity)*
- > ***In some cases decision-taking time of NRA on implementation scheme for certain measures longer than expected – resulted in delayed implementation***
- > ***No EU-wide harmonised approach how to define systematically underutilised capacity for application of LT UIOLI***
- > ***Surrender of capacity limited to products with runtime longer than a day***
 - *May limit the offer of additional short-term capacity, as also on the secondary market mainly longer-term capacity is traded*



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ACER's Call for Evidence

- > *In August/September 2016 Survey launched by ACER and invited Stakeholders to propose concrete suggestions to improve the “congestion indicators” and to comment on the FDA UIOLI mechanism*
- > *Background: Stakeholders have expressed doubts on whether the “congestion indicators” (paragraph 2.2.3.1 of CMP Guidelines) are able to correctly identify actual situations of contractual congestion*
 - *E.g. unused capacity offer on Secondary Market not taken into consideration when determination of congested IPs*
- > *Some stakeholders suggested also to include other elements or criteria*
 - *E.g. application of the FDA UIOLI, where it is currently not implemented*



ACER's Call for Evidence - ENTSOG response

- > Secondary market could also be a tool to prevent congestion*
- > FDA UIOLI is an appropriate mechanism on a short term basis (daily), in long-term it might put restrictions on the flexibility of Shippers to react on changing market conditions*
- > To determine contractual congestion, a day-to-day analysis might be necessary - the application of FDA UIOLI could be done for a period where contractual congestion is identified at an IP*
- > OS+BB and FDA UIOLI could co-exist in one system*
- > As different products, durations and thresholds are considered, the indicators cover most of necessary aspects; however they may be completed by additional assessment mechanisms*
- > Regional and European network development plan will take care of a potential need of additional capacity to address a risk of physical congestion*



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Conclusions



- > *CMP has provided effective rules that improve contractual congestion*
- > *Full implementation of the rules will further improve situation at congested IPs*
- > *When implementing OS+BB close cooperation between NRA and TSO is beneficial*
- > *Solutions to be found between TSOs to harmonise interruption conditions for capacity at border points where OS+BB and FDA UIOLI are applied*
- > *Offer of additional capacity on a daily basis could be improved*
- > *With amending congestion indicators, less IPs are expected to be considered as contractual congested*
 - *E.g. where no offer of firm capacity by TSOs for certain periods, however no detrimental effect on Network Users*
- > ***Contractual congestion at IPs is decreasing within the EU***
 - ***Significantly less relevant issue than before implementation of CMP Guidelines***



Thank You for Your Attention

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