



SOUTH GAS REGIONAL INITIATIVE
ROADMAP FOR CAPACITY ALLOCATION MECHANISMS
(CAM ROADMAP)

14th June 2013

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1. Background

The XXII Madrid Forum encouraged stakeholders involved (the Agency, ENTSOG, NRAs and TSOs) to proceed with the implementation of the CAM network code following the Roadmap of capacity allocation mechanisms (CAM Roadmap).

It was agreed that an initial implementation roadmap will be developed by TSOs, lead regulators and relevant NRAs, based on pilot projects for capacity allocation (regional pilots, booking platforms...)

The goal is the early implementation of the provisions from the Network Code on capacity allocation mechanisms (CAM NC), before it becomes legally binding in all Member States, as of 1st November 2015¹. For that purpose, the Roadmap will identify and monitor sequential steps of implementation through pilot projects across cross-border interconnection points in EU Member States. The early implementation is a voluntary process and will rely on the commitment of TSOs and NRAs involved in the above mentioned pilot projects, as well as on the support of ACER, ENTSOG, the European Commission and stakeholders.

In relation to this, a *Roadmap for the early implementation of the Capacity Allocation Mechanisms Network Code* has been developed by ACER and ENTSOG, detailing, among other aspects, the working arrangements, time schedule, roles and responsibilities and geographical scope.

In 2012, the South Gas Regional Initiative already made progress in the common definition and application of CAM in the cross-border interconnections in the Region.

In the 20th Implementation Group (IG) meeting, held on 19 November 2012 in Madrid, Regulators and TSOs in the Region presented proposals for CAM harmonisation in the SGRI. They agreed on the elaboration of a Roadmap on CAM harmonisation, which will cover the interconnections between the three countries: Portugal, France and Spain. The objective of this paper is to review and analyse the points in discussion, following the CAM NC, and to present an action plan matching both short and long term goals that will help achieving full implementation of the CAM NC in the Region.

¹ The CAM network code has been recently approved by Comitology. The provisions shall be applicable as of 1 November 2015.

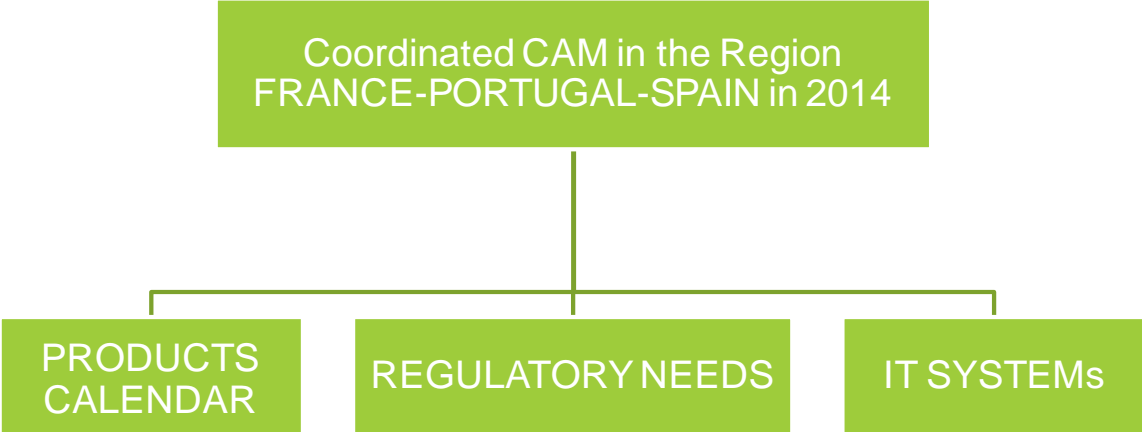
The draft roadmap has been submitted to the market for public consultation² during March 2013. Seven responses have been received: 5 from shippers, 1 from a transmission system operator and 1 from an association. NRAs have analysed the comments and presented the evaluation in the SG meeting, held on 30 April 2013 in Madrid.

This document now contains the final roadmap for CAM implementation in the South region, taking into account the comments received and the last discussions and agreements on the implementation of CMP³ rules in the SGRI.

2. Areas of South GRI work for CAM NC early implementation

The objective of this Roadmap is to establish and detail the main goals to be reached in the coming years to fully implement the CAM NC in the Region.

The relevant tasks have been divided in three areas: capacity products definition and calendar, regulatory needs and IT systems, in order to implement CAM NC in the Region, beginning in 2014.



² http://www.acer.europa.eu/Gas/Regional_%20Intiatives/South_GRI/Public_Consultations/Pages/PC-on-the-CAM-Roadmap-in-the-South-Region.aspx

³ A proposal for the CMP implementation has been elaborated by the TSOs in the Region. The document is published on [ACER website: http://www.acer.europa.eu/Gas/Regional_%20Intiatives/South_GRI/19th%20South%20SG%20Meeting/default.aspx?InstanceID=1](http://www.acer.europa.eu/Gas/Regional_%20Intiatives/South_GRI/19th%20South%20SG%20Meeting/default.aspx?InstanceID=1)

2.1. Capacity product definition and calendar

According to the draft CAM NC, the standardised capacity allocation mechanism is an auction procedure for all interconnection points between entry-exit systems, establishing standard capacity products to be offered for the cross-border and cross-market area capacity.

The table below shows the timing for auctions, starting dates, lead times and standard capacity products to be auctioned following the principles established in the draft CAM NC.

STANDARD CAPACITY PRODUCT	FREQUENCY OF AUCTIONS	NUMBER OF CAPACITY PRODUCTS PER AUCTION	START OF AUCTION
Yearly Starting on the 1st Oct	annual	Y1 to Y15	1st Monday of March
Quarterly 1st Oct-1st Jan-1st Apr-1st Jul	annual	Q1 to Q4	1st Monday of June
Monthly 1st day of each month	monthly	M1	3rd Monday of each month
Daily Single gas day	daily	D1	15:30 UTC (Winter time) or 14:30 UTC (daylight saving) D-1
Within-day ⁴	hourly		19:00 CET D-1

The main matters on which decisions needs to be taken in the South Region are: the bundled products to be offered, standard capacity products, capacity set aside for products with shorter term duration, allocation calendar for 2014 and onwards, interconnection points where the products will be allocated (physical or virtual points), coordination between CMP and CAM, etc. Particularly, for each interconnection:

- Capacity product to be allocated at the **SP-FR border**: (short term capacity has been allocated until 31st March 2014 by the OSP coordinated procedure). The following actions must be considered :

⁴ Within-day standard capacity products shall be the capacity, which may be applied for, in given amount, by a network user from a start time within a particular Gas Day until the end of the same Gas Day

- Definition of the available bundled capacity for the next 15 years from October 2014 onwards in the two flow directions, and agreement on the split of capacity among the different products (quarterly products up to one year, yearly products up to four years ahead and yearly products up to fifteen years ahead. The current 80/20 split will be modified to ensure consistency with the provisions of the CAM NC. An amount at least equal to 10% of the technical capacity will be offered no earlier than the annual yearly capacity auction during the fifth gas year preceding the start of the relevant gas year. A further amount at least equal to 10% of the technical capacity will be offered no earlier than the annual quarterly capacity auction during the gas year preceding the start of the relevant gas year.
 - Implementation of a virtual point for the implementation of CAM NC, adding the capacity of the two physical points (Larrau+Irún/Biriatou).
 - Agreement on unbundled capacity allocation, interruptible capacity, backhaul....(common criteria)
 - Capacity products to be offered before March 2014 for the period April 2014-September 2014.
 - First annual yearly capacity auction in March 2014 using a common IT platform to sell capacity from October 2014.
 - First quarterly capacity products to be sold through an annual auction in June 2014 using a common IT platform. (October 2014-September 2015)
 - First rolling monthly auction: 3rd Monday of September 2014
 - Daily auctions from October 2014. It will be subject to availability to connect the TSOs IT systems and the common platform in due time to offer the product.
- Capacity product to be allocated at the **SP-PT border**: a coordinated auction took place from June to September 2012 following the draft CAM NC, in order to sell capacity from October 2012 to September 2013. In June 2013, yearly capacity and quarterly capacity products are going to be offered for the available capacity from October 2013 to September 2014 with the same auction methodology as last year. The following must be considered:
 - Any future capacity allocation will be done in a virtual point
 - Agreement on unbundled capacity allocation, interruptible capacity, backhaul....(common criteria)
 - Definition of the available capacity for the next years from October 2014 onwards, and agreement on the split of capacity among the different products (quarterly, yearly and 15 years, in line with Draft CAM NC). The current scheme of offering one year as the longest duration period could be maintained.

- First annual yearly auction in March 2014/2015 to sell capacity from October 2014 to September 2015.
 - First quarterly capacity products to be sold using a common platform through an annual auction in June 2014. (October 2014-September 2015)
 - First rolling monthly auction: 3rd Monday of September 2014
 - Daily auctions from October 2014. It will be subject to availability to connect the TSOs IT systems and the common platform in due time to offer the product.
- Capacity product to be allocated among the **French Balancing zones**

CRE is launching a public consultation⁵ from 5 June to 26 June 2013, with the objective of gathering stakeholders' feedback on draft allocation rules for the IP between GRTgaz North and South areas, the IP between GRTgaz South and TIGF and the IP between France and Spain.

Considering the need to align the offer of capacity products with the CAM calendar, a specific product starting in April 2014 and ending in September 2014 will need to be offered at these IPs. CRE proposes that the regulated tariff for this specific product is set on the basis of a *pro rata temporis* compared to the annual product, i.e. at 50% of the tariff of the annual product as set by CRE. This readjustment would allow for the allocation of yearly products starting in October 2014, except in the case of the GRTgaz South-TIGF for which capacity will no longer be bookable as of April 2015, i.e. when a single PEG GRTgaz Sud-TIGF will be in place. These yearly products would be offered in March 2014 in order to ensure consistency with the CAM auction calendar.

- Proposed rules for the IP between GRTgaz North and South areas

The IP between GRTgaz North and South areas is highly congested since the beginning of 2012. This situation translates into a demand for capacity that is well-above the capacity offered, a physical use of capacity at this IP close to 100% and significant price spreads between PEG Nord and PEG Sud. Therefore, the objectives of the new allocation rules for the North-South IP will be twofold: ensuring sufficient consistency with the CAM NC in the view of its binding application as of November 2015, and taking into account this congestion situation in order not to affect the development of competition on the downstream side of the North-South IP.

CRE considers that the available firm and interruptible capacity from GRTgaz North to GRTgaz South, from 1 April 2014 to 30 September 2014, could be offered using the same methodology as applied for the last allocation in November 2012, which have led to satisfactory results. The next allocation is planned in October 2013 and would thus be organized into two separated phases: a first guaranteed allocation phase and a second pro rata allocation phase with a limit on requests, taking into account shipper's physical delivery commitments. Capacity available from April 2014 to September 2014 in the direction South to North would be offered through an Open Subscription Period, with pro rata in case of over-demand.

⁵ <http://www.cre.fr/en/documents/public-consultations/allocation-of-transmission-capacity-between-grtgaz-s-north-zone-grtgaz-s-south-zone-tigf-s-zone-and-spain-as-from-1-april-2014>

CRE considers that it is necessary for shippers to have a clear view on their supply conditions in the South of France in the medium term. Therefore, CRE proposes that the available capacity as of October 2014 is allocated up to 2018, time when a single PEG France should be implemented. With the objective not to freeze capacity bookings at the North-South IP, CRE proposes that 100% of the firm and interruptible available capacity is offered for Y+1, 50% for Y+2, 25% for Y+3 and 25 % for Y+4.

CRE proposes, at this stage, that firm and interruptible capacity from GRTgaz North to GRTgaz South is allocated over four years in two separated phases: a first pro rata allocation taking into account shippers' delivery commitments and an auction procedure in the second phase, with individual shippers' bids limited to one third of the total capacity offered.

Capacity available in the direction GRTgaz South to GRTgaz North as from 1st October 2014 and until 30 September 2018 would be allocated by auctions in the form of yearly products.

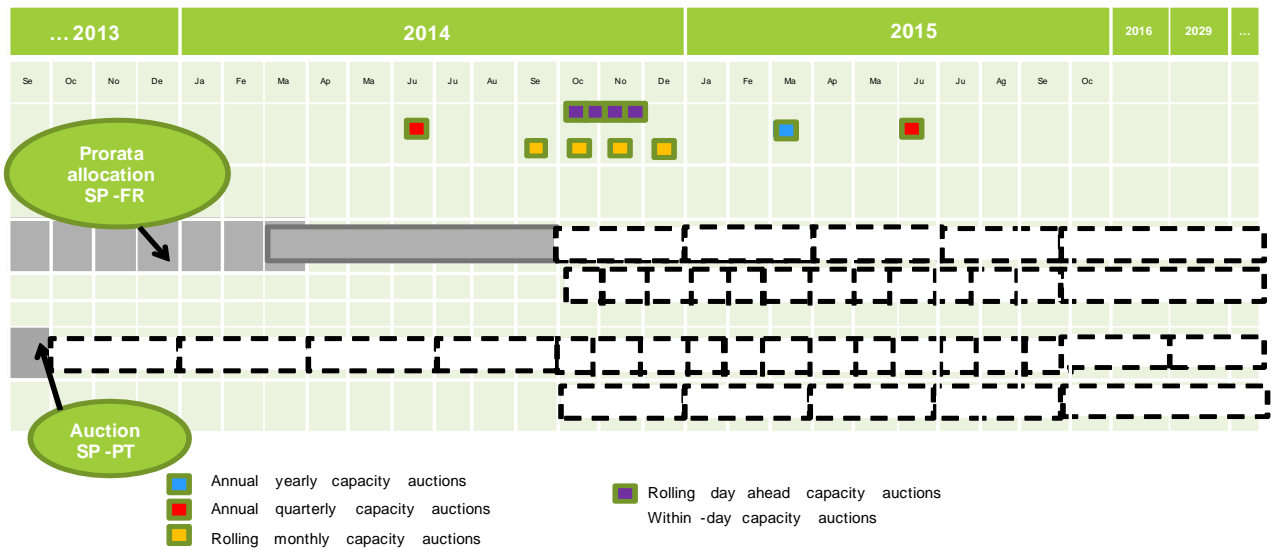
- Proposed rules for the IP between GRTgaz South and TIGF areas

CRE is of the view that it would not be cost-efficient to develop an IT tool in order to implement auction at the IP between GRTgaz South and TIGF areas, considering that a single PEG GRTgaz South-TIGF will be implemented as of April 2015 and that there is no congestion at this IP at the moment.

Hence, CRE proposes that an Open Subscription Period with pro rata in case of over-demand is used for the allocation of the two semesters April 2014-September 2014 and October 2014-March 2015. This allocation would take place right after the allocation at the GRTgaz North-South IP.

- Proposed rules for the IPs between France and Spain

In this consultation, CRE refers to the ongoing discussions within the South GRI. CRE proposes that auctions are implemented for the allocation of yearly products starting in October 2014 and expresses its support for TIGF and the Spanish TSOs to join the PRISMA platform. With regards to the capacity available from April to September 2014, CRE suggests that the use of an Open Subscription Period with pro rata would ensure consistency with the draft allocation rules for the GRTgaz North-South IP and the GRTgaz South-TIGF IP. This allocation could take place after the one for GRTgaz North-GRTgaz South capacity.



2.2. Regulatory needs

With the objective of making sure that the regulatory framework allows for the implementation of CAM NC, the national regulation must be adapted to the new rules, in cooperation between the three NRAs in the region: CRE, ERSE and CNE.

- Auction mechanism as a default CAM at the interconnections
- Moving towards bundled and virtual capacity
- Harmonizing the capacity products and timeframes
- Contractual harmonisation: at both sides of an IP/VIP capacity should be contracted for the same period and same volume.

This new regulation needs to be also consistent with CMP arrangements and take into account the discussions on Framework Guidelines/Network Codes that are currently under development.

In particular the way to deal with the following subjects in an appropriate timeframe must be agreed:

- Network Code on Balancing
 - o Agreement on nomination and renomination schemes
- Network Code on Interoperability and Data Exchange.
 - o Harmonization of gas day (2014, before monthly auctions)
 - o Harmonization of gas year (2014)
 - o Temperature to measure gas.(2014)

- Units used to allocate capacity and sign contracts (2014)
- Framework guidelines and Network Code on Tariffs.
 - Reserve price
 - Payable price, i.e. price to be paid by subscribers during all the contract duration
- Shippers' license to participate in the auctions process, specifically allowing the same shipper to book bundled capacity. Qualification steps to participate in the auction.
- Price steps definition (large-small price steps) and allocation of revenues arising from the auction among TSOs (difference between the reserve price and the clearing price). A 50/50 split could be considered as the default rule
- Release of information to the market (before, during and after the auctions). Calendars.
- Coordination on issues related with the Capacity Contracts: obligation to subscribe the capacity allocated in the auction, timing, financial deposit, avoidance of clauses imposing restrictions on one side of the border, etc.
- Responsibilities of TSOs (implementation) and Regulators (supervision).
- Secondary capacity market: bundled virtual capacity to remain as it has been auctioned.
- Coexistence of old contracts and new contracts: nomination, CMP, tariffs...

2.3. IT Systems

The work in this area aims to develop a single platform to allocate capacity at the interconnection points and in the internal IT systems of the TSOs. The IT system will be designed analyzing the best available technologies. The development process will be focused on the functionalities and specifications for a reliable, secure and smooth exchange of information.

It is important to note that the project PRISMA European Capacity Platform (promoted by TSOs) has been launched. The first auctions through the platform took place in April 2013 and the secondary market functionalities are being developed to be implemented at the beginning of 2014.

In addition, the Hungarian TSO (FGSZ) has recently presented the will to launch another booking platform in South South-East GRI, which would allow to allocate capacity between Hungary and Romania and potentially to other IPs.

The possibility and the calendar to use/join a platform and to develop the internal IT systems must be agreed as soon as possible by TSOs in the Region. Early involvement in the discussion with

other TSOs and stakeholders from other Regions will streamline the smooth implementation of the CAM NC in Europe.

The process of users/shippers registration, as well as the functionalities of the platform will be shared with the market in proper time and manner.

At the same time, each TSO must develop its own IT system to integrate the information arising from the capacity auctions and to communicate with the platform.

Furthermore, at least bilaterally, TSOs must collaborate to develop IT systems that will support the nomination and renomination of bundled capacity, the CMP implementation and the exchange of information for all the balancing process (allocation, measurement, etc.).

3. Way forward: short term

- Further discussion with TSOs - ASAP
- Starting definition of the capacity products, available capacity and IT systems
- Start of the development of IT systems –Summer 2013
- Start of proposing national regulation modification – Summer 2013.
- Regulation in place and IT system ready by December 2013.

