



SOUTH GAS REGIONAL INITIATIVE
DRAFT ROADMAP FOR CAPACITY ALLOCATION MECHANISMS
(CAM ROADMAP)

DOCUMENT FOR CONSULTATION

25th February 2013

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1. Background

The XXII Madrid Forum encouraged stakeholders involved (the Agency, ENTSOG, NRAs and TSOs) to proceed with the implementation of the CAM network code following the Roadmap of capacity allocation mechanisms (CAM Roadmap).

It was agreed that an initial implementation roadmap will be developed by TSOs, lead regulators and relevant NRAs, based on pilot projects for capacity allocation (regional pilots, booking platforms...)

The goal is the early implementation of the provisions from the Network Code on capacity allocation mechanisms (CAM NC), before it becomes legally binding in all Member States, presumably in spring 2015¹. For that purpose, the Roadmap will identify and monitor sequential steps of implementation through pilot projects across cross-border interconnection points in EU Member States. The early implementation is a voluntary process and will rely on the commitment of TSOs and NRAs involved in the above mentioned pilot projects, as well as on the support of ACER, ENTSOG, the European Commission and stakeholders.

In relation to this, a *Roadmap for the early implementation of the Capacity Allocation Mechanisms Network Code* is being developed by ACER and ENTSOG, detailing, among other aspects, the working arrangements, time schedule, roles and responsibilities and geographical scope.

In 2012 the South Gas Regional Initiative already made progress in the common definition and application of CAM in the cross-border interconnections in the Region.

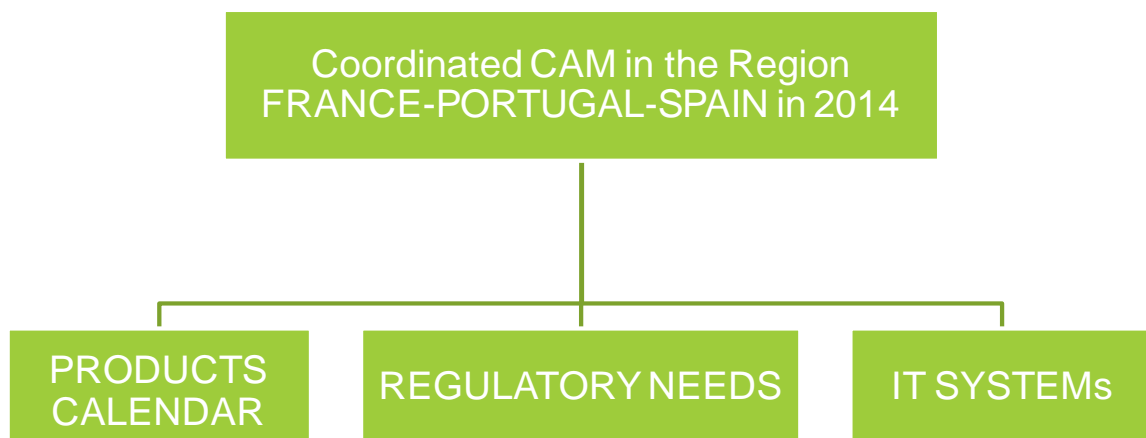
In the last 20th Implementation Group (IG) meeting, held on 19 November 2012 in Madrid, Regulators and TSOs in the Region presented proposals for CAM harmonisation in the SGRI. They agreed on the elaboration of a Roadmap on CAM harmonisation, which will be the same for the interconnections in the three countries: Portugal, France and Spain. This paper reviews and analyses the points in discussion, following the CAM NC, and contains the plan that matches short and long term goals with specific actions to help meeting the final goal in the Region.

¹ The CAM network code is currently being discussed within the Gas Committee, which involves the European Commission and the Member States. Should the text be adopted by next summer 2013, it would become applicable in every Member State as of spring 2015.

2. Areas of South GRI work for CAM NC early implementation

The objective of this Roadmap is to establish and detail the main goals to be reached in the coming years to fully implement the CAM NC in the Region.

The relevant tasks have been divided in three areas: capacity products definition and calendar, regulatory needs and IT systems, in order to implement CAM NC in the Region, beginning in 2014.



2.1. Capacity product definition and calendar

According to the draft CAM NC, the standardised capacity allocation mechanism is an auction procedure for all interconnection points between entry-exit systems, establishing standard capacity products to be offered for the cross-border and cross-market area capacity.

The table below shows the timing for auctions, starting dates, lead times and standard capacity products to be auctioned following the principles established in the draft CAM NC.

STANDARD CAPACITY PRODUCT	FREQUENCY OF AUCTIONS	NUMBER OF CAPACITY PRODUCTS PER AUCTION	START OF AUCTION
Yearly Starting on the 1st Oct	annual	Y1 to Y15	1st Monday of March
Quarterly 1st Oct-1st Jan-1st	annual	Q1 to Q4	1st Monday of June

Apr-1st Jul			
Monthly 1st day of each month	monthly	M1	3rd Monday of each month
Daily Single gas day	daily	D1	15:30 UTC (Winter time) or 14:30 UTC (daylight saving) D-1
Within-day ²	hourly		19:00 CET D-1

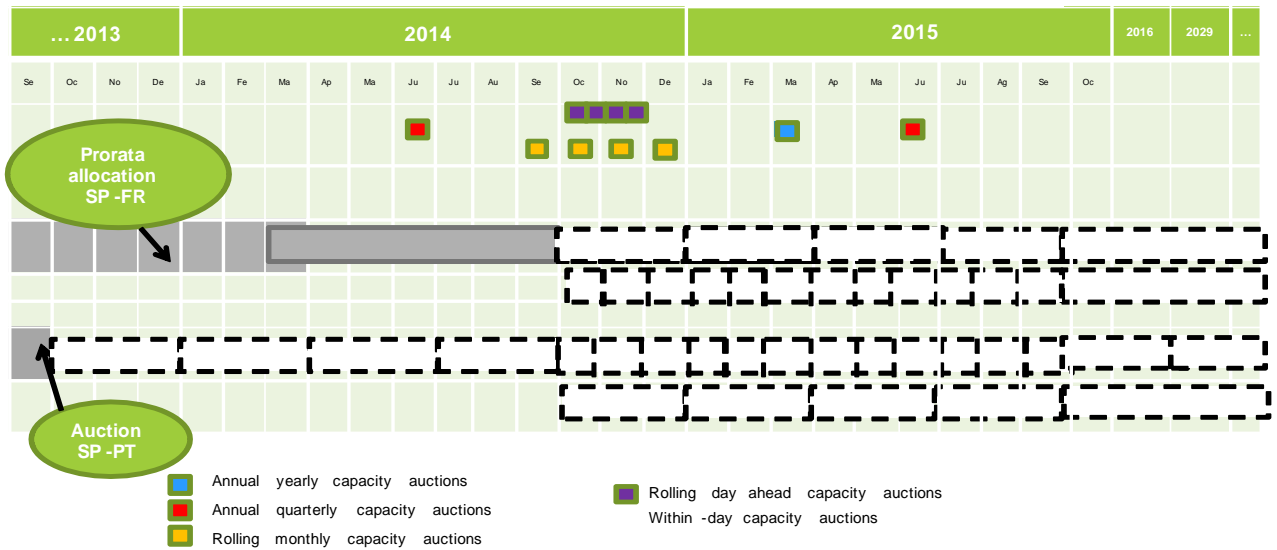
The main matters to be decided in the South Region are: the bundled products to be offered, standard capacity products, capacity set aside for products with shorter term duration, allocation calendar for 2014 and onwards, interconnection points where the products will be allocated (physical or virtual points), coordination between CMP and CAM, etc. Particularly, for each interconnection:

- Capacity product to be allocated at the **SP-FR border**: short term capacity has been allocated until 31st March 2014 by the OSP coordinated procedure. The following could be done:
 - Definition of the available bundled capacity for the next 15 years from October 2014 onwards in the two flow directions, and agreement on the split of capacity among the different products (quarterly products up to one year, yearly products up to four years ahead and yearly products up to fifteen years ahead. Could the current 80/20 split be maintained leaving the 20% for the annual auction of quarterly products? According to Draft NC, an amount at least equal to 10% of the technical capacity will be offered no earlier than the annual yearly capacity auction during the fifth gas year preceding the start of the relevant gas year. A further amount at least equal to 10% of the technical capacity will be offered no earlier than the annual quarterly capacity auction during the gas year preceding the start of the relevant gas year.
 - When will the capacity be sold in a virtual point? A virtual point has been proposed for the implementation of draft CAM NC.
 - Agreement on unbundled capacity allocation, interruptible capacity, backhaul....(common criteria)

² With-day standard capacity products shall be the capacity, which may be applied for, in given amount, by a network user from a start time within a particular Gas Day until the end of the same Gas Day

- Initially capacity products could be offered before March 2014 for the period (April 2014-September 2014). Following the old methodology (OSP) or the new one (CAM auction algorithm)?
 - First annual yearly capacity auction in March 2014 to sell capacity from October 2014
 - First quarterly capacity products to be sold through an annual auction in June 2014 using a common IT platform. (October 2014-September 2015)
 - First rolling monthly auction: 3rd Monday of September 2014?
 - Daily auctions from October 2014. It will be subject to availability to connect the TSOs IT systems with the common platform in due time to offer the product.
- Capacity product to be allocated at the **SP-PT border**: a coordinated auction took place from June to September 2012 following the draft CAM NC, in order to sell capacity from October 2012-September 2013. The following could be done:
 - In June 2013 quarterly capacity products could be offered for the capacity decided from October 2013 to September 2014 with the same auction methodology as last year. It remains to be decided if yearly capacity is going to previously offered to the market like last year.
 - Capacity to be sold in a virtual point
 - Agreement on unbundled capacity allocation, interruptible capacity, backhaul....(common criteria)
 - Definition of the available capacity for the next years from October 2014 onwards, and agreement on the split of capacity among the different products (quarterly, yearly and 15 years, in line with Draft CAM NC). Should the longest allocation period be one year?
 - First annual yearly auction in March 2014/2015 to sell capacity from October 2014/2015? For more than one year?
 - First quarterly capacity products to be sold using a common platform through an annual auction in June 2014. (October 2014-September 2015)
 - First rolling monthly auction: 3rd Monday of September 2014?
 - Daily auctions from October 2014. It will be subject to availability to connect the TSOs IT systems with the common platform in due time to offer the product.
- Capacity product to be allocated among the **French Balancing zones**

- The opportunity to sell by auction annual capacity starting on 1st April 2014 at the link between GRTgaz North and South balancing zones is under discussion with the stakeholders. CRE will launch a public consultation in March 2013 and take a decision before summer 2013.



2.2. Regulatory needs

With the objective of making sure that the regulatory framework allows for the implementation of CAM NC, the national regulation must be adapted to the new rules, in cooperation between the three NRAs in the region: CRE, ERSE and CNE.

- Auction mechanism as a default CAM at the interconnections
- Moving towards bundled and virtual capacity
- Harmonizing the capacity products and timeframes
- Contractual harmonisation: at both sides of an IP/VIP capacity should be contracted for the same period and same volume.

This new regulation needs to be also consistent with CMP arrangements and take into account the discussions on Framework Guidelines/Network Codes that are currently under development.

In particular the following subjects should be discussed:

- Network Code on Balancing

- Agreement on nomination and renomination schemes
- Network Code on Interoperability and Data Exchange.
 - Harmonization of gas day (2014, before monthly auctions)
 - Harmonization of gas year (2014)
 - Temperature to measure gas.(2014)
 - Units used to allocate capacity and sign contracts (2014)
- Framework guidelines and Network Code on Tariffs.
 - Reserve price
 - Price to be paid by subscribers during all the contract duration

Other aspects to be discussed are:

- Shippers' license to participate in the auctions process, specifically allowing the same shipper to book bundled capacity. Qualification steps to participate in the auction.
- Price steps definition (large-small price steps) and allocation of revenues arising from the auction among TSOs (difference between the reserve price and the clearing price).
- Release of information to the market (before, during and after the auctions). Calendars.
- Issues related with the Capacity Contracts: obligation to subscribe the capacity allocated in the auction, timing, financial deposit, avoidance of clauses imposing restrictions on one side of the border, etc.
- Responsibilities of TSOs (implementation) and Regulators (supervision).
- Secondary capacity market: bundled virtual capacity to remain as it has been auctioned.
- Coexistence of old contracts and new contracts: nomination, CMP, tariffs...

2.3. IT Systems

The work in this area aims to develop a single platform to allocate capacity at the interconnection points. The IT system will be designed analyzing the best available technologies. The development process will be focused on the functionalities and specifications for a reliable, secure and smooth exchange of information.

It is important to note that recently the project PRISMA European Capacity Platform (promoted by TSOs) has been launched. 23 TSOs from Belgium, Denmark, France, Germany, the Netherlands, Italy and Austria are involved.

In addition, the Hungarian TSO (FGSZ) has recently presented the will to launch another booking platform in South South-East GRI, which would allow to allocate capacity between Hungary and Romania and potentially to other IPs.

The possibility and the calendar to join a platform must be studied by TSOs in the Region. Early involvement in the discussion with other TSOs and stakeholders from other Regions will streamline the smooth implementation of the CAM NC in Europe.

At the same time, each TSO must develop its own IT system to integrate the information arising from the capacity auctions and to communicate with the platform.

Furthermore, at least bilaterally, TSOs must collaborate to develop IT systems that will support the nomination and renomination of bundled capacity, the CMP implementation and the exchange of information for all the balancing process (allocation, measurement, etc.).

3. Way forward: short term

- Further discussion with TSOs - ASAP
- Public consultation of this document with Stakeholders- February 2013
- Final CAM Roadmap of the SGRI – March 2013
- Discussions and definition of the capacity products, available capacity and IT systems– April/May 2013
- Start of the development of IT systems –Summer 2013
- Start of proposing national regulation modification – Summer 2013.

