

Gas Storage Europe

Key Messages From GSE's 2010 Survey on Capacity Allocation Mechanisms and Congestion Management Procedures

September 2010

Background of the 2010 GSE survey and respondents

- The 2010 GSE member CAM/CMP survey follows up on a similar survey carried out by GSE in March 2008 and aims to
 - take stock of the current situation as regards CAM/CMP, demonstrating the progress made by European SSOs in the area of CAM/CMP,
 - offer a comprehensive response from SSOs to the 2009 Status Review on CAM/CMP for Storage published by ERGEG on April 2010, and
 - serve as a point of reference for the planned amendment to the GGPSSO and any other future stakeholder documents and activities.
- A total of 24 GSE members took part in the survey, representing over 60 bcm of commercial working gas volume which accounts for approximately 80% of total commercial EU capacity.
- A detailed analysis of the results will be published separately.

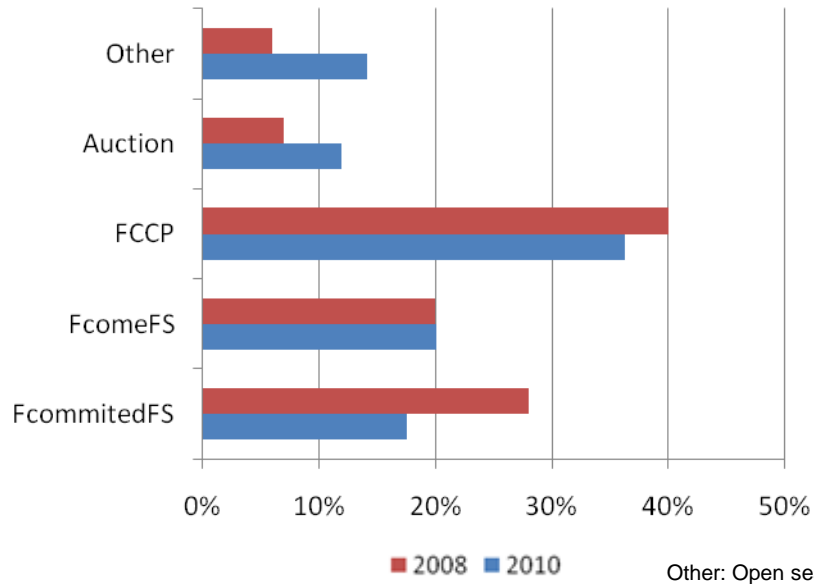
Findings: TPA regime, length of contracts, priority

- Two-thirds of all working gas volume is operated under nTPA regime, the rest under rTPA (no significant change compared to 2008).
- Half of all working gas volume is contracted for one year or less.
- Almost 40% of SSOs expect their CAM/CMP regime to change in the near future (up from 10% in 2008).
- Storage users:
 - SSOs representing almost 70% of all working gas volume report more than 10 storage users,
 - SSOs representing less than 10% of all working gas volume report less than 3 storage users,
 - 70% of SSOs report an increase in the number of users in the past two years by 6 on average.
- More than half of SSOs use some kind of priority mechanism
 - This is often due to regulatory requirements and not because SSOs have preference for one user over another.

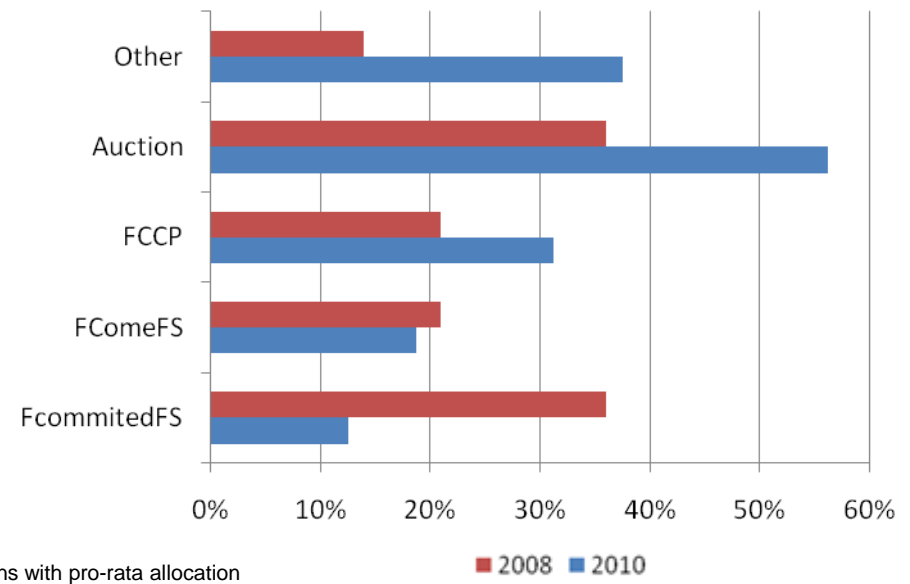
Findings: CAM

- Responses show that the popularity of auctions is growing sharply in particular for planned storage capacity (up from 36% in 2008), while the use of FCFS is decreasing.
- This shows a continuing diversification of Capacity Allocation Mechanisms.

Existing capacity (% of WGV)



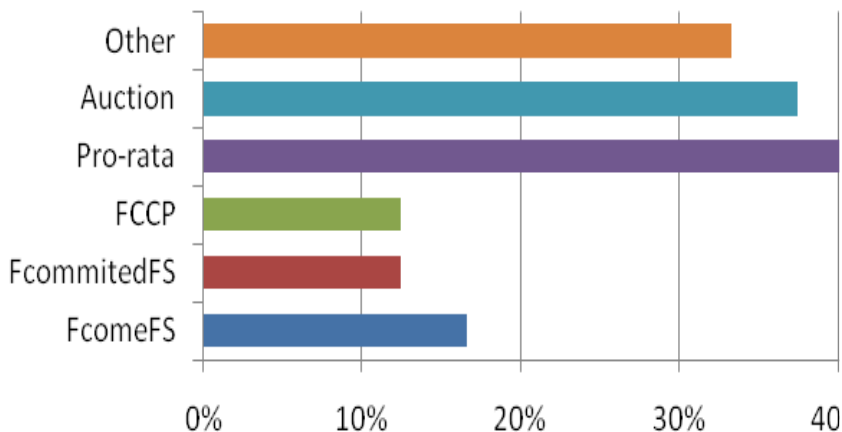
Planned capacity (% of WGV)



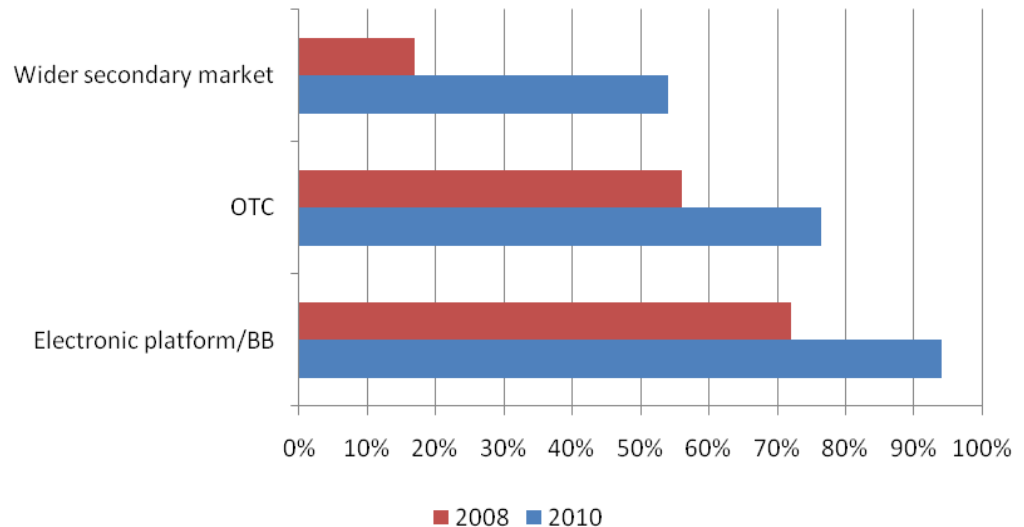
Findings: CMP

- CMPs are designed primarily by SSOs and NRAs, with market participants being consulted in 90% of cases when designed by SSOs.
- All SSOs offer at least one but usually two forms of secondary capacity trading with electronic platforms, bulletin boards and OTC trading being the most common.
- There is an increase in secondary capacity trading involving more than one SSO.

CMP used (% of WGV)



Secondary market tools used by SSOs

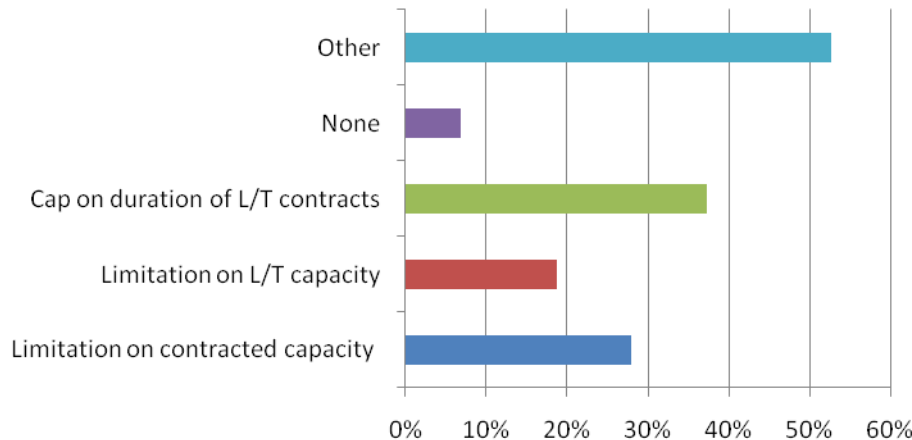


N.B. Please note that the definition of secondary market categories was slightly modified for the 2010 survey.

Measures to tackle capacity hoarding

- ➔ GSE members apply a variety of anti-hoarding measures including limitation on the capacity that incumbents can contract and cap on capacity dedicated to L/T contracts and their length
 - Almost three-quarters of SSOs state that they have the possibility to apply UIOLI (backward, forward, LIOTI),
 - However, one-half of SSOs think UIOLI cannot be applied as effectively as in the TSO business and two-thirds have never actually applied UIOLI.
- ➔ Majority of SSOs that apply UIOLI do so on an interruptible day-ahead basis – any other use of UIOLI seems arbitrary given the nature of gas storage and the role it plays in Security of Supply.

Measures applied against possible capacity hoarding

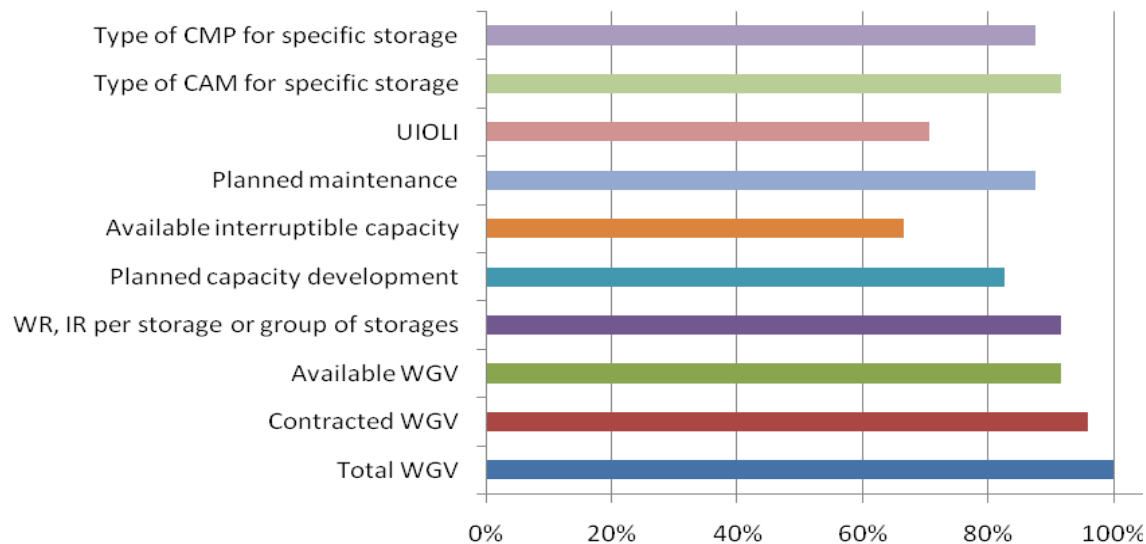


Other includes UIOLI , pro-rata allocation and penalties

Transparency has improved significantly

- ➔ GSE members publish a wide range of data useful for existing and potential storage users (see chart below), predominantly on daily basis (70% of all SSOs).
- ➔ All SSOs publish information on capacity which is to become available on their website, while majority also advertise this elsewhere (letters, trade publications, conferences).
- ➔ All but one SSO make available all information also in English, thus greatly enhancing its usefulness to potential storage users.

Type of information published



- GSE members have made substantial progress in almost all aspects since the last survey in 2008 including:
 - The continuing move to more transparent and market-based CAM,
 - Adding a large number of new storage users, thus making a key step towards gas market liberalization,
 - Adding more measures against capacity hoarding,
 - Enhancing secondary trading in storage capacity, and
 - Greater transparency.
- Room for improvement exists and GSE is prepared to offer its experience to ERGEG and other stakeholders to prepare the best possible rules for CAM&CMP.
- Recognizing the above, GSE believes that the planned amendment to GGPSSO should allow SSOs to choose among CAM&CMP procedures which should be market-based and transparent – that is the only way to get more investment into the storage business.
- GSE also believes that UIOLI rules should be carefully developed taking into account the difficulty of applying backward-looking UIOLI to the gas storage business.