

EUROGAS POSITION ON USE-IT-OR-LOSE-IT (UIOLI) PRINCIPLES

After the last Madrid Forum in October 2002 Eurogas received a proposal from EFET concerning the Use it or Lose it (UIOLI) Principles. Eurogas considered the EFET paper and has the following proposal to make on the UIOLI issue.

The starting point for Eurogas is that there should not be the possibility for a network user to hoard capacity or restrict the availability of unused capacity for other users. Recognized mechanisms to avoid hoarding would benefit all users. These could vary in detail, especially in different regulated systems and in a negotiated system, as long as they meet the objective of promoting resale of unused capacity.

In the view of Eurogas

- There should be a distinction between primary market and secondary market.
- It is important to have mechanisms in place which promote the development of a secondary market in capacity trading by capacity holders. The TSO has a role in facilitating this market. If holders are not using capacity, the TSO should be able to resell it on an interruptible basis in the primary market.
- There is no need in the opinion of Eurogas to distinguish between short and long-term services. The only important distinction is whether it is firm or interruptible capacity which is unused.

Firm Capacity or Interruptible Capacity

In all cases firm capacity rights should be protected and respected. Only the holder of the firm capacity can agree a contract transferring it to another user on a firm basis or resell his capacity either on a firm or on an interruptible basis. If the TSO does not agree to a transfer of the contract, the holder of the firm capacity has to fulfil his contractual obligations vis-à-vis the TSO, also in the case that he has resold his capacity on a firm or on an interruptible basis.

In the absence of an initiative by the owner of the firm capacity, if it is perceived to be unused, the TSO can sell the unused firm capacity on an interruptible basis only. If an interruptible capacity is unused, it also can be resold by the TSO on an interruptible basis on the same conditions as mentioned above.

Payments

The primary objective of the payment system should be to promote a secondary market involving users reselling their capacity rights but also protecting contractual rights.

If the holder of the capacity sells his capacity then he should receive the payments for the resold capacity (secondary market). If he informs the TSO that it can be sold, and the TSO agrees to a transfer to a new contract partner (primary market) then he will be relieved from the contract and all obligations (including payment obligations).

If the TSO perceives the capacity to be unused and sells it on an interruptible basis, then the TSO initially receives the benefits which should then be shared in full or preferably partially (in order to give the TSO an incentive to resell unused capacity) among all capacity holders on the relevant section of the network (primary market).

Other Points

In order to have sufficient firm capacity available for those who have a respective demand and not to restrict them to an interruptible service an opportunity could be introduced into the system permitting holders of firm capacity who do not need the capacity (perhaps over a period) to justify to the competent authorities, why they are not using their capacity.