

***Principles for capacity
allocation, congestion
management and
non-firm services***

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- ✓ **access not guaranteed: although physical congestion is rare, commercial congestion is frequent; “tariffs don’t matter if you have no access”;**
- ✓ **subsidiarity, different network configurations : recommendations are of high level;**



- ✓ **strong link with infrastructure planning: recommendations not only related to competition but also to network efficiency;**
- ✓ **strong link with GGP: big part of the work was already done.**



High level principles

- ✓ **economic efficiency;**
- ✓ **competition and non-discrimination;**
- ✓ **transparency;**
- ✓ **compatibility and interoperability;**
- ✓ **commercial congestion.**



Importance of definitions

- ✓ **capacity = a right;**
- ✓ **tariff regime \neq capacity booking system;**
- ✓ **entry/exit = separate treatment of injection and off-take;**
- ✓ **interruptible capacity = non-firm capacity which is interruptible without conditions;**
- ✓ **capacity release : NUCCR \neq UIOLI.**



Non-firm capacity : basic rules

- ✓ **concerning regulatory control;**
- ✓ **offer of non-firm capacity;**
- ✓ **non-distorting and allowing cost recovery;**
- ✓ **promoting efficient use of the network and adequate investment;**
- ✓ **abide with transparency, capacity and tariff guidelines.**



Non-firm capacity : price-setting

- ✓ **primary market : auctions or regulated tariffs;**
- ✓ **in the case of regulated tariffs: price discount ex-ante or ex-post;**
- ✓ **TSO needs to recover costs : price differential between firm and non-firm can mean an increase of tariffs for firm services.**



Non-firm capacity : some stakes

- ✓ **meeting market demand: while defining different types of non-firm services;**
- ✓ **offer non-firm services even if there is spare firm capacity: the network user must not pay for a level of service he does not need;**



Non-firm capacity : some stakes

- ✓ offer non-firm services on the primary market (not only on the secondary market);
- ✓ allow overbooking of interruptible capacity: risk to be interrupted exist also when there is spare firm capacity.



Congestion management

- ✓ **facilitating secondary market;**
- ✓ **offering a well balanced range of TSO-services :**
 - ✓ **non-firm capacity;**
 - ✓ **“indicative transmission programme”.**
- ✓ **capacity release (anti-hoarding mechanisms) :**
 - ✓ **short-term;**
 - ✓ **long-term.**



Short term capacity release

- ✓ principle: TSO to offer all available capacity :
 - ✓ tariff for one-day capacity \neq year tariff/365;
 - ✓ TSO earns the revenues.
- ✓ needs on-line capacity booking;
- ✓ all available firm capacity : offered as firm for the next day;
- ✓ NUCCR : (part of) the non-nominated capacity offered as interruptible for the next day.



Long term capacity release (UIOLI)

- ✓ **only needed if :**
 - ✓ **there is no regular auctioning of short term capacity;**
 - ✓ **there is commercial congestion, but no physical congestion;**
 - ✓ **holders of excess capacity do not offer it at a reasonable price on the secondary market.**

- ✓ **ex-ante : one shot; strong regulatory intervention; still needs further mechanisms;**



Long term capacity release (UIOLI)

- ✓ **ex-post :**
 - ✓ **less interventionist : expected to occur exceptionally;**
 - ✓ **burdensome procedure : guidelines to be approved by regulator;**
 - ✓ **definition of “non used capacity”;**
 - ✓ **needs standard clause in all service contracts.**

