ACER
Agency for the Cooperation of Energy Regulators

STUDY ON THE CONDITIONALITIES STIPULATED IN CONTRACTS FOR STANDARD CAPACITY PRODUCTS FOR FIRM CAPACITY SOLD BY GAS TSOs

Overview of the types of firm products offered and their conditions

VIS Consultants

Stakeholders' Workshop

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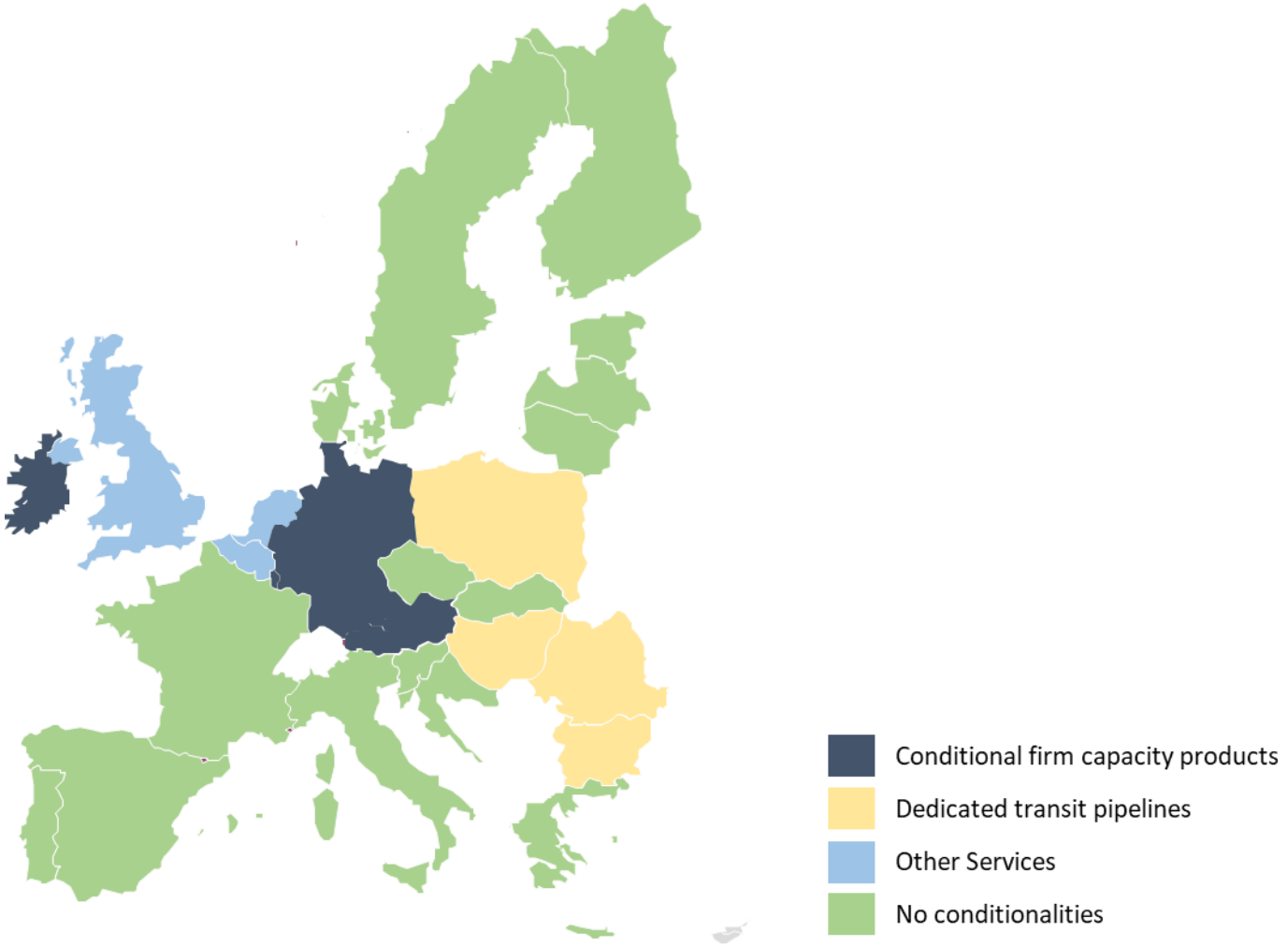
Introduction

- Aim of Task 1 was to provide an overview of the types of firm products offered and their conditions, based on information collected from each Member State
- The information was collected by performing structured interviews with the EU NRAs and TSOs. To ensure consistency the same questionnaire and data request list were used for all TSOs, and the same questionnaire for all NRAs
- The Consultant interviewed 25 NRAs and 47 TSOs (September – early October 2018)
- The description of the situation in each Member State is based on the information received from the NRA and TSO(s), review of documents, analysis of quantitative data collected from TSO websites and booking and transparency platforms

Cases impacting firmness or allocability

- Offering of a range of firm capacity products beyond firm capacity with free allocability, that have conditionalities upon which firmness or allocability of capacity may be restricted
- Offering of services other than the standard entry-exit transmission service, which give to network users the possibility to designate balanced flows from specific entry to exit points, predefined by the TSO, for network users not interested in accessing the VTP
- Cases of long-term legacy contracts – dedicated transit pipelines still in place, which result in designated point-to-point flows affecting the allocability at the relevant network points

Application in EU Member States



Firm capacity products (1/2)

Firm capacity with free allocability (FZK)

- Capacity product that guarantees the possibility to use the contracted capacity under all normal operational conditions (except force majeure, maintenance, emergency)
- Provides independent use of entry and exit points, and full access to VTP

Conditional firm capacity with free allocability (bFZK)

Capacity product that restricts the possibility to use the contracted capacity in case a predefined external condition applies (temperature, flow condition). Any capacity is then offered on an interruptible basis

Unconditional firm capacity with dynamic allocability (DZK)

- Capacity product that guarantees the possibility to use the contracted capacity under all normal operational conditions
- Allocability depends on whether there have been appropriate capacity assignments at one or more (predetermined) physical exit or entry points of the system
- Any additional use, including accessibility to the Virtual Trading Point, is offered on an interruptible basis

Firm capacity products (2/2)

Unconditional firm capacity with restricted allocability (BZK)

- Capacity product that guarantees the possibility to use the contracted capacity under all normal operational conditions
- Allocability depends on whether there have been appropriate capacity assignments at one or more (predetermined) physical exit or entry points of the system
- Any VTP use is not possible

Other special services

Short haul

Service provided by the TSO in order to feed gas into a specific entry point and withdraw gas from a specific exit point of the company's network. The distance between the two points, i.e. entry and exit, must be small (e.g. cannot be more than 50 km)

Wheeling

Service provided only in case of very short distance between the entry and the exit point (e.g. within the same border station), for direct transmission of gas between two interconnection points

Operational Capacity Usage Commitments (OCUC)

Service provided by the TSO for the combined utilization by a network user of a well-defined entry service at an interconnection point with a well-defined exit service at another interconnection point, without access to any other network points or the VTP. Provision of the service required booking of capacity at the respective entry and exit points.

Key findings – Offering conditional products (1/7)

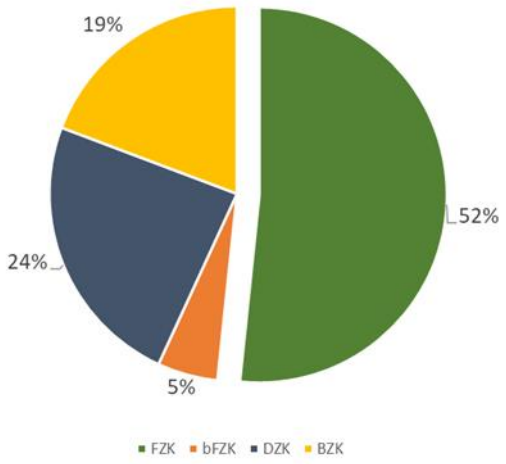
Type	Product Name	AT	DE	LU	(IE)
Firm	FZK	✓	✓	✓*	✓
Conditional	bFZK		✓	✓	
	DZK	✓	✓		
	BZK		✓		✓

* Not at IPs

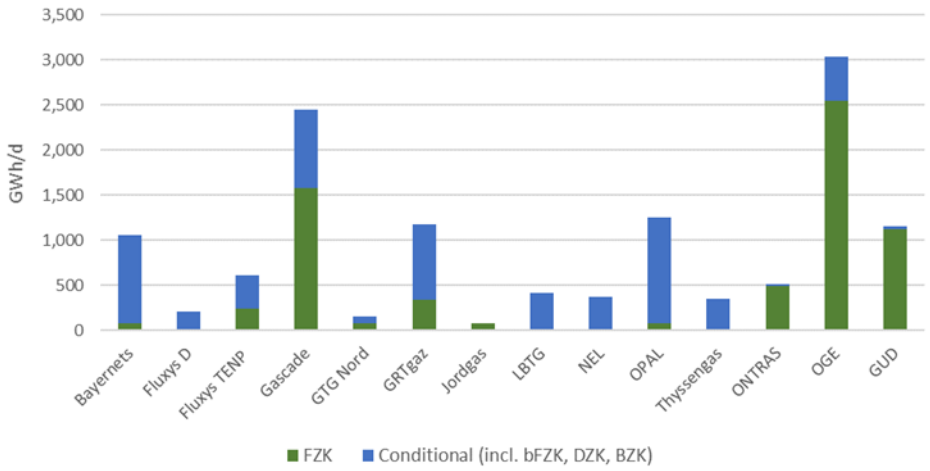
Key findings – Offering conditional products (2/7)

- Germany is making by far the largest use of conditional products, with all TSOs offering (or planning to offer) at least 1 such product
- Out of approximately 530 GWh/d booked in the German market areas in 2017/18, 48% concerned capacity offered under conditionalities

Share of marketable products in Germany in GY 2017/18



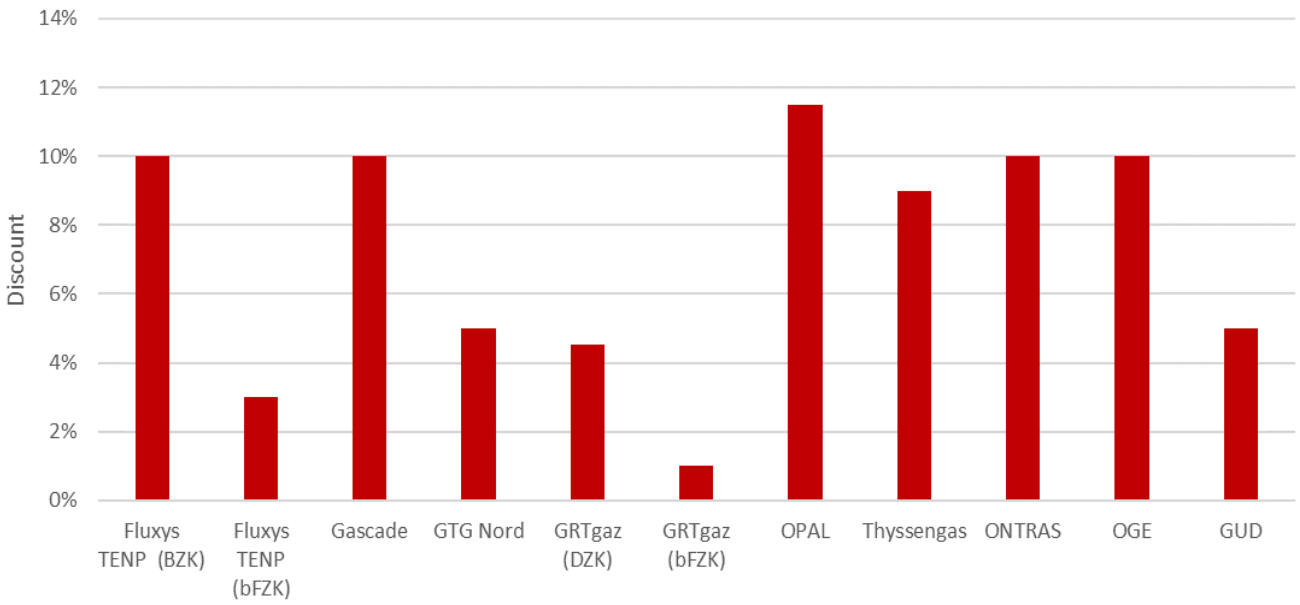
Marketable capacity per German TSO in GY 2017/18



Source: TSOs websites (still to be validated)

Key findings – Offering conditional products (3/7)

- Offering conditional products is at a discount compared to FZK, limited to the discount for interruptible capacity. Practiced maximum discount is 10%



Source: TSOs websites

Key findings – Offering conditional products (4/7)

- Primary drivers for the provision of conditional products in Germany are efficient use of the network, avoidance of unnecessary network investments, and maximization of the provided technical capacity
- According to TSOs, in 2013 it was calculated that to offer only unconditional firm capacity with unrestricted allocability would require investments of almost 10 bln Euro is the German system
- The upcoming merger of the NetConnect Germany and GASPOOL market areas into a joint market area, is expected by TSOs to lead to changes in the capacity products offered, as such a merger may have an impact on firm capacities and may require measures to avoid congestion

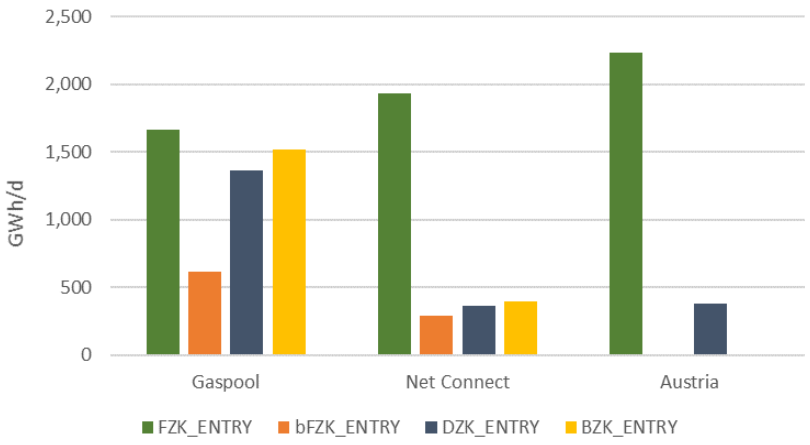
Key findings – Offering conditional products (5/7)

- In Austria, DZK offered is being phased-out. DZK was introduced to transfer contracts from the point-to-point to the entry-exit system. Already booking at the Oberkappel IP has ceased, and at Überackern reduced to just 2.7 GWh/d. In the third IP where DZK product is available, Arnoldstein, TAG is proceeding with the necessary investments to convert this product to FZK
- In Luxemburg, only conditional capacity is being offered at the country's IP, for security of supply reasons, to ensure sufficient gas in the winter period, and gas flows that the system can withstand in summer
- In Ireland, a conditional product (BZK) is available, however, so far, the relevant IP has not been used commercially by network users

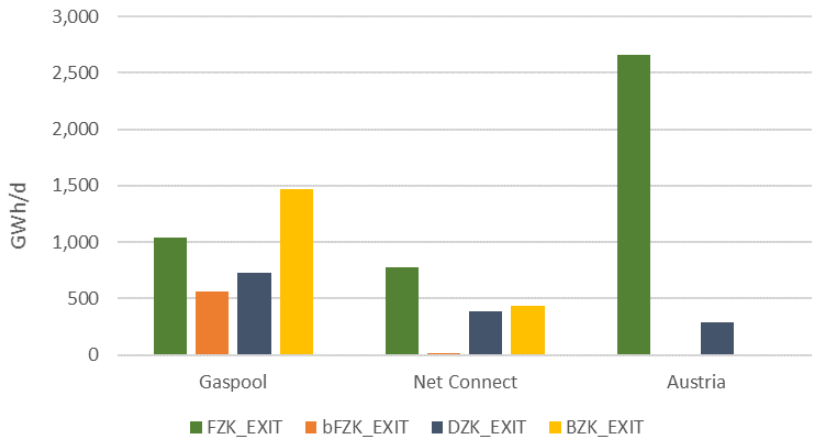
Key findings – Offering conditional products (6/7)

- A fair size of conditional firm capacity products is for exit to internal network points (large end users, storage sites, DSOs) rather than transit, which largely explains the differences between entry-side and exit-side

Available Entry Capacity by type, in GY 2016/17



Available Exit Capacity by type, in GY 2016/17



Source: TSOs websites

Key findings – Offering conditional products (7/7)

- In a few Member States there are considerations for introducing conditional products, to serve specific requirements of the markets
- In Greece there are considerations by the TSO to use conditionalities to facilitate the large increase of transit flows that is expected after the commissioning of new infrastructure, without the need of lifting internal bottlenecks in the system
- In Hungary, discussions have commenced to introduce a special conditional product for gas fired power plants that are vital for the balancing of the electricity system

Key findings – Other special services

- Fluxys Belgium, Gasunie Netherlands and National Grid have developed and are offering tailored services to network users, that are not interested in accessing the VTP, but only to use the system for transit purposes
- Difference with the CCPs is that these services are only provided if requested by network users, after they have booked firm capacity with free allocability.
- Belgium offers wheeling and OCUC, Netherlands wheeling and short haul, and UK short haul
- These services are offered at lower prices compared to the standard transportation service. Indicatively, wheeling service can result in a capacity component of the tariff 6 (Netherlands) to 10 (Belgium) times lower than the relevant tariff for the entry-exit transmission service

Key findings – Transit pipelines and contracts (1/2)

- In most Member States there are no dedicated transit pipelines, and in most long-term transit contracts the main contractual terms are similar to those of the standard contracts. There are some cases of long-term transit contracts and dedicated pipelines limiting firm capacity availability
- In Poland, only part of the Polish section of the Transit Gas Pipeline System Yamal-Europe is provided to network users, with the rest been dedicated to long-term transit contracts
- In Romania, long-term transit contracts are in place on the Trans-Balkan Corridor (until 2023), while the system is currently not connected to the national grid (integration is underway). As a result allocability is restricted to a point-to-point transit of gas
- In Bulgaria a transit network is in place, limiting the access to the market to the capacity of a transfer point

Key findings – Transit pipelines and contracts (2/2)

- In Hungary, a long-term transit contract to Serbia is limiting the available capacity at specific entry and exit points, the terms and conditions of which are not in line with those of the TSO's transmission contract for entry-exit services (50-60% of capacity at the IP with Serbia is being used for the long-term transit contract)

Thank you for your attention