

GTE comments on

Calculation of Available Capacities: Understanding and Issues – An ERGEG Public Consultation Paper

I. Introduction

0. ERGEG distributed on 14th June a consultation paper with respect to “Calculation of Available Capacities: Understanding and Issues – An ERGEG Public Consultation Paper”. GTE welcomes the opportunity to provide comments on this paper as follows.

II. General comments

1. GTE published a first report on capacity calculation on 10 July 2003. On the request of MF VII, this capacity report was enhanced and the second version was published on 2 July 2004. In reaction to this report, the MF VIII asked GTE to “illustrate calculating capacities with reference to at least five European transport routes crossing at least two inner EU borders”¹ GTE accordingly developed the “5-routes report”, which was published on 15 December 2005. (see section 9 of ERGEG paper).

On 24 June 2005 CEER published a discussion paper on calculation of available capacities. GTE published comments on 10 October 2005 pointing out the need to develop and gain a joint understanding of the basic legal, regulatory and contractual aspects of capacity calculation methodologies. In order to contribute to this discussion, GTE conducted a study with eleven European TSOs and published the results on 19 April 2006.

2. In 2006 GTE decided on a priority of work on harmonisation of capacity products and defined this in its work program (see work program in attachment). GTE considers this work as pivotal for the further development of the European gas market.
3. On 26 June 2006 GTE conducted a workshop on transmission capacity. From this workshop, GTE understood that stakeholders were supportive of placing a priority on the harmonisation of capacity products. Whereas there seemed only very limited support to put too much effort into the detailed questions of capacity calculation.
4. Should the consultation show an increased interest in more transparency relating to the input parameters for the capacity calculations, e.g. the supply and demand patterns that are being used then GTE is willing to develop a general framework for defining the requirements on the methodologies to be published by each TSO.
5. With regard to the calculation of available capacities the TSOs have the full responsibility for the determination of firm capacity amounts. TSOs calculate such capacities using state-of-the-art methods in line with the respective legal, regulatory and contractual framework. Furthermore, GTE members are willing to explain the calculations to their national regulatory authority, should there

¹ Conclusions of the 8th meeting of the European Gas Regulatory Forum, Madrid, 8-9 July 2004

be any requirement to do so. If considered necessary and efficient, the national regulatory authority could review capacity calculation methods applied by the relevant TSOs. (see sections 23; 31; 33; 35; 36; 41; second question of 47; 48; 49; 50; last question of 55; 86).

6. In many instances, the ERGEG consultation paper addresses consistency and harmonisation aspects. GTE would like to point out that although consistency and harmonisation have to be considered as valuable goals, they should not be addressed without having a thorough analysis of implementation aspects. In the end, the costs associated with increased consistency and harmonisation need to be balanced with the benefits of the respective activities. Identifying the right priorities to enhance consistency and to increase harmonisation is pivotal for the most efficient and timely results. Based on the requirements expressed by European stakeholders, GTE considers harmonisation of capacity products as the most urgent and beneficial process in this respect and defined it accordingly in its work program (see attachment). Of course, GTE would revise these priorities, should European stakeholders ask for such revision, (see sections 9; 34; 41; 43; third and sixth questions of 44; first question of 47; 48; 49; first two questions of 55; first question of 70; 107).
7. Accordingly in the setting of priorities, GTE defined transparency as one of its four priority areas and set up a transparency working group (see section 7 of ERGEG paper). One of the major tasks of this working group is developing the GTE Transparency Platform. The aim of this platform is to provide the market with a user-friendly and transparent database for providing various information relating to capacity (e. g. technical, booked and available capacities) over Europe. GTE presented a prototype of this platform to all stakeholders during a workshop organised on 29 May 2007 in Brussels. This transparency project is expected to have positive impacts on the European gas market by providing additional information to the market place.

GTE plans to implement reasonable enhancements to this platform and will if considered beneficial by the market also consider some of the proposals given in section 90 of this ERGEG paper provided that any benefits are outweighed by the potential costs involved.
8. In order to facilitate the further development of the EU internal gas market, European TSOs co-operate in line with the second EU Gas Directive and the European Gas Network Access Regulation. GTE members are increasing their co-operation and it is expected that significantly enhanced co-operation obligations will be formulated in the 3rd legislative package. (see second and third questions of section 70).
9. GTE would like to confirm (as stated in the second part of the fourth question of section 44 and the second question of section 45) that TSOs should continue marketing only one type of firm capacity and possibly different types/levels of interruptible capacity.
10. Different solutions have been developed by TSOs at an appropriate national level to increase the amount of capacities available to the market. Examples are:
 - Capacity buy-back
 - Interruptible capacities
 - Short term day-ahead interruptible UIOLI
 - Long term firm UIOLI
 - Contractual flow obligations

- Releasable capacity

Where appropriate and considered beneficial to the market, GTE will continue working towards harmonisation of these measures on a European level. We would like to raise the awareness of the GTE response on “Secondary Market: the way to deal with contractual congestion on interconnection points – An ERGEG Public Consultation Paper” and “ERGEG Gas Focus Group workstream “Secondary Markets”: Market Design related input to 3rd package (Working paper for discussion)”, where the GTE position on capacity buy-back, UIOLI and releasable capacities is further substantiated. (see sections 10; 28; second question of 46; 76).

11. Several questions posed in the consultation document clearly go beyond the scope of this consultation, e.g. by requiring detailed legal analysis or touching on financial risk management and hedging (Ref.: first, second and sixth questions of section 44 and first question of section 46). In addition, for the following questions:
 - “Should TSOs provide back-up capacity for firm contracts and guarantee that the network users can reorganise themselves without bearing extra costs?” (first half of 4th question in section 44) and
 - “May financial commitments improve network efficiency?” (first question of section 45)

GTE considers that we would need further explanations and possibly the requirement for deep analysis to be undertaken as these questions seem to combine aspects of the capacity calculation with possible financial services by TSOs. GTE therefore did not find itself in the position to answer these questions within the timing and framework of this consultation.

III. Conclusion

12. The GTE responses provided in this document clearly show that initiatives with respect to transparency, harmonisation and capacity are ongoing. Setting the right priorities seems to be one of the most important tasks to quickly and efficiently work towards the joint goal of the internal European gas market. GTE considers that harmonisation of capacity products and transparency projects should be treated with the highest priority. Should a need arise to reprioritise and address the details of capacity calculation in order to reach that goal, GTE would consider to work on this area. In summary capacity calculation is an important area and GTE would be happy to work with ERGEG, in-line with the other priority topics. However, currently GTE would prefer to use the available resources primarily to focus on the current projects rather than at this stage work on a resource-intensive and costly elaboration of guidelines for capacity calculation.



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IV. Attachment: GTE Capacity WG program

	2007												2008												
	Dec.	Jan.	Feb.	March	April	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	March	April	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.
Short-term Capacity Auctions (for existing capacities)																									
Harmonisation of Capacity Products																									
Overview of capacity products offered by TSOs																									
Consultation on harmonised capacity products																									
Development of GTE recommendations on harmonised capacity products																									
Contributions to ERGEG GGPOSP																									
Contributions to ERGEG GGPCAP																									
Contributions to ERGEG GGP for Secondary Market																									
Contributions to other external initiatives																									
Update / Improvement GTE Capacity Map																									