Note of Meeting

ENTSOG Meeting with ERGEG

20th May 2010, Rue Ducale 83, Brussels, 10:30-15:30

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CAP039-10

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5	Roessler	Frank	ENTSOG
6	de Vicente	Maria	Enagas
7	L'Eglise	Thomas	Fluxys
9	Hatch	Matthew	National Grid

1. Agreement on previous notes and agenda

The minutes from the previous meeting were jointly discussed by ENTSOG and ERGEG and amended according to the agreements reached. In particular taking into account that ERGEG members are not fully able to commit to aspects within the bilateral meeting, they asked to amend such references in the minutes accordingly.

The final version of the minutes will be uploaded on the membernet and ENTSOG website.

The agenda was agreed as follows:

- Latest changes in the FG
- Presentation on Cost Recovery by National Grid
- Prioritisation of CAM areas

2. Framework Guideline on CAM

Updated version:

There had been ongoing discussions within ERGEG's Gas Working Group as to some final content in the FG. This had been agreed and updated accordingly in the revised version of the FG.

The FG is expected to be approved during the second week of June by ERGEG's General Assembly. ERGEG representatives reported that the main content of the FG which was sent on the 19th of May would not be changed. However, some small changes are likely to be done by the General Assembly but of a minor textural nature.

It is possible that ENTSOG might receive the letter from the Commission requesting the start of development of the CAM Network Code from mid July until the beginning of September (subject to the Commission's timetable).

3. Discussion of the main changes:

First Come First Served was re-introduced as an allocation method to sell unsold capacity between window-based procedures (with an auction or pro-rata allocation), however, it would be possibly implemented on an IP by IP decision. Practically, FCFS could be applied if, for example, not all capacity available as a yearly product had been allocated during the allocation window for such a product. The unsold capacity (remaining available capacity, quotas for short term not taken into account) might be allocated using FCFS for that same standard yearly product, (after the aforementioned window but before the covered duration starts) being allocated through shorter term products (quarters for instance).

The necessity to define quotas for each product was discussed. The FG only refers to quotas for long-term and short-term products, without specifying if sub-quotas should be defined for each individual product, suggesting that ERGEG leaves such an option open. ENTSOG was of the opinion that quotas were not the most effective way to promote the allocation of short-term capacity. It could be considered more so to sell all available capacity to the market day ahead and apply financial incentives for any additional capacity that could be made available. ENTSOG proposed that quotas only apply for long-term products and are then affective for all capacity equal to and shorter than one year.

ENTSOG clarified that for each possible quota; the overall quantity offered needs to then be separated, which adds unneeded complexity and a risk that capacity reserved for very short term sales possibly cannot be sold. This then raises the question of cost recovery (if quotas are applied for daily day-ahead capacity, thus the product is certainly not a "marginal product". ERGEG representatives acknowledged the issue of complexity and cost recovery but on the other hand also recognised that the possibility of a single quota could lead to no capacity being made available in the very short term which is an important issue to be discussed.

With reference to interruptible capacity products, ENTSOG has again raised great concerns that at this stage it would not be possible to define standard products and standard allocation principles as long as interruptible capacity is not treated in the same way on a European level. First a common definition of interruptible services would need to be found, which highly depends on future congestion management procedures. However, the latest version of the Framework Guideline still requires ENTSOG to find an EU-wide harmonised approach (but undefined); whereas it also recognises that this matter could only be solved on an IP-by-IP basis. ERGEG explained that the more prescriptive rule (2.1 - align per IP) shall apply.

For Bundled capacity services the term "contractual IP" was changed into "virtual IP" as suggested by ENTSOG. The major change highlighted by ENTSOG is the fact that all existing capacities will have to be bundled within a timeframe of 5 years after entering in to force of the NC. Such statement was commented by ERGEG representatives as being the final position on the subject of the target model which had changed several times over the last few months. ERGEG acknowledged that this was a different position than the one promoted by ENTSOG during the last months, that contracted capacity bookings should not be at stake. ERGEG admitted that with the amended provision, existing contracts could be subject to early terminations, or at least reallocation, without a clear view on how such reallocation should take place when contracting parties wouldn't match.

For the "Adaption of existing transportation arrangements to the network code", ERGEG admitted that with the amended provision for "Bundled capacity" existing contracts could be subject to early terminations which is not mentioned explicitly in that part of the text.

The "Contracts and communication" section is still included the way it was presented beforehand, as it was impossible to restructure the document according to ENTSOG proposals. ENTSOG and ERGEG both recognised that the "definition of standardised communication procedures" is to be understood as TSOs should apply the "best practices" known at this time, such practices are not to be described in an extension in the NC itself.

4. Cost Recovery in GB:

Matthew Hatch then presented the National Grid cost recovery mechanism which is in place in the GB regime. This allows the TSO to recover costs below (or indeed provide a rebate) in accordance with the allowed revenue set; by adjusting the respective commodity charge. This was split into the TO (Transmission Operator) and SO (System Operator) schemes. Both TO & SO have separate allowed revenue schemes, and the TSO can earn and lose revenue by way of incentive arrangements agreed with the Regulator.

5. Prioritisation of CAM areas:

Due to time constraints this topic was not discussed.