



Guidelines for Good Third Party Access Practice For LNG System Operators (GGPLNG)

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Agenda

- Ø **The need for GGPLNG**
- Ø GGPLNG Development
- Ø GGPLNG Public Consultation
- Ø GGPLNG Main Provisions
 - Ø Scope and objectives
 - Ø Tariffs for the access to the system
 - Ø TPA services
 - Ø Capacity allocation and congestion management
 - Ø Transparency requirement
 - Ø Trading of capacity rights
- Ø Conclusions

The need for GGPLNG

- Ø According to the DGCOM forecasts, **32% of EU gas supplies in 2030 will be satisfied with LNG**
- Ø Growing requirement for gas imports to EU may promote cross-country LNG trade, therefore **creating competition**. LNG will also play a significant role in terms of **security of supply and diversification** in EU
- Ø An **increasing number of LNG terminals** in EU: 13 LNG terminals in operation, 4 under construction and more than 20 proposed
- Ø Current **lack of regulation** regarding LNG
- Ø ERGEG considers **there should be no barrier stopping** the contribution of LNG to encourage a competitive gas market
- Ø Consequently, **achieving harmonization of certain rules becomes a necessity** for the LNG European market

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GGPLNG development

- Ø LNG TF created in 2005
- Ø NERA report on TPA to LNG terminals in November 2006
- Ø Initial Draft – April 2007
- Ø Important contribution from the market agents:
 - Ø Informal consultation with EFET, GLE and Eurogas in June 2007
 - Ø Formal Public Consultation in Dec-07 /Jan-08- GGPLNG final version, once approved by ERGEG, to be presented to the Madrid Forum

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GGPLNG Public Consultation

- Ø **19 responses received, 4 of them confidential.**
- Ø Non-confidential respondents were:
 - Ø Adriatic LNG
 - Ø BG Group
 - Ø Centrica
 - Ø EdP Gás Com.
 - Ø EFET
 - Ø Eni Gas & Power
 - Ø Eurogas
 - Ø Gas Natural
 - Ø GEODE
 - Ø GLE (2 responses)
 - Ø IFIEC
 - Ø National Grid
 - Ø Naturgas Energía Group
 - Ø Shell Energy Europe BV

GGPLNG Public Consultation

Evaluation of responses

- Ø **LNG valued as a key factor** in terms of security of supply, supply diversification and enhancement of competition
- Ø **Harmonization of provisions** on LNG terminals will generate a more reliable framework, improve interoperability, contribute to market liquidity and to **the creation of a competitive European single market**
- Ø GGPLNG **should not be overprescriptive** and should allow flexibility to adapt to the technical specifications of each facility and their particular market and regulatory context
- Ø The need for the **right balance between regulation and market:** market should be free to deliver innovative products/mechanism to meet demand
- Ø **Access to downstream** has been also mentioned as more important than access to LNG terminals in enabling competition

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GGPLNG Main Provisions

Ø CONTENT:

- Ø Scope and objective of the GGPLNG
- Ø Definitions
- Ø Tariffs for access to the system
- Ø TPA services
- Ø Capacity allocation and congestion management
- Ø Transparency requirements
- Ø Trading of capacity rights

GGPLNG Main Provisions: Scope and objectives

- ∅ **Objective:** establishing **common rules** to guarantee transparent, non-discriminatory and appropriately homogeneous TPA to LNG regasification facilities
- ∅ **Scope:** GGPLNG apply to **rTPA LNG facilities**, in accordance with Article 18 of the European Directive 2003/55/EC
- ∅ LSOs to apply GGPLNG on a **voluntarily basis**
- ∅ GGPLNG do not go beyond the Directive 2003/55/EC in creating or restricting TPA rights

GGPLNG Main Provisions: Tariffs

GGPLNG establish general principles regarding tariff's structure and methodologies

Ø Tariffs and tariff methodologies will:

- Ø Be transparent and cost-reflective
- Ø Incentivise efficient use of the facilities
- Ø Include appropriate return on investments

Ø Tariff structures will be reviewed when necessary, striking a balance between effective reflectivity of costs and the need for market stability

Ø Tariffs will be **applied in a non-discriminatory way**

Ø Costs associated with gas quality adjustments will be paid by users requiring the service

GGPLNG Main Provisions: TPA services

GGPLNG contain common principles on TPA services

∅ Roles and responsibilities:

- ∅ LSOs' general responsibilities regarding operation, maintenance, offering available capacity and services according to market demand, cooperation with connected operators, transparency and communication tools
- ∅ Users' obligations: provide information when required by LSOs, comply with gas quality spec, the use of IT communication tools in place and to refrain from preventing competition
- ∅ Possibility of penalties to ensure agents respect responsibilities and contractual obligations

GGPLNG Main Provisions: TPA services

∅ Necessary TPA services:

- ∅ LSOs will offer firm **standard bundled LNG services**
- ∅ GGPLNG consider LSO's **possibility to offer other types of services**: unbundled services, ST services or interruptible services
- ∅ Services offered **will be defined**:
 - ∅ **After consultation** with terminal users and other market participants, supervised by NRA's
 - ∅ Taking into account the LNG facility technical features, the economically efficient use of the LNG infrastructure, market environment and applicable regulation
- ∅ Each service shall be described with sufficient detail
- ∅ LSOs shall use web-based platforms to provide adequate data to terminal users

GGPLNG Main Provisions: TPA services

- ∅ **Additional requirements to assure proper TPA services:**
 - ∅ **Cooperation with interconnected system operators** to assure interoperability between systems
 - ∅ **Maintenance and disruptions:** system operators cooperation to minimize effects on users
 - ∅ **Confidentiality and impartiality** – arrangements to assure:
 - ∅ Confidential information remains confidential
 - ∅ Codes of conduct to be established to prevent sensitive information release to affiliate companies or when the LSO is part of a vertically integrated group
 - ∅ **Other operational requirements:**
 - ∅ Scheduling procedures will be made public
 - ∅ **Terminal Code:** quality requirements, ship approval procedures, docking and unloading conditions, etc.

GGPLNG Main Provisions: CAM &CMP

Ø Capacity calculation:

- Ø Methodology: **transparent and published** on the LSO's website
- Ø Maximum capacity available to the market participants, taking into account system integrity, security standards and downstream constraints

Ø Principles on CAM and CMP:

- Ø Will **facilitate competition and liquidity**, being flexible and capable of adapting to market circumstances
- Ø Neither hamper the entry of new market participants nor create undue barriers to market entry
- Ø Shall provide signals for efficient and maximum use of capacity
- Ø Will be **non-discriminatory and transparent**

GGPLNG Main Provisions: CAM &CMP

Ø Congestion management:

- Ø The procedures established by the LSO to make available unused capacity will never prevent, but instead encourage the capacity holder to offer his unused capacity on the secondary market at a reasonable price
- Ø Whenever the initial holder of a capacity is considered no longer able to use it, has not released the capacity itself and there is a congestion, the LSO shall **offer the capacity to the market** as firm capacity

GGPLNG Main Provisions: CAM &CMP

Ø Congestion management (cont.):

Ø Unused capacity

- Ø Unused capacity will be **made available** to the primary market on a **short-term basis**, if the contracted capacity goes unused and no short-term capacity is available:
 - Ø When the holder of the capacity does not use a **particular unloading window**, another terminal user could do it. Notice period to be defined in consultation with the market
 - Ø When it deals with a particular standard bundled LNG service, it will be offered first as firm capacity
- Ø Once capacity is transferred, the initial holder no longer pays for it

GGPLNG Main Provisions: CAM &CMP

∅ Congestion management (cont.)

∅ **Systematic underutilized capacity:**

- ∅ **Transparent, non-discriminatory national procedures** will be established.
- ∅ The procedure will describe:
 - ∅ **Roles** of the agents regarding the procedure
 - ∅ **Criteria** to evaluate if there actually is underutilized capacity
 - ∅ **Capacity** to be released
 - ∅ **Appeal** procedure

GGPLNG Main Provisions: Transparency

- ∅ LNG system operators shall always **disclose the information** required in a **meaningful, quantifiable and easily accessible way** on a non-discriminatory basis.
- ∅ The information shall be published in a user-friendly, standardised manner, updated on a timely basis and, when possible, in English.
- ∅ **Operational information** to be published:
 - ∅ **Service definitions**, rights and responsibilities
 - ∅ Existing and future LNG capacity: starting date for new capacity
 - ∅ **Contracted and available LNG facility capacity** including ST available capacity
 - ∅ Updated **maintenance plans**
- ∅ **Commercial information** to be published:
 - ∅ **Tariff** and tariff methodologies
 - ∅ Standard service **contracts**

GGPLNG Main Provisions: Capacity trading

GGPLNG promote the creation of a secondary capacity market

- Ø The LSO shall assure equal treatment to the capacity acquired on the secondary market
- Ø When services to facilitate secondary capacity markets are put in place, they will be cost-reflective

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Conclusions

- Ø The GGPLNG are intended to apply to rTPA LNG facilities, establishing common rules for access.
- Ø They are presented to serve as non-binding guidelines
- Ø The Guidelines provide an input to amend Regulation 1775/2005, regarding LNG terminals

Thank You !

Information available at
www.energy-regulators.eu