ACER
European Union Agency for the Cooperation of Energy Regulators

entsog
european network of transmission system operators for gas

GAS Network Codes Functionality Platform

REPORTED ISSUE ID: 05/2019. Allowance of overnomination in the event of capacity platform failure outside working hours

Reported by: EFET
Status: SOLVED

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ISSUE DETAILS

ABSTRACT

In the event of a failure of the PRISMA (or potentially other) booking platform leading to a disruption of capacity auctions, manual procedures may be invoked during business hours, but no workable fallback is available at other times. Even within working hours, the manual process may overrun the allowed day-ahead auction window. Improved fallback procedures would help to avoid unnecessary TSO balancing action. In the interim, allowance of within-day overnominations (e.g. by provision of no-notice interruptible capacity or an ex post allocation) would provide a simple, cost-effective fallback as an alternative.

Category: European

REPORTED ISSUE

The existing fallback procedures in case of auction failures are largely manual, which creates risks of errors and makes the process inaccessible outside the standard working hours. The length of the manual process also does not match the day-ahead auction window, which sometimes proves to be too narrow for the issues to be resolved. In the current environment, the burden of auction failures lies largely with the shippers, since:

a) they may need to readjust their positions to avoid imbalance, especially if there is no guarantee that a fallback procedure will be completed

b) some fallback procedures for day-ahead auctions rely on within-day market, which is both more expensive (through higher multipliers) and less liquid

In system operation terms, this also provides better opportunity for shippers to balance the system, potentially allowing gas to be brought into a market faster for example when a market experiences a sudden supply outage out of business hours and the platform fails, and reducing the TSO need to resort to system balancing action.

To conclude, EFET advocates for a review of fallback procedures, where greater harmonisation and automation would help understanding and operability. However, if changes are not justified because of costs involved, within-day overnominations could be introduced as the standard approach to fallback procedures. Such solution would be available at any time of the day, would not require any substantial development expenses and would give the system users the comfort of knowing that, under the worst-case scenario, they hold interruptible capacity after the auction. System operators would also have the time to analyse the situation in retrospect.

In regulatory terms, this could be provided in the form of interruptible capacity allocated without notice or retrospectively, or a waiver of overrun charges.

CONCERNED ENTITIES

Network Code / Guidelines concerned:

Network Code on Capacity Allocation Mechanisms, Commission Regulation (EU) 2017/459

Member State(s) concerned:

- Austria
- Belgium
- Bulgaria
- Croatia
- Cyprus
- Czech Republic
- Denmark
- Estonia
- Finland
- France
- Germany
- Greece
- Hungary
- Ireland
- Italy
- Latvia
- Lithuania
- Luxembourg
- Malta
- Netherlands
- Northern Ireland
- Poland
- Portugal
- Romania
- Slovakia
- Slovenia
- Spain
- Sweden
- United Kingdom

IP(s) concerned:

None selected

NOTIFIED PARTIES

Informed NRA(s):

None selected

Informed TSO(s):

None selected

SUGGESTED ACTIONS

Who should act:

- ACER
- ENTSOG
- INVOLVED_NRAS
- INVOLVED_TSOS

Suggested solution or action:

- Adjustment of implementation

Other suggestions: We also support within-day overnominations as standard fall-back procedure for cases when all firm capacity is sold or cannot be offered and is not being used, as a no-notice use-it-or-lose-it service. Under such solution the shipper does not need to have existing bookings with the

TSO, but only needs to accept TSOs' GTCs via PRISMA. We believe that the main benefit of overnomination is that the process is available to shippers at any time (also during PRISMA fallouts) and thus gives TSOs time to analyse the situation in retrospect, while the shipper has certainty that they hold interruptible capacity in the worst case.

SOLUTION

With reference to the solution supporting document below, some limitations exist for implementing over-nomination as standard fall-back procedure. Taking into account that a clear structured table already exists, with parameters that describe, for each TSO, the fall-back procedures and responsibilities in case of an auction failure, it is concluded that there is no need for further harmonisation.

This conclusion is also based on the fact that no clear benefit of having over-nomination as standard fall-back procedure could be identified, especially considering the low number of times a failure of the auction process has been reported in the past. Consequently, ACER is Page 2 of 2 of the opinion that the costs of implementing such fall-back procedures are disproportionate in comparison to the benefits that could result.

Therefore, it is concluded that the current overview table available on ENTSOG's webpage already constitutes an ample solution and source of information for network users, and no need for an amendment to the Regulation has been identified. Regular updates of this table will continue to be made in the future.

For further details, reference is made to the Solution note and Solution supporting document below.

Solution publication date: 2020-12-11

DOCUMENTS

SOLUTION - Issue Solution Note

SOLUTION - Solution Supporting Document

Gas Network Codes Functionality Process
Issue Solution

Issue details	
Number:	05/2019
Name:	Allowance of over-nomination in the event of capacity platform failure outside working hours
Reporting party:	European Federation of Energy Traders (EFET)
Network Code / Guidelines concerned:	Network Code on Capacity Allocation Mechanisms, Commission Regulation (EU) 2017/459
Article of the Network Code / Guidelines	
Category:	European issue
Abstract:	
According to EFET, in the event of a failure of the PRISMA (or potentially other) booking platform leading to a disruption of capacity auctions, manual procedures may be invoked during business hours, but no workable fallback is available at other times. Even within working hours, the manual process may overrun the allowed day-ahead auction window. Improved fallback procedures would help to avoid unnecessary TSO balancing action. In the interim, allowance of within-day over-nominations (e.g. by provision of no-notice interruptible capacity or an ex post allocation) would provide a simple, cost-effective fallback as an alternative.	

Issue solution(s)	
Publication date:	11 December 2020
As has been concluded in the solution supporting document, some limitations exist for implementing over-nomination as standard fallback procedure. Taking into account that a clear structured table already exists, with parameters that describe, for each TSO, the fallback-procedures and responsibilities in case of an auction failure, it is concluded that there is no need for further harmonisation. This conclusion is also based on the fact that no clear benefit of having over-nomination as standard fallback procedure could be identified, especially considering the low number of times a failure of the auction process has been reported in the past. Consequently, ACER is	

of the opinion that the costs of implementing such fallback procedures are disproportionate in comparison to the benefits that could result.

Therefore, it is concluded that the current overview table available on ENTSOG's webpage already constitutes an ample solution and source of information for network users, and no need for an amendment to the Regulation has been identified. Regular updates of this table will continue to be made in the future.

Evaluation of FUNC Issue: Allowance of over-nomination in the event of capacity platform failure outside working hours

Contents

1. Introduction

On December 9, 2019, the European Federation of Energy Traders (EFET) reported an issue on the Gas Network Codes Functionality Platform (FUNC platform):

Currently, in the event of a failure of a Booking Platform (BP), each Transmission System Operator (TSO) has in place a determined fallback procedure. However, these fallback procedures are not harmonised across all Member States. Consequently, and considering that EFET reported that the existing fallback procedures are largely manual and the length of the manual process does not match the day-ahead auction window, EFET advocated for a review of the fallback procedures and requests greater harmonization and automation. Specifically, EFET is of the opinion that the allowance of within-day over-nominations would constitute a simple and cost-effective fallback procedure alternative.

2. Issue identified by EFET and posted on the FUNC platform

Issue subject as described by EFET on the FUNC platform:

Allowance of over-nomination in the event of capacity platform failure outside working hours.

Abstract on the FUNC platform:

In the event of a failure of the PRISMA (or potentially other) booking platform leading to a disruption of capacity auctions, manual procedures may be invoked during business hours, but no workable fallback is available at other times. Even within working hours, the manual process may overrun the allowed day-ahead auction window. Improved fallback procedures would help to avoid unnecessary TSO balancing action. In the interim, allowance of within-day overnominations (e.g. by provision of no-notice interruptible capacity or an ex-post allocation) would provide a simple, cost-effective fallback as an alternative.

General information:

- *Member states concerned: Austria (AT), Belgium (BE), Bulgaria (BG), Croatia (HR), Czech Republik (CZ), Denmark (DK), Estonia (EE), Finland (FI), France (FR), Germany (DE), Greece (EL), Hungary (HU), Ireland (IE), Italy (IT), Lithuania (LT), Latvia (LV), Luxemburg (LU), Netherlands (NL), Northern Ireland (UK), Poland (PL), Portugal (PT), Romania (RO), Slovakia (SK), Slovenia (SI), Spain (ES), Sweden (SE), United Kingdom (UK)*
- *Network Code concerned: Network Code on Capacity Allocation Mechanisms, Commission Regulation (EU) 2017/459*

Issue description by EFET on the FUNC platform:

The existing fallback procedures in case of auction failures are largely manual, which creates risks of errors and makes the process inaccessible outside the standard working hours. The length of the manual process also does not match the day-ahead auction window, which sometimes proves to be too narrow for the issues to be resolved. In the current environment, the burden of auction failures lies largely with the shippers, since:

a) they may need to readjust their positions to avoid imbalance, especially if there is no guarantee that a fallback procedure will be completed

b) some fallback procedures for day-ahead auctions rely on within-day market, which is both more expensive (through higher multipliers) and less liquid

In system operation terms, this also provides better opportunity for shippers to balance the system, potentially allowing gas to be brought into a market faster for example when a market experiences a sudden supply outage out of business hours and the platform fails, and reducing the TSO need to resort to system balancing action.

To conclude, EFET advocates for a review of fallback procedures, where greater harmonisation and automation would help understanding and operability. However, if changes are not justified because of costs involved, within-day overnominations could be introduced as the standard approach to fallback procedures. Such solution would be available at any time of the day, would not require any substantial development expenses and would give the system users the comfort of knowing that, under the worst-case scenario, they hold interruptible capacity after the auction. System operators would also have the time to analyse the situation in retrospect.

In regulatory terms, this could be provided in the form of interruptible capacity allocated without notice or retrospectively, or a waiver of overrun charges.

Suggested actions by EFET on the FUNC platform:

Adjustment of implementation.

We also support within-day overnominations as standard fall-back procedure for cases when all firm capacity is sold or cannot be offered and is not being used, as a no-notice use-it-or-lose-it service. Under such solution the shipper does not need to have existing bookings with the TSO, but only needs to accept TSOs' GTCs via PRISMA. We believe that the main benefit of overnomination is that the process is available to shippers at any time (also during PRISMA fallouts) and thus gives TSOs time to analyse the situation in retrospect, while the shipper has certainty that they hold interruptible capacity in the worst case.

3. Evaluation of the issue

It has been considered convenient to evaluate this issue in two steps, first by identifying if further harmonisation is needed across the European Member States regarding the fallback procedure and second focusing on determining if further harmonisation is feasible or if oppositely the costs and challenges incurred for reaching a greater harmonisation through a standard fallback procedure are too high in comparison to the expected benefits.

In order to properly assess this FUNC issue, information was collected from the different parties involved, i.e., from the booking platforms (BPs) and Transmission System Operators (TSOs).

3.1. Assessment on whether further harmonisation is needed

In a first stage, it was corroborated that the occurrence of events in which the BPs suffer unplanned downtime is not very frequent and additionally it was observed that the number of unplanned downtimes decreased from one year to another. In 2018 the total number of unplanned downtimes for the BPs PRISMA, GSA and RBP was 8 while in 2019 this number

decreased to 5. Furthermore, the three BPs reported an availability quote of 99.9% for capacity bookings in the years 2018 and 2019. This is a positive indication that capacity auctions are rarely disrupted as a direct consequence of a BP failure.

Secondly, the number of times a fallback procedure was applied was analysed. The analysis focused on the calendar year 2019 and covered technical failures, either on the booking platform or in the back-end system of a TSO. From a total of 41 TSOs, 24 reported that no fallback procedure had to be used, while 2 TSOs initiated fallback procedures, but no capacity was allocated during these procedures. Out of the remaining TSOs, 13 reported that the fallback procedures were used 10 times or less, 8 of these TSOs reported they already used over-nomination as fallback procedure. The remaining 2 TSOs used the fallback procedures 20 times, one used over-nomination as fallback procedure in case of existing capacity bookings at the network point for day-ahead and within-day capacity while the other used a manual capacity request procedure.

Considering the high availability quote of the BPs and that only 37% of the TSOs have used a fallback procedure during 2019, initially it does not seem necessary to go for a greater harmonization. In a first assessment, going for further harmonization can be supported only if clear benefits are reached, that justify the costs and necessary developments incurred. This is evaluated in the following sub-section.

3.2. Assessment on whether further harmonisation is feasible

The current picture shows that only a minority of TSOs have over-nomination as a fallback procedure and consequently, if it were to be selected as the standard fallback procedure for all TSOs, a majority of them will have to implement it. On the table published on ENTSOG's webpage, containing the fallback procedures applied by each TSO, it can be seen that only about a third of TSOs (32,5%) applies over-nomination as the default fallback procedure for auctions with uniform price algorithms (day-ahead capacity, within-day capacity). This means that more than 2/3 (67,5%) of them apply a fallback procedure other than over-nomination in case of technical failure.

Therefore, the question arising is whether TSOs will face any challenges or issues if the use of over-nomination becomes mandatory. This is crucial to understand whether further harmonisation in Europe is feasible through the application of this specific fallback procedure. Consequently, the European TSOs were requested to provide feedback on the challenges/issues they may have to face and if they are in favour of having over-nomination as the standard fallback procedure.

In the next part of this analysis, it was observed that 15 TSOs reported that they are against having over-nomination as standard fallback procedure. Some of these TSOs stated that having over-nomination as a fallback procedure would not have any positive effect on their operations or is not necessary because the fallback procedure they have in place has worked well in the past and that network users never raised an issue on this regard. Oppositely, 15 TSOs indicated that they would be in favour, from which 10 already have over-nomination in

place as fallback procedure. From the remaining 11 TSOs, 7 did not express a defined posture on whether they are in favour or against of having over-nomination as fallback procedure, while 4 did not provide a specific answer on this. Although it seems that there is an equal number of TSOs against and in favour of having over-nomination as a standard fallback procedure, it is important to focus on the challenges that TSOs would have to face if it is decided that all of them should apply over-nomination. This can have an impact on the functioning of the internal gas market.

The following general issues have been identified by some TSOs:

- Costly, complex and time-consuming IT developments on TSO's side. As mentioned in the previous sub-section, 62,5% of the TSOs have not use a fallback procedure in the last year. Therefore, any IT development will not be duly justified considering the low or null usefulness, based on the experience.
- IT developments would be needed on Network users' side.
- Issues related to the REMIT reporting that will lead to inconsistent and incoherent reporting practices/manner by the different TSOs. Over-nomination cannot be precisely identified in the REMIT gas capacity allocation reports, since the relevant XSD schema does not cover this process.
  Moreover, additional costs shall be envisaged with regards to the adjustment of the TSOs REMIT reporting systems and/or the interfaces for data exchange with the relevant REMIT reporting entity/ies (RRM).
- Complex information exchange and processing. Over-nomination would affect the commercial handling, the planning and operational gas transmission for those who do not currently apply over-nomination.
- Increased complexity on the mismatching and accounting processes.
- Additional burden on the staff responsible for a safe and efficient dispatch of gas flows through the transmission system.
- Difficult and time-consuming process related to the necessary modification of the relevant Network Code.

Furthermore, the following specific issues have been raised by some TSOs:

- For one MS, the TSOs do not have a contractual relationship with the nominating party (balance group responsible) which implies that they do not have the possibility to invoice the costs associated with a potential over-nomination process.
- One TSO reported that it will have to make significant efforts for restructuring and setting up internal processes with economic impacts in terms of costs. In order to manage the short-term allocation processes, in case of booking platform shut-down, through the use of over-nomination, it will be necessary to guarantee this service even after office hours and setting up an additional 24/7 activity, including shift workers.

Moreover, it was pointed out that the criteria of when a fallback process has to be applied should be clearly specified and also that the change to over-nomination should include sufficient lead time for implementation, as it does require some IT work and testing. Additionally, it was emphasized the necessity of performing an assessment of potential impacts on internal operational and IT aspects of the process compared to the frequency of tentative occurrence.

The challenges TSOs would have to face in order to implement the over-nomination as fallback procedure are significant. In a first assessment, the costs and complexity of the process seem to have a greater weight than the possible benefits. Implementing over-nomination as the standard fallback procedure will imply IT developments' costs that are difficult to justify in light of the expected benefits, therefore any possible step toward complete harmonization of procedures should be duly justified with a cost benefit analysis.

4. Conclusions

Considering the points stated above, it is clearly shown that some limitations exist for implementing over-nomination as the standard fallback procedure, such as the necessary IT system developments and amendments on the existing legislation (at the moment there is no legal requirement in place that requests a mandatory use of one specific fallback procedure across Europe) as well as changes to national legislation in some countries to adapt to this. Hence, this process will require some time to be put in place and will also have an inherent associated cost.

As mentioned above, a clear structured table with parameters to describe the fallback-procedures and responsibilities in case of an auction failure for each TSO already exists. This table was prepared as a result of the FUNC issue on timing and comparability day-ahead auctions (ID: 07/2018)[1] and is publicly available. Throughout the process of analysing the current issue, this table was also updated in cases where there had been changes in the procedures used or the contact details. Regular updates of this table will continue to be made in the future.

In light of the foreseen changes required if the over-nomination was selected as a standard fallback procedure for all TSOs, the impact it will have on the TSOs systems and considering the existing information available to the users and procedures in place, it is concluded that there is no clear benefit associated with adopting over-nomination as the standard fallback procedure for all TSOs, especially considering the low number of times a failure of the auction process has been reported in the past.

[1] The FUNC issue 07/2018 was posted by Gazprom Marketing and Trading who reported that the 30-minute time window for the day-ahead auction does not always allow for issues to be solved by the end of the auction window. As a result, the day-ahead auction fails which leads to market participants not being able to balance their positions and the next opportunity to buy a full 24-hour product is the next within-day capacity auction. To solve this issue, ACER and ENTSOG, with the cooperation of the TSOs, developed a clear structured table with parameters to describe the fallback-process and responsibilities in case of an auction failure for each TSO.

Therefore, it is concluded that there is no need for an amendment to the Regulation and that the current table available on ENTSOG's webpage already constitutes an ample solution and source of information for network users.

It should also be highlighted that, the ENTSOG TSOs who indicated that they are in favour of having over-nomination as standard fallback procedure across Europe did not object to the final solution specified in this section for this FUNC issue and agree with this conclusion.

Independent of this, each TSO aims to consider the needs of the network users and to check the functionality of its own fallback procedure in case of increasing unplanned downtimes. If processes are changed, however, the costs incurred must be in balance with the benefits gained. Any change has to be in line with the European and national regulatory framework.