



***Eleventh Meeting of the European Regulatory
Forum
18th-19th May 2006***

***Regulation 1775/2005: Draft Explanatory Notes on
Capacity Allocation Mechanisms***



Eurogas emphasizes the importance of full, timely and correct implementation of the Regulation 1775/2005.

Eurogas welcomes the establishment of Explanatory Notes on the Regulation 1775/2005, in so far as they lead to a common understanding of the Directive's requirements.

Eurogas, however, would be concerned if they introduced elements which go beyond the Regulation.



Eurogas is not persuaded that Capacity Allocation Mechanisms and Congestion Management should be treated in two different papers.

Amalgamation of the two papers would give a clearer recognition of the interaction between these two important elements of the same activity, namely capacity usage.



Eurogas prepared papers in April 2003 and June 2004 on Capacity Allocation and UIOLI.

Eurogas accepts that there can be variation in detailed rules among member states, but it is important for the confidence of network users in the system, and their ability to access and utilise capacity for their commercial needs, that common practice is based on more detailed principles.

The system should

- promote and support gas supply competition
- maximise the use of capacity
- provide clear rules for accessing capacity in the long and short-term
- address any short-term shortages in capacity availability



Main Comments : Capacity Allocation

- Eurogas is not convinced of the value of an “open season”/“open subscription” for the allocation of existing capacity
 - “Open season”/“open subscription” is to allow users to signal their needs to TSOs for future capacity to ensure the optimal sizing and timing for new infrastructure, not a capacity allocation mechanism
- Eurogas would prefer that firm and interruptible capacity can be offered simultaneously
- The role of the secondary market in bringing unused capacity to the market should be clearly recognised
- Eurogas supports the requirement on TSOs to collect data which will give an indication of future capacity requirements; the best indicator of efficient use of capacity is the optimisation of aggregate flows across a network
- TSOs must give proper notification to users of events affecting capacity



A number of issues still need further attention

- Eurogas welcomes the requirement that capacity allocation mechanisms have to be non-discriminatory and transparent, but further clarification is needed on the concept of compatibility with market mechanisms.
- It is very important to define the minimum requirements for secondary capacity trading, as indicated.
- The role of primary capacity holders, not just of TSOs, should be recognized in bringing unused capacity to the market.
- Eurogas does not recognize the definition provided in the note of “postage stamp” systems.

