

Minutes of Meeting

ENTSOG Meeting with ERGEG

02 March 2010, Rue Ducale 83, Brussels, 10:30-15:30

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CAP011-10

1. Agreement on previous notes

Frank Roessler (ENTSOG) introduced the meeting and thanked ERGEG for taking the minutes of the last meeting.

Hard copies of the previous notes with additional ENSTOG comments included were distributed in order to agree on the final version of the minutes.

Regarding interruptible products, two different topics, which might be confusing in the minutes, should be differentiated:

- Different concept and application of interruptible products in Europe, and
- Interruptible nominations.

Frank Roessler commented that the minutes will be published on the ENTSOG website for transparency purposes.

The final paragraph on section 1, “Process”, was separated in two in order to differentiate between two different concepts:

- ENTSOG involvement/joining into ERGEG meetings with stakeholders in order to assist in providing expertise and to avoid possible looping of some issues, and
- ERGEG answering/explaining why or why not a contribution to the Public Consultation has been taken into account.

Regarding existing contracts, the conclusion was amended: “ERGEG to explore the relevant clauses which might need to change”.

The minutes were then agreed based on the agreed changes.

Fiete Wulff (ERGEG) requested the inclusion of a point in the agenda to further analyse ENTSOG response to ERGEG’s draft Framework Guideline (FG) on Capacity Allocation (CAM).

2. Next steps and meetings feedback

Next steps.

ERGEG informed that to date almost 30 responses have been received, but they expect a few more in the following days which could reach some 35-40 responses.

ERGEG will then prepare a revised version of the FG on CAM which will be discussed internally. In addition, Fiete Wulff explained that ERGEG will prepare explanations to the changes included in the revised version and a justification of why or why not a comment had been taken into account (i.e. produce a consultation evaluation paper).

The final version of the FG on CAM is expected to be approved by the ERGEG Gas Working Group in mid April and, then by the ERGEG General Assembly in early May. It will then be subsequently submitted to the Commission.

Regarding the FG on Balancing, ERGEG intends to present this in the next Madrid Forum in (September), and the associated Public Consultation is expected during the summer. A consultation document will most likely be drafted in the coming months and published before or during the summer.

Feedback on the current meetings

Frank Roessler asked ERGEG whether they find ENTSOG constructive with the current structure and the ways of working during these bilateral meetings, in order to potentially improve the process where it is needed.

ERGEG highlighted the importance of the interaction; when problems are found, feedback from TSOs to identify solutions is a key factor. ERGEG also emphasised that the NRAs' role is to establish the final target model, whereas TSOs should focus their efforts in identifying how the target model could be implemented and how obstacles could be avoided. ERGEG pointed out that they consider ENTSOG and ERGEG/ACER to be bound to propose a solution within the envisaged timeframe of 18 months for the FG and NC development.

ERGEG emphasised that they would like to see more solutions from ENTSOG on ERGEG's proposals rather than as it could appear at times; to criticise some aspects of the target model.

ENTSOG stressed the difference between the final market design and the roadmap to implement it.

ERGEG stated that they could not provide answers to all of ENTSOG's questions, ENTSOG and ERGEG are there to investigate the obstacles and how they could be solved.

As a general remark, both ENTSOG and ERGEG agreed that the debate is very constructive, although more flexibility would be desirable from both sides (whilst recognising their individual organisational drivers of both parties).

ENTSOG highlighted the importance of the Pilot Code on CAM as it will test the process and future Network Codes will take the current process developed on CAM as the basis. Thus, the Monitoring Group should play a very important role in this regard.

ENTSOG argued that some aspects included in the FG on CAM are out of the scope from the TSOs point of view. However, ERGEG believes that the draft FG on CAM tackles less issues than those initially included by the Commission in its request to draft the FG. Fiete Wulff pointed out that now it is up to ERGEG to decide what will happen with the paper.

ENTSOG pointed out that for example bundled products have implications in nominations (balancing) which are not considered in the FG; but users will have to accept that linkages will not be fully apparent as Codes are developed separately.

In December 2009 it was agreed that “interruptible capacity” will be “reconsidered” after the Public Consultation and it was discussed if nominations should be part of the scope of the CAM FG.

The FG on Balancing might be high level, taking into account that it is a more complex issue and that it has much more impact on shippers. No major conflicts between the CAM and Balancing FG are foreseen. On a question of ENTSOG the NRAs responded that the scope of balancing is probably “national” rather than only at IPs. ERGEG will reflect this in the subsequent FGs.

3. Analysis of ENTSOG response to the Public Consultation on FG on CAM.

Existing contracts.

ERGEG stated that contracts will need to be adapted. Besides, they informed that as far as they have read; some responses to the Public Consultation on FG on CAM, amending existing contracts is not a big issue for stakeholders. Additionally, in some cases contracts have to be changed by Law and shippers do not challenge contracts.

Fiete Wulff viewed the Ontras transmission contract, and informed that there are not many provisions which might have to be amended according to the CAM FG (i.e. lead times, general terms and conditions, etc.)

Conclusions:

ERGEG clarified that for the current stage of the debate, “relevant clauses” in Existing Contracts refer to provisions included in e.g. Terms and Conditions or National Codes of TSOs (e.g. Access Conditions of ONTRAS) which could be subject to possible amendments.

Today ERGEG does not estimate that the implementation of the FG, as it is currently proposed, would generate major changes in the transmission and general terms and conditions of these contracts.

It is not the intention of the FG to challenge the existence of existing contracts.

Transit.

ENTSOG emphasised the importance of transit products. TSOs see utmost the possibility to differentiate between transit products, especially in ‘transit’ countries. ENTSOG does not question the entry-exit system, but only wants to emphasise the real need for transit products, and that aspect should be reflected in the FG on CAM.

ERGEG remarked that most of the transit contracts prevent shippers entering into national markets, thus, the possibilities to be active in such markets are less. On the other hand, Stefan Königshofer (ENTSOG) remarked that in Austria transit contracts are not hindering shippers to enter the Austrian market as every shipper is free to choose upfront which market to supply. In any case the same rules regarding capacity allocation are applied on pipeline systems used for the supply of neighbouring countries and in parallel for the supply of the domestic market (regardless of the fact that the use of capacities for supplying neighbouring countries are predominant). The raised capacity bottlenecks for the domestic market are therefore not a result of the choice to be made upfront but rather a result of which capacity allocation mechanism is applied. In a “pay as bid” auction “pipe-in-pipe” capacities are competing and the willingness and ability to pay of the

competing markets for the capacities offered are decisive for which market the auctioned capacities will be used.

ERGEG do not consider transit products compatible with the legislative model for the European gas markets. ERGEG agreed that they are open to further discuss this topic, which is potentially in contradiction of European Law.

Bundling products.

To be discussed in the next meeting.

Capacity Allocation.

ERGEG will propose to their members to adapt the following in the revised FG:

“The network code shall set out that, for the same capacity product, the allocation procedures take place at ~~every~~ *each* interconnection point in Europe in a coordinated way.”

Finally, ERGEG thanked ENTSOG for the support on the FG on CAM, but highlighted that not all the views contained in the ENSTOG’s response are shared.

4. Existing contracts - results in respect of “relevant clauses test”

For the next meeting ERGEG will deliver a presentation covering GB, Germany, Austria and France to try to clarify this issue. The intention is not questioning the existence of the contract.

5. Product definition (short-term, long-term)

Not discussed due to time constrains. It was agreed to elaborate this further on the basis of a draft document which will be developed by ENTSOG.

6. Bundling (how do you manage interruptions, nominations?)

As mentioned in point 3, Bundling products, this point will be discussed in the next meeting.

7. UK example on capacity offer

Matthew Hatch made a presentation explaining how capacity is offered and allocated in GB.

The contents of the slides (embedded to the Actions and Decisions Report) were discussed at length and proved useful in building the understanding of the GB Capacity regime to meeting participants.

In addition to the content a number of wider aspects were discussed surrounding the possible fit (or not) with the Target Model, Users signalling incremental capacity (not included within the FG) and the potential complexity and timelines to deliver such ‘model’.

8. Scope of the FG

The issue was subject of the discussion under point 2.

9. Auctions vs. pro-rata (requesting rounds, windows)

While reviewing the agenda at the beginning of the meeting, the subject was discussed together with point 7, although the debate focussed on auctions only.

10. Timelines (priorities and implementation times)

ENTSOOG will draft some preliminary ideas on this area for the next meeting. Subsequently as a secondary step; the interaction between CAM and CMP would be tackled.

EREGG emphasised that this should not be understood as any kind of commitment, rather than to explore options going forward.

11. AOB

The next meeting will take place on 30th March 2010 at ENTSOG premises.

The proposed agenda for the meeting can be found as follows:

- ERGEG will deliver a presentation for the next meeting regarding the “relevant clauses” in contracts that might have to be changed
- ERGEG will give feedback on their first impression of the answers to the Public Consultation on CAM FG
- ENTSOG will draft some preliminary ideas on implementation timeline and priorities
- Bundling (ENTSOOG)
- Service durations (ENTSOOG)