



Presentation for the Madrid Regulatory Gas Forum on 30th / 31st October 2002 in Madrid

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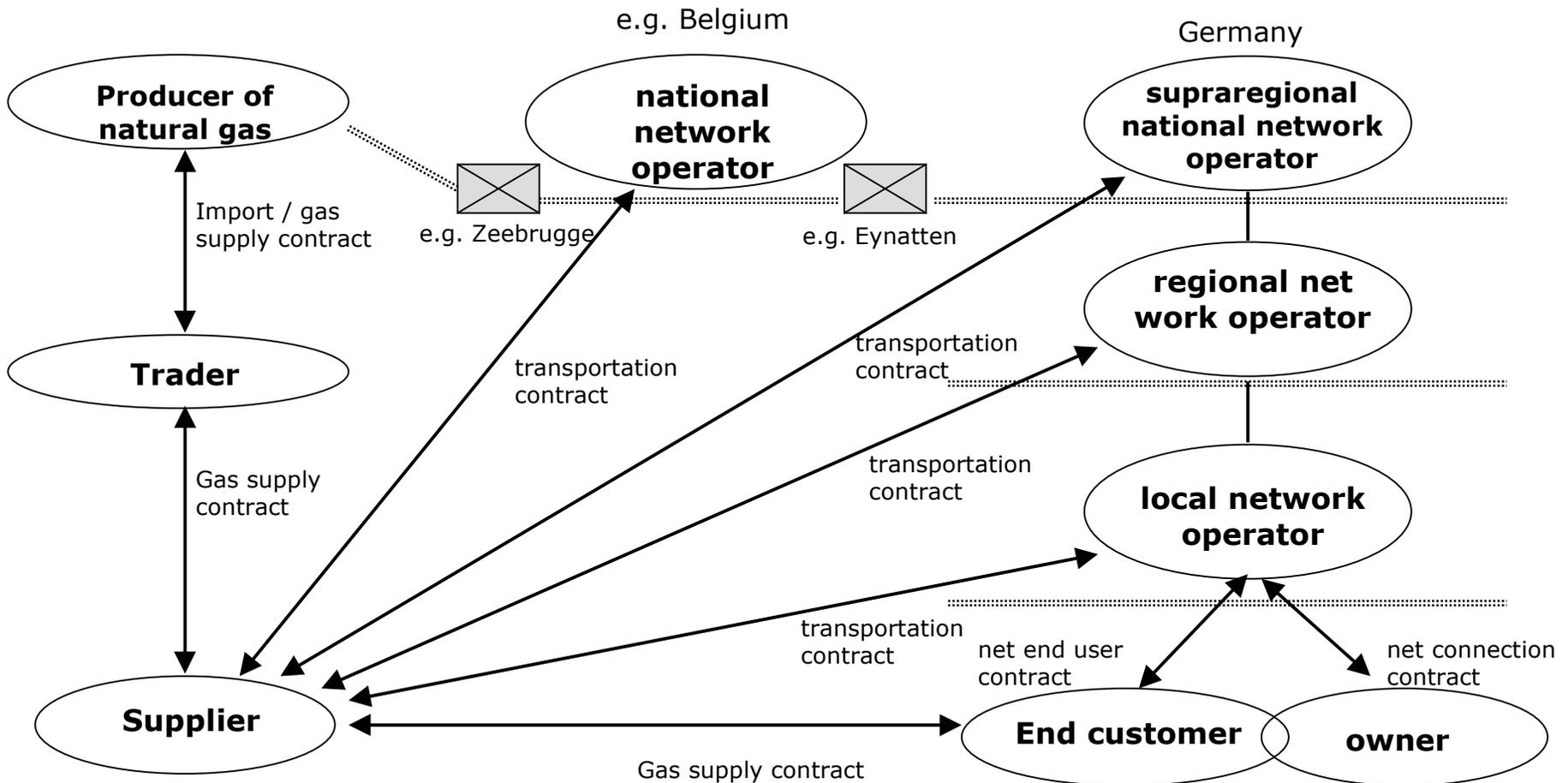
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Network Access System – Current Problems

- GEODE considers a **simple network access system** feasible and crucial for the liberalisation of the European gas market
- In some Member States a distance-related point system is still implemented
- **Practical experiences** with such systems prove that these systems lead to various problems:
 - the system is **too difficult to handle**
 - the system is **time consuming** (conclusion of various contracts)
 - the system is not cost reflective
 - the system facilitates **discrimination** between network users
 - the system does not enable the implementation of “real” **balancing groups**
 - **advantages** of different network users are not passed on to the clients

Network Access System – Problems of Point-to-Point Systems



Network Access System and Tariff Structure - Recommendation

- GEODE believes that an **entry-exit system is favourable** for all Member States
 - the experiences in other Member States (e. g. UK) show that entry-exit systems are workable and facilitate trading
 - many Member States started to implement entry-exit systems
- tariffication systems can provide for an **entry-exit tariff** or only an **exit tariff** (comparable to the electricity system)
- Recommendation to amend good Practice Guidelines in favour of entry-exit systems

Network Access – Organisational and Contractual Issues

- **Simplification of the contractual and organisational framework for network access is necessary**
 - current point-to-point contractual systems lead to high transaction costs
 - master agreements for network use should be offered
 - max. period of one week to reply to requests by network users
 - short term contracts with an adequate pricing system should be possible (on a monthly, weekly and daily basis)
- **Approval of tariffs and regulatory authorities**
 - regulatory authorities should act as neutral supervisor of the market
 - power to intervene in cases of discrimination
 - ex-ante approval of tariffs favourable
- Recommendation to amend good Practice Guidelines

Capacity Allocation and Trading

- **Implementation of “Use it or Loose it” principle**
 - no contractual virtual bottlenecks
 - authority necessary to supervise capacity question with authority to intervene in case of breaches of the principle
- **Establishment of Capacity Release Mechanisms**
 - programmes with **adequate capacity volumes** should be established in all Member States
 - **auction based programmes** – rules have to be approved by regulator / ministry
 - auctions on **different hubs**
- **Capacity trading shall be possible**
 - Recommendation to amend good Practice Guidelines

Balancing and Unbalancing Charges

- A workable and **non discriminatory balancing system** is necessary for network access
 - national systems should allow the establishment of **balancing groups** between different network users
 - the **time period** of balancing (often one hour) has to be improved (e. g. daily balancing)
 - **Unbalancing Charges are to be adjusted**
 - Charges are often too high (over penalisation)
 - Charges hamper structured deliveries
- Recommendation to amend good Practice Guidelines

Conclusions

- Network access systems in many Member States are **insufficient**
- **Common rules** for all Member States are important
 - Good Practice Guidelines are helpful as a first step
- **Good Practice Guidelines** should be amended and strengthened
- The implementation of the guidelines has to be **monitored**
 - Conclusions in case of no implementation of guidelines in Member States!