Implementation of the Guidelines for Good TPA Practice for Gas Storage System Operators (GPSSO)

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Implementation of GGPSSO

- On 18 March 2005, the Joint Working Group of the Madrid Forum adopted the GGPSSO for implementation from 1 April 2005

- ERGEG was requested by the European Commission to monitor implementation of the GGPSSO

- The ERGEG Storage Task Force (TF) developed questionnaires for National Regulatory Authorities (NRAs), Storage System Operators (SSOs) and storage users

- 88 responses received:
    - 16 from NRAs
    - 39 from SSOs (representing 87% of storage capacity in Europe)
    - 33 from storage users (including 9 confidential responses)

All non confidential responses are published on the ERGEG website

ERGEG preliminary report

- Presented in Madrid for discussion and comment – final report later this year

- Assesses implementation of the GGPSSO by 32 SSOs

  - only very few SSOs declined to respond (German SSOs GVS and IVG consider that they are not SSOs and that the questionnaire does not apply to them, other SSOs explained that they would submit a response later, not received to date)

  - some SSO responses not included in the monitoring exercise (e.g. SSOs with a exemption from TPA, SSOs from outside the EU – see report annex for details)

- Focuses on the requirements in each of the sections of the GGPSSO - covering:

  - role and responsibilities of SSOs/confidentiality

  - necessary TPA services

  - capacity allocation and congestion management

  - transparency

  - secondary markets

Overview of the EU storage market

- Access regimes differ across the EU
  - in only three countries (Belgium, Italy and Spain) access to storage is regulated

- A large number of SSOs are not legally separated from related supply activities

- Some SSOs are legally separate, but the incumbent gas supplier owns or has a significant stake in the SSO (apart from one)

- Some users have stressed that in many countries there is no alternative to storage for flexibility

- Concerns expressed by users about lack of available storage capacity

- Most SSOs have less than 5 users

General overview of the initial results

- The initial results indicate that:

  - progress has been made in implementing the GGPSSO - some of the requirements have been implemented but the extent of implementation varies across countries

  - some generic areas of concern where implementation is not so good are:

    + transparency requirements
    + development of secondary markets

Main results:
Role and responsibility /confidentiality

- Given that the vast majority of SSOs are part of a vertically integrated undertaking, monitoring of requirements relating to confidentiality/terms & conditions for affiliates is important to help ensure non-discriminatory access

- Most, but not all, SSOs provide a document setting out the terms and conditions applied to affiliate companies

- For a large proportion of the EU storage market there does not appear to be effective confidentiality arrangements in place (i.e. separate databases and business locations and firewalls)

Main results:
Offer of TPA services

- SSOs need to provide a range of services in order for the market to work efficiently – although the GGPSSO requirements represent a **minimum** not all SSOs seem to comply with them. For example:

  - size of SBUs

  - users, and especially new entrants, are not always "properly" consulted

- In addition, for a significant number of SSOs - exclusion of capacity from TPA has not been approved or monitored by the relevant regulatory authority

Main results:
Capacity allocation mechanisms

- It is important that storage capacity is allocated on a fair and non-discriminatory basis to ensure no distortions to competition – this includes setting out rules about how users' capacity rights are treated

- There is a range of different capacity allocation methods used by SSOs

- Storage users argued that the overall impact of the GGPSSO on improving congestion management as been weak

- Although a number of SSOs have adopted anti-hoarding procedures it is not clear how effective these are in ensuring non-discrimination

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Areas where implementation of the GGPSSO is lagging behind: Transparency requirements

- Transparency is a prerequisite for non discriminatory access to storage facilities

    - there is generally very limited transparency on operational storage data in Europe – for example only one SSO publishes utilization rate data

    - 18 SSOs have explained that they do not publish information because of the "three minus rule" in the GGPSSO – however this "rule" is generally invoked by SSOs without regulatory control/monitoring

    - 14 SSOs say they do not publish data to protect commercial interests of storage users commercial interests – **BUT** only two users have indicated in the questionnaire responses that they have requested an SSO to not publish information

    - a significant number of SSOs do not publish the main commercial conditions of access. This requirement is also necessary under the Gas Directive

    - data that is published is often not consistent with the definitions in the GGPSSO are not in a readily useable format

- Users' views

    - many users stressed that the information they need (i.e capacity data, especially available capacity, aggregate inflows and outflows and historical utilization rates) is not being made available

Areas where implementation of the GGPSSO is lagging behind: Secondary markets

- **Secondary markets**

  - secondary markets are useful for improve the availability and efficient use of storage capacity

  - even though some SSOs have set up a bulletin board, others have not taken any steps to allow and facilitate secondary trading of storage capacity

  - secondary trading of unbundled capacities is not always possible

- **Users' views**

  - users trade storage capacity on the secondary markets developed by the following SSOs: Stogit (IT), CSL (UK), and SSE (UK). Some contributions indicate that the bulletin boards set up by some other SSOs have never been used

  - sometimes, even when secondary trading of storage capacities is possible, it is difficult in practice

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Implementation of the other GGPSSO requirements (to be implemented by 2006)

- Not all requirements under the GGPSSO are due to be implemented by 1 April 2005
  - however it is important to understand what progress SSOs are making towards implementing these later requirements

- Some SSOs have already implemented some of the GGPSSO requirements, in advance of the deadline:
  - for example, the following services are offered by at least 10 SSOs:
    - unbundled services (15 SSOs)
    - short term services down to a minimum period of one day (12 SSOs)
    - interruptible services (15 SSOs)

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ERGEG welcomes

- Feedback on its preliminary report – in particular:
    - have the GGPSSO improved access conditions for storage?
    - are there any countries in particular where the storage market is not working effectively?
    - where are the remaining areas of concern with regards access to storage?
    - can these be overcome with full implementation of the existing GGPSSO?
    - if not, why not?

- ERGEG also welcomes specific comments on the details of its initial monitoring assessment

- Comments are welcome here at the Madrid Forum and also as written responses by 7 October

- A final monitoring report will be published by ERGEG later in the year after taking account of responses. This report will also include an overall compliance assessment for each SSO