



Implementation of the GGPSSO
ERGEG Monitoring Report 2006 – Interim Results

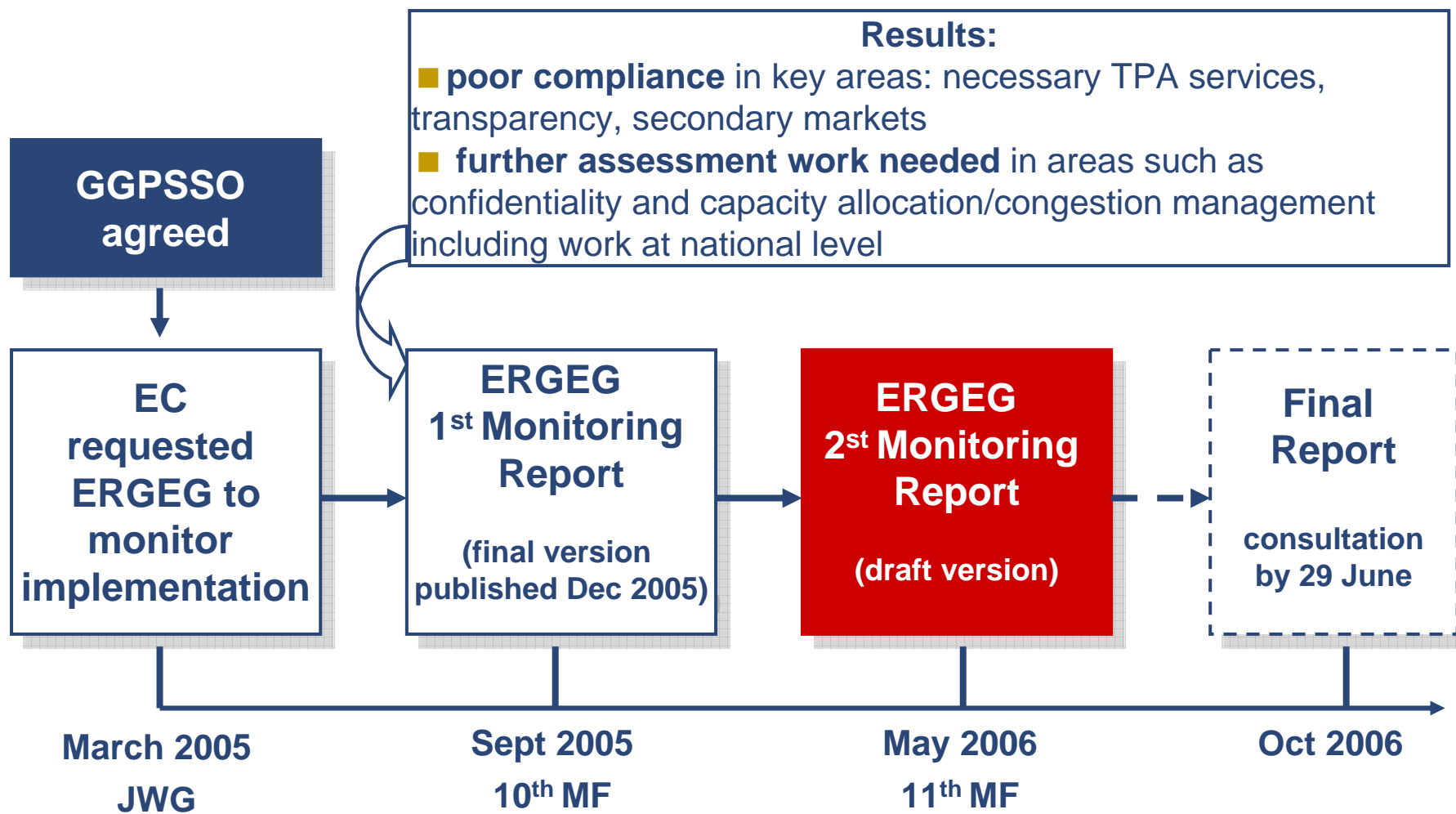
Rosita Carnevalini and Pierre-Marie Cussaguet

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Agenda

- **GGPSSO Monitoring – Procedure, Method**
- **Storage Operators and Capacities covered**
- **EU Storage Market – Overview**
- **GGPSSO Monitoring Report – Initial Results**
 1. **confidentiality / role and responsibilities of SSOs**
 2. **necessary TPA services**
 3. **capacity allocation and congestion management**
 4. **transparency**
 5. **secondary markets**
- **Consultation**

GGPSSO Monitoring – Procedure



GGPSSO Monitoring – Method

- **NRAs and SSOs were asked to**
 - update last year's questionnaires
 - answer additional questions focusing on areas that needed further investigation
- **Responses were received from**
 - 14 NRAs
 - 45 SSOs
- **All non confidential responses are published on the ERGEG website**
- **Interim report presented to the Madrid Forum for discussion and comments**
 - Consultation period by 29 June 2006
 - Final report including recommendations will be released in October 2006
 - A list of questions for stakeholders is included in the report

SSOs included in the monitoring exercise

- **31 SSOs covered**
 - representing around 90% of total EU working capacity
- **5 SSOs not included because not subject to the GGPSSO**
 - i.e. facilities exempted from TPA or not fully operational for technical and regulatory reasons
 - Latvijas Gaze (LV), Transco Lng Storage (UK), Deutsche Essent (DE), POGC (PL), Nova Naturgas (SE)
- **9 SSOs not included because they did not provide enough information to make an assessment**
 - reasons detailed in the report's Annex 1
 - E.ON Gas Sverige (SE), GASAG (DE), Gasspeicher Hannover (DE), Exxon-Mobil (DE), Gaz de France E&P (DE), N-ERGIE (DE), Statoil (DE), SWKiel netz (DE), Pozagas (SK)

Interim Monitoring Report 2006 – Overview

- **The report focuses on the requirements in each section of the GGPSSO**
 1. confidentiality / role and responsibilities of SSOs
 2. necessary TPA services
 3. capacity allocation and congestion management
 4. transparency
 5. secondary markets
- **The report includes a comparison with the 2005 monitoring report results**
- **Inputs from NRAs' national reports are included in each section of the GGPSSO**

EU Storage Market – Overview

- **Access regimes differ across the EU**
 - access to storage is systematically regulated in only four countries (Belgium, Italy, Poland and Spain)
 - in other countries, access is regulated only for some categories of users or is negotiated with differing levels of ex-post control by NRAs
- **Unbundling**
 - A large number of SSOs (18 out of 31) are not legally separated from related supply activities
 - Some SSOs are legally separated, but the incumbent gas supplier owns or has a significant stake in the SSO (apart from one)
- **No major improvements with regard to the legal status of SSOs and access regimes were observed in comparison with the 2005 monitoring report results**

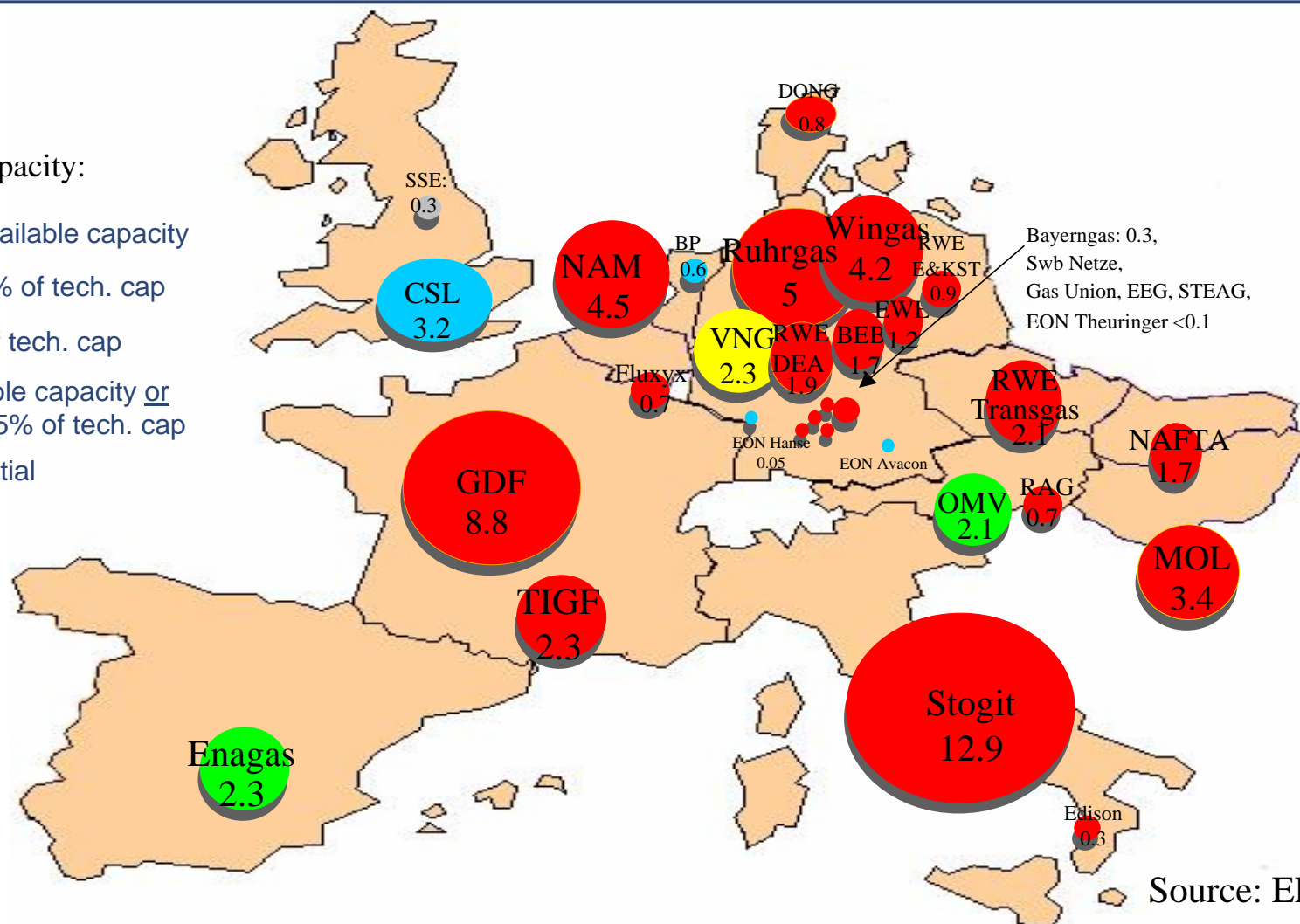
Initial Results – Overview

- **2 years after the entry into force of the 2nd Directive, the 2006 initial results indicate that compliance has improved but remains insufficient**
 - both in areas identified last year as problematic and in areas where further investigation was requested
- **Most storage facilities are fully booked or have little available capacity**
 - Around 45% of monitored storage capacity is fully booked (15 SSOs out of 31)
 - for another 38% of monitored storage capacity less than 5% of technical capacity is available
- **20 SSOs have less than 5 users**
 - 14 SSOs have less than 3 users
 - 5 SSOs have 1 user

Storage capacity and available capacity by SSO covered by the monitoring report as of 8 March 2006 (in bcm)

Available capacity:

- Some available capacity
- Over 20% of tech. cap
- 5-20% of tech. cap
- No available capacity or less than 5% of tech. cap
- Confidential



Source: ERGEG



Note: this map addresses available capacity in Europe but not allocation and congestion management procedures; 4.33 Bcm of NAM's storage capacity and 0.54 Bcm of BP's storage are excluded from TPA; Enagas specified that due to capacity requirements for the new injection/withdrawal cycle, most of the available capacity will be booked during March; Gaz de France, EON Ruhrgas, MOL, EON Avacon and EON Hanse provided the updated capacity situation at 1 April 2006

Initial Results – Confidentiality, Role of SSOs (1)

REQUIREMENT

- given that most SSOs are part of vertically integrated undertakings, requirements on confidentiality / terms & conditions for affiliates are important to ensure non-discrimination

RESULTS

- almost all SSOs now have a document establishing terms and conditions applied to affiliate companies
- **however**, assessing the quality of these documents was in some cases impossible due to SSOs' failure to submit the document to their NRA
- **compliance with other confidentiality requirements has improved**
- **but** only a minority of SSOs appear to have taken all steps to ensure confidentiality of information (e.g. confidentiality measures are not monitored, there are no separate databases)

Initial Results – Confidentiality, Role of SSOs (2)

INPUT FROM NRAs' NATIONAL STORAGE REPORTS

- **NRAs point out that it is crucial they have appropriate powers to monitor the situation at SSOs and to take action if there are problems that are impacting on the market**
- **NRAs question whether even full implementation of GGPSSO requirements is sufficient to ensure confidentiality of information**

Initial Results – Necessary TPA services (1)

REQUIREMENT

- **SSOs need to provide a range of services in order for the market to work efficiently**

RESULTS

- **There has been progress in this area, particularly regarding services required as of 1 April 2006**
- **But problems remain**
 - how much capacity is excluded from TPA remains unclear due to the insufficient monitoring powers of some NRAs
 - some large SSOs still do not offer some of the minimum services (10 SSOs do not offer both firm and interruptible services)
 - users, and especially new entrants, are not always properly consulted regarding services (15 SSOs conduct consultation processes that are neither open nor supervised by any NRA)

Initial Results – Necessary TPA services (2)

INPUT FROM NRAs' NATIONAL STORAGE REPORTS

- **NRAs point out that their role in supervising open consultation processes involving new entrants to assess and meet market needs varies and is sometimes limited**
- **NRAs suggested that offering services was not enough**
 - **Question of availability of services**

Initial Results

Capacity Allocation/Congestion Management (1)

REQUIREMENT

- Storage capacity has to be allocated on fair and non-discriminatory basis

RESULTS

- First come first served and first committed first served rules are the **main capacity allocation mechanism** used by SSOs (representing 49% of the storage capacity monitored)
- Most storage facilities in the EU are **fully booked** (in several cases on a long-term basis) or show very limited available capacity. Therefore congestion management procedures are essential
- **Few SSOs have improved their procedure for congestion management** in line with the GGPSSO requirements in particular through the establishment of UIOLI rules for unused nominated capacities (15 SSOs monitored still do not comply with these anti-hoarding provisions, representing 54% of storage capacity monitored)
- The large majority of SSOs have designed **congestion management mechanisms** themselves (19 SSOs out of 31)

Initial Results

Capacity Allocation/Congestion Management (2)

INPUT FROM NRAs' NATIONAL STORAGE REPORTS

- **NRAs indicate that when multi annual capacity contracts have been signed (representing 50% of the storage capacity monitored), the duration for which capacity is allocated or available is not published**
- **NRAs stress the importance of effective congestion management mechanisms in a context characterised by congestion, sometimes on a long-term basis**

Initial Results – Transparency (1)

REQUIREMENTS

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

RESULTS

- Since last year, progress has been made with regard to commercial information and capacity data but there is not full compliance
- The level of compliance remains insufficient
- Some SSOs use traffic lights only
- Where published, the data sometimes do not meet the GGPSSO definitions
- 21 SSOs do not publish aggregated inflows and outflows and historical utilization rate
- 7 SSOs do not publish although they have more than 3 users
 - 14 SSOs explained that they have less than 3 users
 - Non publication has not been reviewed by NRA for 7 SSOs

Initial Results – Transparency (2)

INPUT FROM NRAs' NATIONAL STORAGE REPORTS

- NRAs have indicated that progress has been made with regard to commercial information
- Definitions should be reviewed to improve their specificity, and followed consistently
- It is unclear if information is published on a timely manner
- The information provided on planned maintenance is not sufficient
- As with other areas of the GGPSSO, a complete assessment will need to take into account user views

Initial Results – Secondary markets (1)

REQUIREMENT

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

RESULTS

- Trades on the secondary market have however been limited
- This can be explained by the small number of storage users in the primary market
- SSOs have not taken the necessary measures
 - a minority of SSOs (11 SSOs) state that they have implemented an electronic platform or a bulletin board
 - some SSOs still do not allow for title transfer

Initial Results – Secondary markets (2)

INPUT FROM NRAs' NATIONAL STORAGE REPORTS

- NRAs have pointed out the impediments to the development of secondary trading
 - lack of market liquidity
 - secondary trading prohibited by law
 - lack of willingness of SSOs to facilitate secondary trading (e.g, some SSOs do not permit trade of gas in store)

ERGEG welcomes feedback

- **ERGEG welcomes feedback on its interim report – in particular:**
 - have the GGPSSO improved access conditions for storage?
 - are there any countries in particular where access to storage is not working effectively?
 - where are the remaining areas of concern with regard to access to storage?
 - can these problems be overcome with full implementation of the existing GGPSSO?
- **ERGEG also welcomes specific comments or corrections on the details of its initial monitoring assessment**
- **Comments are welcome at the Madrid Forum; written responses are also welcome by 29 June 2006**
- **ERGEG will take account of these responses in its final monitoring report, which will be published in October 2006; the final report will include the ERGEG's final recommendations to the EC**