



18 December 2008

Basic Criteria for Capacity Allocation Mechanisms and Congestion Management Procedures

Ref: 08GSE337

Background

GSE believes that Capacity Allocation Mechanisms and Congestion Management Procedures (CAM & CMP) for underground gas storage should fulfill objectives laid down in the Guidelines for Good TPA Practice for Storage System Operators (GGPSSO) as well as certain additional requirements. According to the GGPSSO, they should

1. Facilitate the development of competition and liquid trading of storage capacity and be compatible with market mechanisms,
2. Take into account system integrity and security of supply,
3. Not create undue barriers to market entry,
4. Ensure maximum availability and efficient use of storage under economic and nondiscriminatory conditions,
5. Be subject to consultation with storage users.

CAM & CMP Criteria

There are different CAM & CMP mechanisms in use across the EU today and GSE is of the opinion that there is no silver bullet solution available. Rather, different market participants have different expectations and different storage markets have different specifics and also use a different combination of sources of flexibility. Member States or SSOs should be therefore free to choose the most suitable CAM & CMP mechanism for the given market situation provided that the chosen CAM & CMP mechanism meets a set of certain basic criteria, taking into account the specific features of national regulatory frameworks and economic fundamentals supportive of liberalized markets.

With the objectives ensuing from the GGPSSO in mind, GSE has prepared a list of such basic criteria that all CAM & CMP mechanisms – regardless of the specific nature of the wide range of different methods in use in individual Member States – should meet in order to be compatible with the objectives specified in the GGPSSO and to ensure that all market participants enjoy an equal and non-discriminatory access to storage facilities across the EU.

Capacity Allocation Mechanisms should

- Be non-discriminatory in the sense that no market participant should receive preferential treatment or additional information and no rules should be bent to accommodate one storage user over another or affiliated companies over new market entrants;

- Be transparent in the sense that information about CAM mechanisms in use and the storages and/or parts of storages of the given SSO they apply to should be published on the Internet in the local language as well as in English;
- Provide incentives to SSOs to invest in maintenance necessary for the proper functioning of existing storages as well as in development of new capacity if and when required by the market;
- Be drafted in consultation with storage users, NRAs or other stakeholders if necessary
- Discourage capacity hoarding;
- Maximize the use of available capacity and offer unused capacity at least on an interruptible basis; and
- Guarantee the confidentiality of commercial information when necessary, but without unnecessarily withholding information from the market.

Congestion Management Procedures should

- Be non-discriminatory, being applied by the SSO or by the relevant national regulatory authority, where appropriate, to all storage users equally;
- Be market-based in order to provide the right signals regarding pricing and demand to SSOs, but alternative solutions such as pro-rata mechanisms may be considered if they ensure equivalence in terms of non-discriminatory and competitive access;
- Be set up in such a way that the SSO or the relevant national regulatory authority can appropriately balance the portion of storage capacity contracted under long-term contracts and short term contracts, with the aim of promoting effective competition;
- Be transparent in the sense that they are described and published on the Internet in the local language as well as English together with specific figures on the existing and projected congestion;
- Maximize the use of available capacity and offer unused capacity at least on an interruptible basis or on the secondary market; and
- Motivate shippers to publish information about transactions with storage capacity completed on the secondary market.