



CMP
Monitoring Report

2016

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PROBANDENKONTAKTSTELLE TRANSDISZIPLINÄRE ZENTRUM

PART I

Annual Report 2016 on Implementation Monitoring of CMP



1 Introduction

The guidelines for Congestion Management Procedures (CMP) were developed by the European Commission in 2010–2011 and approved by the EU Gas Committee on 24 August 2012 as “Commission Decision on amending Annex I to Regulation (EC) No 715/2009”. The implementation date was 1 October 2013.

Under Article 8(8) of the Gas Regulation, ENTSOG monitors the implementation of the CMP guidelines.

ENTSOG launched its annual monitoring process in December 2016 to ensure the timely publication of results in the Annual Report 2017.

For the implementation monitoring of the CMPs, the same questionnaire was used as in the previous year and was only updated for those TSOs for which the process of implementation of all the mandatory measures was still ongoing according to last year’s report.

In addition to updating information on TSOs that were still in the process of implementing CMP measures when the previous report was published, the TSOs whose IP(s) were mentioned in ACER’s Congestion Report, and for which NRAs choose to implement OS+BB instead of FDA UIOLI, were also asked to provide information about the implementation status of FDA UIOLI, as it is a requirement of the CMP Annex.

Both ACER and ENTSOG are required to publish monitoring reports – on implementation as well as on effects of the network codes.

ENTSOG has aimed for producing reports which can be considered supplementary to ACER’s reports.

2 Overview of Implementation Status

In the survey conducted by ENTSOG in 2016 on the level of implementation of the CMPs, an improvement is registered in comparison with the survey of the previous year.

In 2016, 34 of 49 EU TSOs (45 ENTSOG members, two associated partners and two more TSOs that are not ENTSOG members) have implemented Surrender of Capacity, Long-Term Use-It-Or-Lose-It (LT UIOLI) and Oversubscription and Buy-Back (OS+BB) or Firm Day-Ahead Use-It-Or-Lose-It (FDA UIOLI). OS+BB and FDA UIOLI are interchangeable in terms of compliance with CMP Annex, as at least one of these mechanisms must be implemented. The National Regulatory Authority (NRA) of each country has to decide whether to use the OS+BB scheme or the FDA UIOLI mechanism.

From July 2016, ENTSOG also has to monitor if TSOs have implemented FDA UIOLI in case their IPs are mentioned as “congested” in ACER’s Congestion Report. This obligation comes from the CMP Annex: “National regulatory authorities shall require transmission system operators to apply at least the rules laid down in paragraph 3 per network user at interconnection points with respect to altering the initial nomination if, on the basis of the yearly monitoring report of the Agency in accordance with point 2.2.1(2), it is shown that at interconnection points demand exceeded offer, at the reserve price when auctions are used, in the course of capacity allocation procedures in the year covered by the monitoring report for products for use in either that year or in one of the subsequent two years, ...”.

Number of TSOs	Oversubscription and Buy-Back scheme (OS+BB) or Firm Day-Ahead UIOLI mechanism (FDA UIOLI)*	Surrender of Contracted Capacity	Long-term UIOLI (LT UIOLI)	Comments
29				
1				Have implemented both OS+BB and FDA UIOLI due to the fact that one of its IPs was mentioned as “congested” in ACER’s congestion report
3				Have implemented OS+BB. FDA UIOLI was not implemented after one of its IPs were mentioned as “congested” in ACER’s congestion report as their NRA decided not to apply it
5				OS+BB: The NRA has not approved the proposed scheme yet or the TSO is in the process of implementing FDA: The TSO is in the process of implementing (implementation expected in early 2017)
2				Implementation in 2017
9				No IPs/Derogation

 Implemented	 In process of implementation
 Not implemented	 Not applicable, as regards scope or derogation under Article 49 of Gas Directive

* The Firm Day-Ahead UIOLI mechanism was to be implemented by 1 July 2016, where ACER’s congestion monitoring report shows that there is an over-demand for firm capacity products that are offered in the next three years or where no firm capacity is offered at all.

Table 1: Overview of Implementation status



Image courtesy of GAZ-SYSTEM

There are four TSOs that are in the particular situation of having one or more IPs mentioned as “congested” in ACER’s report, and their NRA decided in 2013 to apply OS+BB mechanism. One TSO has implemented FDA UIOLI as asked by its NRA, while the NRAs of the remaining TSOs, after analysing the single IPs, decided not to apply the mechanism. Moreover, two of these NRAs have expressed their opposition to applying FDA UIOLI, arguing that congestion is not so clear in their IPs as there is enough capacity being offered and booked in the secondary market and through the OS+BB mechanism.

Regarding the seven TSOs still implementing the CMP Annex, only two of them have yet to implement the Surrender of Capacity and LT UIOLI mechanisms. However, these two TSOs are optimistic that they will be able to implement all the required measures by early 2017 (one of them is still awaiting the NRA approval for the implementation of the mechanisms). The other five TSOs are still in the process of implementing the OS+BB or FDA UIOLI mechanism. The delay on implementing these measures is due to difficulties in the approval process for proposals submitted by the TSOs, and also due to the difficulty of creating “bundled” mechanisms. This is why in the South Western region of Europe, the TSOs have been discussing between them and with their NRAs during the last two years, and in the 36th IG Meeting that took place on 20 April 2016, a full proposal of the OS+BB mechanism that was approved by the regulators. The expected date for these TSOs to have the mechanism implemented is April 2017.

Thus, all seven of the above-mentioned TSOs are expected to fully implement the CMP Guidelines during 2017.

And although CMP guidelines are not applicable for nine TSOs (for some Member States derogation under Article 49 of the Gas Directive has been granted by the European Commission), one of these TSOs has implemented the CMP measures.

3 Conclusion

Most of ENTSOG members have already fully implemented the CMP Guidelines. 42 of 49 TSOs are fully compliant with the CMP Annex, and only a few members are still in the process of implementing some of the CMPs. Following NRA approvals of most implementation proposals for the remaining mechanisms during the last quarter of 2016, the majority of TSOs not yet fully compliant with CMP rules are now finalising the implementation of the remaining mechanisms and are expected to have them implemented by the end of the first quarter of 2017. Two TSOs expect to implement all CMP rules before the end of year 2017.

This means that, with the information received by ENTSOG during December 2016, total compliance with the CMP Annex is expected by the end of 2017 throughout Europe. This compliance is subject to the expected approval by the

NRAs of the CMP implementation proposals provided by the TSOs, and assumes that the expected implementation times for the remaining CMPs will be accomplished and suffer no delays.



Image courtesy of Gascade



Annex to Annual Report 2016

1 Survey Participants

2 Overview of Implementation Status by EU Countries

3 Specific Situation of Countries



Image courtesy of GAZ-SYSTEM

Annex 1

Survey Participants

Table 2 lists the TSOs that answered the questionnaire at the beginning of 2017. Four of eleven participating TSOs were asked to answer the questionnaire due to the presence of at least one of their IPs in ACER's Congestion Report as well as due to the fact that NRAs have decided to apply OS + BB instead of FDA UIOLI in 2013.

The other seven TSOs are still in the process of implementing all CMP measures during 2015.

SURVEY PARTICIPANTS

BULGARIA	Bulgartransgaz EAD
CZECH REPUBLIC	NET4GAS, s.r.o.
FRANCE	TIGF SA
	GRTgaz
HUNGARY	FGSZ Ltd.
ITALY	Snam Rete Gas S.p.A.
PORTUGAL	REN – Gasodutos, S.A.
POLAND	Gaz-System
ROMANIA	Transgaz S.A.
SPAIN	Enagás S.A.
UNITED KINGDOM	Interconnector (UK) Limited

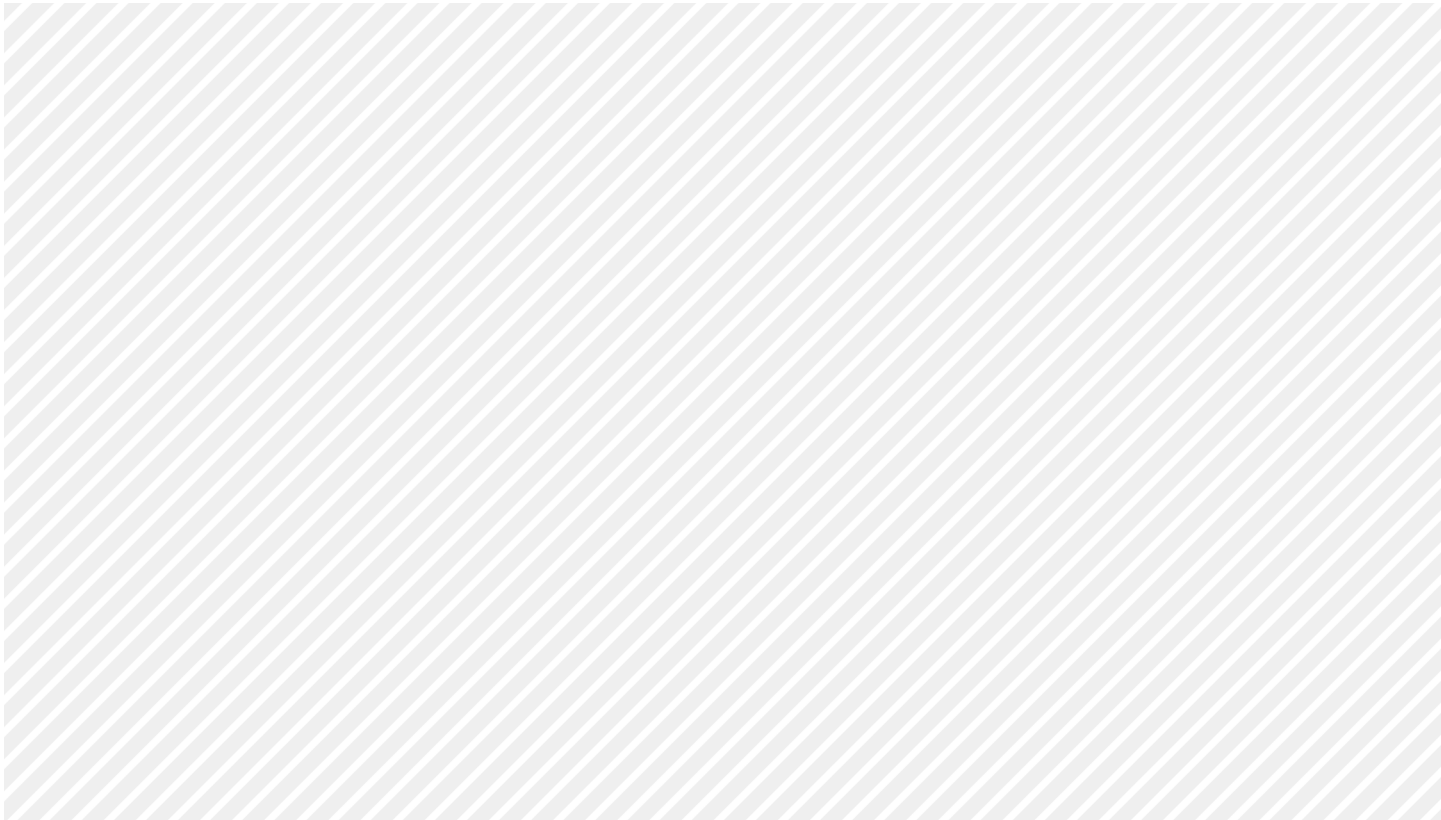
Table 2: List of TSOs participating in the survey



Annex 2

Overview of Implementation Status by EU Countries

The following table shows the implementation status of the different congestion management procedures per EU Member State.



AUSTRIA				
BELGIUM				
BULGARIA	Q I 2017		Q I 2017	Q I 2017
CROATIA				
CZECH REPUBLIC				FDA UIOLI implemented due to congestion in an IP
DENMARK				
ESTONIA				Derogation under Article 49 of Gas Directive
FINLAND				Derogation under Article 49 of Gas Directive
FRANCE				NRA analysed the congested IP and decided not to implement FDA UIOLI
	Q I 2017			Expected application date for OS + BB April 2017
GERMANY				NRA: OS + BB shall not be applied
GREECE				
HUNGARY	Pending NRA approval			Waiting for NRA approval. Second proposal for OS + BB made in October 2016
IRELAND				
ITALY		1 April 2017		The TSO submitted a proposal for OS + BB to the NRA in March 2014. In 2016 NRA decided to apply FDA UIOLI (Resolution 464/2016/R/gas) establishing the start for 1 April 2017 (Resolution 13/2017/R/gas).
LATVIA				Derogation under Article 49 of Gas Directive
LITHUANIA				No contractual congestion
LUXEMBOURG				Derogation under Article 49 of Gas Directive
NETHERLANDS				
POLAND				NRA analysed the congested IP and decided not to implement FDA UIOLI
ROMANIA		Q III 2017	Q III 2017	Q III 2017
PORTUGAL	Q I 2017			Expected application date for OS + BB April 2017
SLOVAKIA				
SLOVENIA				
SPAIN	Q I 2017			Expected application date for OS + BB April 2017
SWEDEN				Not applicable
UNITED KINGDOM				NRA analysed the congested IP and decided not to implement FDA UIOLI

■ Has been implemented
 ■ Implementation is underway (NRA decision pending)
 ■ Not yet implemented
■ Not applicable due to scope, implementation date or derogation granted under Article 49 of Gas Directive

Table 3: Overview of Implementation Status by EU Member State



Annex 3

Specific Situation of Countries

ENTSOG monitored the implementation of the CMP measurements for the year 2016. In the process, ENTSOG consulted eleven TSOs. Seven of these TSOs were still in the implementation process of one or more CMP measures during the past year. The other four TSOs applied OS + BB mechanism as requested by their NRAs, so they were compliant with CMP Annex, but were in any case subjected to monitoring because at least one of their IPs was mentioned in ACER's Congestion Report. The CMP Annex states that, even if only one IP is mentioned in ACER's Congestion Report as "congested", the relevant NRA shall require the TSO to apply the FDA UIOLI mechanism, and this is why these four TSOs were also consulted.

According to TSO expectations, all TSOs in the European Union should be fully compliant with CMP Guidelines by the end of 2017.

A. ITALY

In Italy, Surrender of Capacity and LT UIOLI were implemented during 2013. An OS+BB proposal was submitted by the TSO to the NRA in March 2014. For the time being, the NRA has approved the FDA UIOLI mechanism (Resolution 464/2016/R/gas) and in January 2017 (Resolution

13/2017/R/gas) fixed the date for its introduction starting on 1 April 2017. Further measures to prevent congestions could be evaluated by the Regulator in the near future (see Resolution 464/2016/R/gas, point 2.a).

B. SOUTH WEST REGION COUNTRIES

France, Spain and Portugal, have been developing a joint mechanism to apply OS+BB during the past 2 years. Their goal was to avoid situations where additional capacity is not bundled when offered through OS+BB mechanisms, and this is why the process has expanded over time. During the process, all relevant regional parties (TSOs and NRAs) have been involved (GRTgaz, TIGF, Enagas and REN as TSOs, and CRE, CNMC and ERSE as NRAs).

The proposal for the OS of capacity was sent to NRAs at the beginning of 2015. However, the agreements on the BB

mechanism took more time and the implementation document with the full OS+BB proposal sent by the TSOs to the NRAs was ultimately approved by regulators after being discussed during the 36th IG Meeting on 20 April 2016.

The expected TSO implementation for this mechanism is April 2017, although there may be some delays due to difficulties with the required IT systems developed by TSOs in close cooperation with relevant NRAs. This must be clarified closer to the actual deadline.

C. HUNGARY

In Hungary, Surrender of Capacity and LT UIOLI were implemented during 2013. The choice between OS+BB and FDA UIOLI was extended at this time and this is one of the reasons why the third CMP mechanism was not implemented 2015.

Although the OS+BB mechanism was introduced into

Hungarian legislation and the BB algorithm was implemented on the Regional Booking Platform, during the previous CMP monitoring some parts of the Hungarian domestic legislation was deemed insufficient by ACER (i.e., when OS+BB is triggered). A more detailed joint OS+BB scheme was submitted to the NRA for approval by the Hungarian TSOs (FGSZ and MGT) in October 2016 but has yet to be approved.

D. BULGARIA AND ROMANIA

In Bulgaria and Romania, the CMP mechanisms have not been implemented yet because the NRAs have not yet decided how to transpose the CMP Annex into the national regulation, have also not decided whether to implement OS+BB or FDA UIOLI and are currently analysing the proposals sent by TSOs on implementing the CMPs.

In the case of Romania, the Romanian national legislation provided rules on how to implement Surrender of Capacity and LT UIOLI. However there are still a few details which need to be fully aligned to the CMP Annex. In this respect, Transgaz has submitted a proposal to the Romanian NRA. Regarding OS+BB or FDA UIOLI there is still no decision from the NRA, but a final decision is expected soon.

The expected implementation date for the three CMP mechanisms in Romania is 1 October 2017.

In the case of Bulgaria, the CMP Rules are expected to receive NRA approved by Q1 of 2017. The proposal for CMP procedures consist of OS+BB, Surrender of Capacity and LT UIOLI. OS+BB will be applied instead of FDA UIOLI after the NRA decision. Surrender of Capacity is already available to the network users via Regional Booking platform and will be applied if needed after the NRA decision.

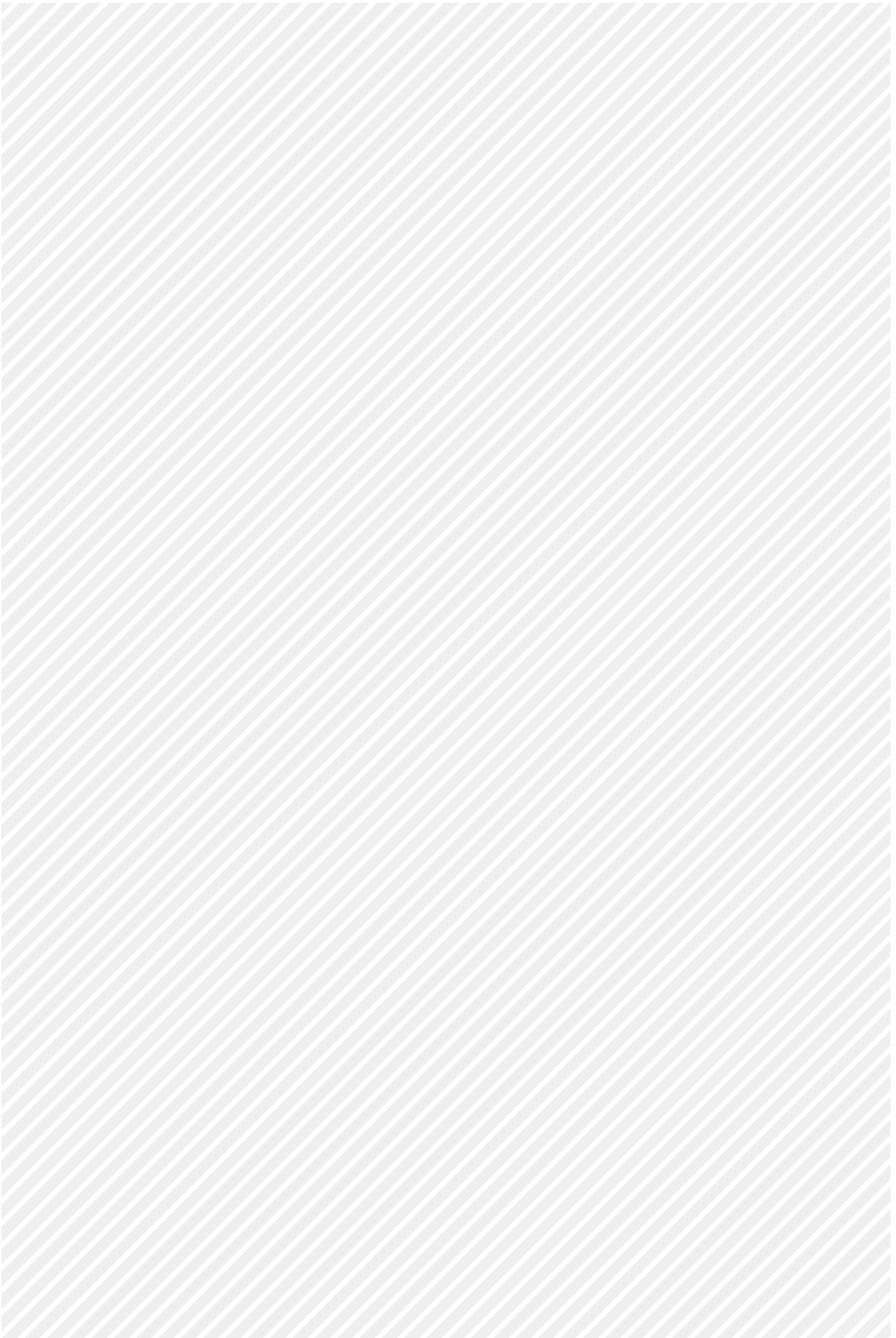
E. COUNTRIES WITH CONGESTED IPs

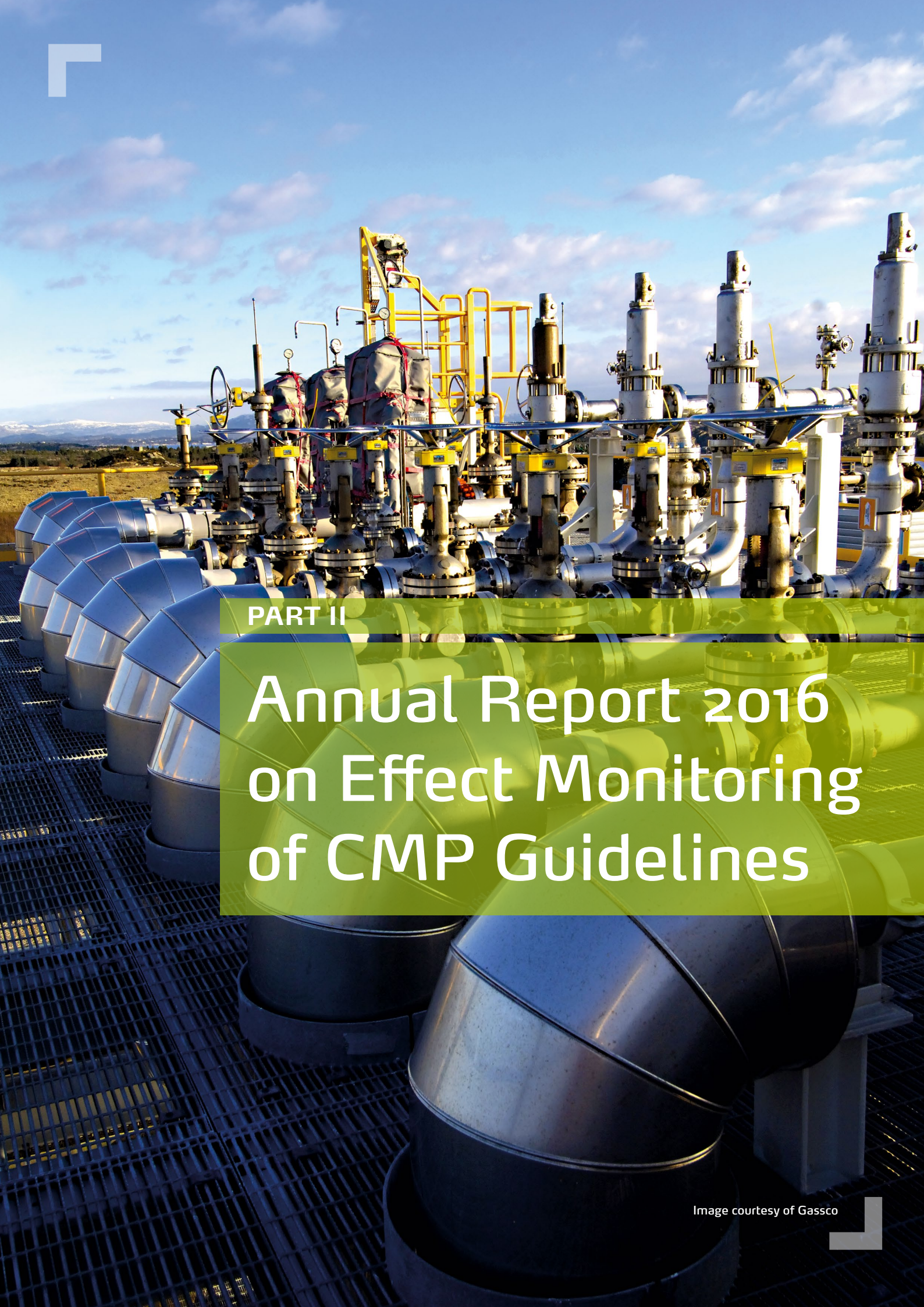
There are four TSOs in the special situation of having implemented the OS+BB mechanism in 2013 with one of their IPs mentioned in ACER's Congestion Report 2016.

The outcome was two different situations:

1. Czech Republic (Net4Gas): Czech NRA requested the TSO to implement FDA UIOLI, as one of its IPs was mentioned in ACER's Congestion Report. The TSO implemented it, and FDA UIOLI has been working at the concerned IP since 1 January 2017.
2. Poland, UK and France (Gaz-System, Interconnector and GRTGaz): According to point 2 of paragraph 2.2.3 of CMP Annex: "If, on the basis of the yearly monitoring report, it is shown that a situation as defined in paragraph 1 is unlikely to reoccur in the following three years, for example as a result of capacity becoming available from physical expansion of the network or termination of long-term contracts, the relevant national regulatory authorities may decide to terminate the firm day-ahead use-it-or-lose-it mechanism."

This situation occurred in PL, UK and FR. The NRAs in France and the UK, after analysing the mentioned IPs, decided not to apply the FDA UIOLI mechanism while in Poland, the NRA analysed it too, and decided to implement and terminate the application of FDA UIOLI at the same time.





PART II

Annual Report 2016 on Effect Monitoring of CMP Guidelines

1 Introduction

The guidelines for Congestion Management Procedures (CMP) were developed by the European Commission in 2010 – 2011 and approved by the EU Gas Committee on 24 August 2012 as “Commission Decision on amending Annex I to Regulation (EC) No 715/2009”. The implementation date was 1 October 2013.

Under Article 8(8) of the Gas Regulation, ENTSOG monitors the effects of the CMP guidelines. Both ACER and ENTSOG are required to publish monitoring reports – on implementation as well as on effects of the network codes.

Three years after the implementation deadline for the CMP annex, ENTSOG decided to develop the first Effect Monitoring questionnaire, since this is deemed to be a sufficiently long period to observe the effects of the CMP measures in the market.

ENTSOG launched their new annual Effect Monitoring process in December 2016 to ensure that the results could be published in time for the 2017 Annual Report.

The collected data corresponds to the gas year 2015 (which is the period from 1 October 2015 at 6:00 am to 1 October 2016 at 6:00 am). ENTSOG has aimed for producing reports which can be considered supplementary to ACER’s reports. Regarding the effect monitoring, ENTSOGs focus has in particular been to identify to which extent the main aims of the network codes have been achieved.

To measure the effects of CMPs in the European market, ENTSOG and its members agreed on two indicators that show the impact of introducing congestion management mechanisms at Interconnection Points (IPs).

To monitor the effect of the congestion management procedures, the questionnaire was also addressed to all IPs rated as “congested” by ACER in its annual contractual congestion report, published on 31 May 2016.



Image courtesy of Ontras

2 Effect Monitoring Indicators

CMP INDICATORS

Effect monitoring will be performed only on the side of IPs considered to be congested by ACER in its latest annual report, published 31 May 2016 concerning contractual congestion at interconnection points.

ENTSOG has decided to develop the following indicators.

Indicator 1 (CMP.1): Additional capacity volumes made available through each CMP

Note: If the amount of unused capacity reallocated by TSOs to the market at network points measures the effectiveness of CMP, an analysis and overview of congested IPs will be also needed to gain a deeper understanding of the situation at each IP.

Premise 1: gas year to be used is from 1 Oct 2015 to 30 Sep 2016

Premise 2: MWh/h/y is used as the unit for every product to monitor the evolution of the below mentioned ratio by gas year for every of the 4 CMP tools.

Calculation formula:

$$CMP1 = \frac{ACMP}{CMPx} \times 100$$

Where:

CMPx: Return ratio of additional capacity allocated through a given CMP measure, relative to the total additional capacity offered through the given CMP measure.

ACMP: Sum of additional capacity allocated through a given CMP measure.

CMP: Sum of additional capacity offered through a given CMP measure.

Interpretation:

CMPx = 100: All of the additional capacity offered through the CMP measure has actually been allocated, indicating a fully efficient CMP measure where the market demand for this additional capacity is allocated through the CMP and fully acquired by market parties.

CMPx < 100: indicates that the allocated percent of additional capacity offered through each CMP measure is efficient, even though the market demand was less than supply for of this additional capacity during the period under consideration.

The “x” in CMPx is to be replaced with one of the following numbers, depending on the CMP measure it was calculated for:

- 1 for Oversubscription and Buy-Back
- 2 for Firm Day-Ahead UIOLI
- 3 for Surrender of Contracted Capacity
- 4 for Long-term UIOLI

Indicator 2 (CMP.2): Share of capacity reallocated through CMP among total capacity reallocated

Calculation formula:

$$\text{CMP2} = \frac{\text{ACMP}}{(\text{ACMP} + \text{ASM})} \times 100$$

Where:

CMPx: Return ratio of additional capacity allocated through a given CMP relative to the total allocation of additional capacity within a definite period of time.

ACMP: Sum of allocated additional capacity offered through CMP measures within a definite period of time.

ASM: Sum of allocated capacity acquired from organized secondary markets within the same period.

Interpretation:

CMPx = 100: all reallocated capacity is supplied through CMP measures applied by TSOs

CMPx < 100: This indicates that network users reallocate capacity themselves using the secondary market and not only through CMP measures applied by TSOs

Conclusion:

The higher the CMPx, the better the acceptance for additional capacity offered by applying CMP measures compared to using the secondary market. The lower the ratio, the higher the capacity that is allocated on the secondary market in comparison to offer via the application of CMP measures.



Image courtesy of Enagás

3 Survey Participants

The TSOs included in the survey are those with one or more IPs rated as “congested” in last year’s Congestion Report from ACER.

SURVEY PARTICIPANTS

AUSTRIA	Gas Connect Austria
BULGARIA	Bulgartransgaz
CZECH REPUBLIC	NET4GAS
FRANCE	GRTgaz
GERMANY	Bayernets
	Fluxys TENP
	Fluxys Deutschland
	Gascade
	Gasunie Deutschland
	GRTgaz Deutschland
	Lubmin-Brandov Gastransport
	OPAL Gastransport
	Open Grid Europe
	Ontras
terranets	
POLAND	Gaz-System
ROMANIA	Transgaz
UNITED KINGDOM	Interconnector (UK)

Table 2: Survey Participants

4 Results of Effect Monitoring Exercise

INDICATOR 1 (CMP.1): ADDITIONAL CAPACITY VOLUMES MADE AVAILABLE THROUGH EACH CMP

As shown in Figure 1, FDA UIOLI is the CMP mechanism that releases the most capacity – on a cumulative basis for the period under consideration – at congested IPs while the LT UIOLI mechanism does not provide any additional capacity at congested IP sides to the market for the observed period. The capacity volume released through OS + BB is moderate in comparison with FDA UIOLI and Surrender of Capacity.

Surrender of Capacity appears to be the most effective of all four CMPs for network users since the ratio of allocated capacity relative to capacity on offer is close to 100%. This is due to the fact that Surrender of Capacity in the allocation process has, after available capacity, is first priority for yearly, quarterly and monthly products.

	OS + BB	FDA UIOLI	SURRENDER	LT UIOLI
ADDITIONAL CAPACITY OFFERED	16.396 MWh/h/y	679.346 MWh/h/y	100.541 MWh/h/y	–
(RE)ALLOCATED CAPACITY	–	2.344 MMWh/h/y	93.041 MWh/h/y	–
RATIO	0%	0.35%	92.54%	–

OS + BB: Oversubscription and Buy-Back

FDA UIOLI: Firm Day-Ahead Use-It-Or-Lose-It

SURRENDER: Surrender of Capacity

LT UIOLI: Long-Term Use-It-Or-Lose-It

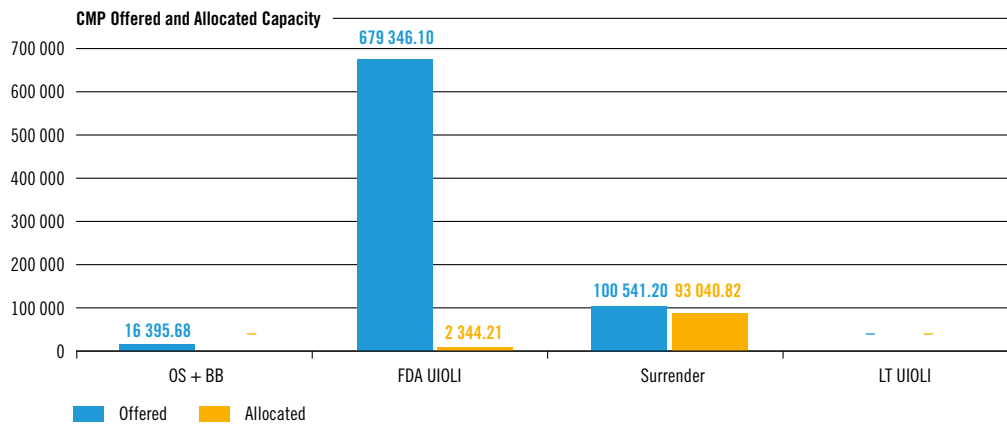


Figure 1: Results of CMP indicator 1

Over-Subscription and Buy-Back (OS + BB)

CMP guidelines allow the option of choosing between OS+BB and FDA UIOLI. In most member states, NRAs have chosen to implement the OS+BB mechanism. For NRAs in Germany, Austria and Italy however, the decision was to implement FDA UIOLI.

Despite the different choice between mechanisms, the offer of oversubscribed capacity in absolute figures is not very high compared to the other CMP mechanisms. This is not surprising since most IPs rated as “congested” by ACER are operated by TSOs whose NRAs have chosen to apply FDA UIOLI in their entry-exit systems.

According to ACER’s report, 18 TSOs currently have congested IPs and, of those, 14 have implemented FDA UIOLI and while the other 5 have chosen to apply the OS+BB mechanism.

Furthermore for some countries, the offer of capacity through the OS+BB mechanism is more limited by the TSO than with the other CMPs.

In some Member States, the incentive-based OS+BB is not proportionate. Thus, the incentive provided by TSOs to network users for offering previously allocated capacity through OS+BB does not correspond to their risks in not being able to use this capacity.

In other countries, situations arise where no incentive regimes have been established by NRAs. This regimes would normally stimulate TSOs to offer additional capacity via oversubscription despite the risk that a buy-back may be necessary. In some cases, even if the regime has been established, the reward provided by the application of the mechanism to the TSO does not compensate the potential risk that may occur in buy-back situations.

Firm Day-Ahead Use-It-Or-Lose-It (FDA UIOLI)

The majority of NRAs in Europe decided to apply in the respective national entry-exit systems the OS+BB mechanism instead of FDA UIOLI. However, most TSOs whose IPs are considered by ACER to be “congested” have implemented FDA UIOLI as requested by their NRAs.

The capacity released through FDA UIOLI is the highest of all CMPs, because the mechanism is applied every day and systematically releases up to 10% of the technical capacity.

This mechanism is also more commonly applied in Germany and Austria than in the other Member States, since national laws in these two countries required TSOs to implement FDA UIOLI before the CMP guidelines came into force at the European level.

Nonetheless the amount of capacity actually allocated out of what was offered is marginal (the ratio between the offered versus the allocated capacity is 0.35%). This indicates that the market was not in need of this additional capacity despite the congested status of the concerned IP. This can be explained by the fact that other CMP mechanisms (Surrender) or Secondary market provided for the necessary capacity before FDA UIOLI comes in effect, or that the IP was actually not congested.

Surrender of Capacity

Surrender of Capacity appears to be an efficient mechanism to ease congestion. The level of capacity released through surrendered capacity is the second highest of all CMPs, and that capacity gets almost fully reallocated. This is due to the fact for monthly, quarterly and yearly capacity products, this mechanism has priority over other CMP mechanisms when allocating the capacity to the successful Network Users after an auction.

The reasons why this is the most successful CMP include:

1. The mechanism to re-offer capacity is the most simplistic of all CMPs
2. Similar mechanisms to re-offer capacity were already in place in most Member States
3. In most Member States, the priority ranking of allocating auctioned capacities is:
 - a. Available capacity
 - b. FDA UIOLI (up to 10% of technical capacity)
 - c. Surrendered Capacity
 - d. OS+BB capacity
 - e. LT UIOLI

This priority ranking incentivises network users to surrender unused capacity whenever there is market demand for additional capacity. Should the offered capacity fulfil demand, all subsequent mechanisms become superfluous.

As presented in Figure 1, more than 92% of the capacity released via the Surrender mechanism is allocated. This can be largely attributed to one large TSO that re-offers large volumes of additional capacity, most of which is allocated to demand. If the capacity offered by this TSO is excluded from the evaluation, the ratio of allocated capacity decreases to 12%, which indicates that the actual need for additional capacity is limited and that the congested situation at most IPs is overestimated.

Long-Term Use-It-Or-Lose-It

LT UIOLI is a mechanism that prevents network users from holding on to capacity, thereby hindering other network users in the market from accessing it. Thus if one network user is holding on to capacity at a congested IP and the use of this capacity is low or 0 during a certain period of time, the LT UIOLI mechanism will be applied by the TSO and force the network user to release this unused capacity and allow others to gain access to it.

IPs that are contractually congested can lead to physical congestion since the adjacent market is highly interested in having gas flow to that IP.

Nonetheless, offering additional capacity through FDA UIOLI and OS+BB allows TSOs to re-offer any “unused” capacity to the market and ease contractual congestion on a short term basis at the very least.

Most of the currently congested IPs in Europe with high physical gas flow rates do not offer additional capacity through the LT UIOLI mechanism, since much of the allocated capacity is used over a longer period of time.

INDICATOR 2 (CMP.2): SHARE OF CAPACITY REALLOCATED THROUGH CMP RELATIVE TO TOTAL CAPACITY REALLOCATED

$$\text{CMP2} = \frac{\text{ACMP}}{(\text{ACMP} + \text{ASM})} \times 100 = 48\%$$

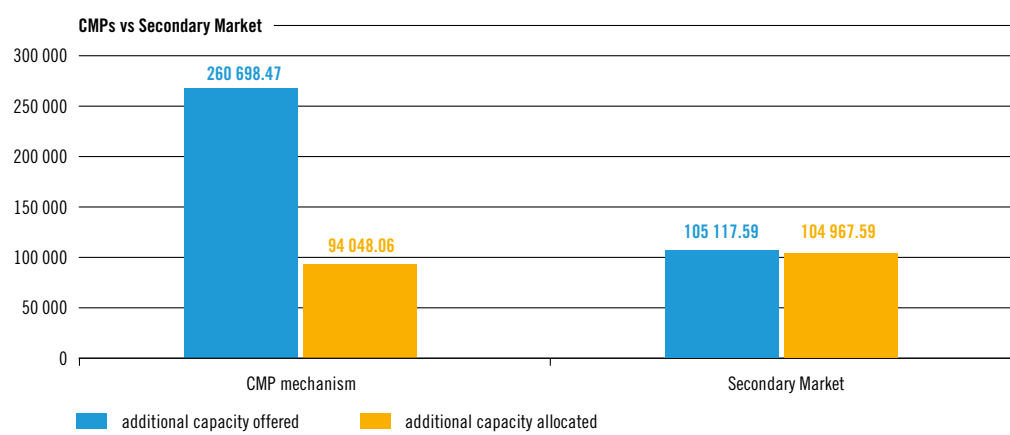


Figure 2: Results of CMP indicator 2

Volume Units are MWh/h/y

The chosen indicator compares the allocation of additional capacity through CMP mechanisms with the allocation of the total additional capacity (additional capacity allocated from that offered through CMP mechanism + additional capacity allocated from offered capacity in the secondary market).

In figure 2, we can see that both means of re-offering unused capacity via CMP mechanisms and the secondary market have been established in Europe. Almost half of the capacity reallocated is allocated via CMPs. Nonetheless, bilateral agreements between network users (secondary market) are still the preferred solution for trading unused capacity.

Additionally, it is worth noticing the importance of the secondary market in offering additional capacity. Almost 13 % of the total amount of re-offered capacity is traded on the secondary market. However, it is important to note that from the total amount of allocated capacity that is re-offered, 52 % of it is allocated to other network users on the secondary market.

5 Conclusions



Image courtesy of DESFA

The final analysis allows the following conclusions to be drawn:

- ▲ The current ways of offering additional capacity from unused allocated capacity effectively allows network users to access markets in situations where IPs are contractually congested and technical capacity is not available.
- ▲ The current situation in the European gas market shows that, of the total amount of additional capacity offered through CMP mechanisms, around 12% is reallocated. This means that contractual congestion situations are not limiting market access to other network users who do not hold capacity at the relevant IPs. Otherwise, the demand for additional capacity and reallocated amounts would be much higher.
- ▲ Of all CMP mechanisms, Surrender of Capacity is the most widely used mechanism by network users due to its simplicity and prioritisation when allocating capacity after auctions compared to other CMPs.
- ▲ The secondary market is an important tool for trading unused capacity between network users and thus significantly helps to ease market access at congested IPs. It can therefore be considered to be a widely accepted alternative to CMP mechanisms by network users.

Abbreviations

ACER	Agency for the Cooperation of Energy Regulators
CMP	Congestion Management Procedures
ENTSOG	European Network of Transmission System Operators for Gas
EU	European Union
FDA	Firm Day-Ahead
IP	Interconnection Point
LT	Long-Term
NRA	National Regulatory Authority
OS+BB	Oversubscription & BuyBack
TSO	Transmission System Operator
UIOLI	Use it or lose it

Imprint

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