

## 2<sup>nd</sup> CAM Coordination Group Meeting

18 September 2013, 9:30 - 12:20 CET

ACER premises, Trg Republike 3, 1000 Ljubljana

With connection to ENTSG premises (Avenue de Cortenbergh 100, Brussels) and online

Name	Last name	Company	Modality of attendance		
			Ljubljana (ACER premises)	Brussels (ENTSG premises)	Online
Ms Marie-Claire	AOUN	CRE		X	
Mr Markus	BACKES	BNetzA	X		
Ms Violeta	BESCOS	ENTSG		X	
Ms Joanna	BUZAR	URE	X		
Mr Juan	DE MIGUEL	ACER	X		
Mr Valter	DINIZ	REN			X
Ms Karoline	ENTACHER	e-Control			X
Mr Zoltán	GELLÉNYI	FGSZ	X		
Ms Victoria	GERUS	ENTSG	X		
Ms Heather	GLASS	ENTSG	X		
Ms Tanja	HELD	EC	X		
Mr Dennis	HESSELING	ACER	X		
Mr Thomas	HÖLZER	ACER	X		
Mr Götz	LINCKE	PRISMA	X		
Ms Tiziana	LO NARDO	AEEG	X		
Mr Francesco	MENDITTI	TAG	X		
Mr Vittorio	MUSAZZI	ENTSG	X		
Mr Lorenzo	NICOLOSI	Snam RG	X		
Mr Luis	PARADA	ENAGAS	X		
Mr Christophe	POILLION	GRTgaz	X		
Ms Clara	POLETTI	AEEG	X		
Ms Rocío	PRIETO	CNE	X		
Mr Alexandre	SANTOS	ERSE	X		
Mr Henrik	SCHULTZ-BRUNN	Thyssengas		X	
Mr Marko	ŠIROVNIK	Plinovodi	X		
Mr Nigel	SISMAN	ENTSG		X (partially)	
Ms Danielle	STOVES	Interconnector			X
Mr Jošt	ŠTRUKELJ	Plinovodi	X		
Mr Balazs	TATAR	FGSZ	X		
Mr Michael	UNTERBERGER	Gas Connect Austria		X	
Mr Geert	VAN HAUWERMEIREN	CREG		X	
Ms Stefanie	WETZEL	Gasunie De.			X
Mr Mark	WIEKENS	ENTSG		X	

All presentations made at this meeting can be found on ENTSG's membernet and at the following ACER website:

<sup>1</sup>[http://www.acer.europa.eu/Gas/Regional\\_%20Initiatives/CAM\\_roadmap/2nd\\_CAM\\_Coordination\\_meeting/default.aspx](http://www.acer.europa.eu/Gas/Regional_%20Initiatives/CAM_roadmap/2nd_CAM_Coordination_meeting/default.aspx)

<sup>1</sup> Only available for access to national regulators (ACER user needed)

## **1. Opening and welcome**

Ms Poletti (ACER) and Mr Musazzi (ENTSOG) welcomed all participants to the second CAM Coordination Group Meeting, aimed at tracking the progress of the pilot projects which are part of the CAM Roadmap and at facilitating the process for the early implementation of the Network Code on Capacity Allocation Mechanisms (CAM NC).

Mr Musazzi proposed the next meeting to be held in Brussels in 2014, possibly reviewing – with a view to reducing -- the frequency for subsequent meetings. Ms Poletti generally agreed with the intention to keep a streamlined process and proposed to discuss this matter under ‘any other business’ (AoB) agenda point.

### **1.1. Agenda**

No comments were made on the agenda; therefore it was approved.

### **1.2. Recent developments in the pilot projects**

Ms Glass (ENTSOG) provided a short update on the progress and latest developments in the CAM pilot projects. The general picture is positive. The early implementation process is considered to be a success story, with three out of the four projects already having allocated capacity successfully and with two of them increasing the number of participating TSOs since the time those projects were launched.

PRISMA participants provided some data about the results of the auctions held over the first months of operation. Some figures were provided as well by ENTSOG regarding the Lasów IP project. In relation to the RBP platform between Hungary and Romania, it was reported that it is now ready to be used and the first monthly products are expected to be auctioned in November. Finally, the project between Spain and Portugal has been extended to also include France, and this year it registered an increase in network users’ interest and participation. More details on all the projects were provided in the afternoon meeting with stakeholders.

## **2. Overview of implementation in Europe (IP list)**

Ms Gerus (ENTSOG) presented to all participants one of the significant developments in the updated version of the CAM Roadmap that will be published in October and presented at the next Madrid Forum -- namely, the new Annex 2 containing information on CAM early implementation per interconnection point (IP).

The table in this annex, which builds upon the IP list jointly developed by ENTSOG and ACER following the CAM NC comitology process, contains information provided by TSOs during August 2013 in reply to a request for information from ENTSOG on several aspects related to the CAM NC implementation. These aspects concern (i) the products of different duration (yearly, quarterly, monthly, day-ahead and within-day) offered at each IP, and whether or not bundled products are already offered; (ii) the use of a web-based platform and the link to the relevant website; and (iii) the use of the CAM NC timings and auction algorithms. For each IP, it is indicated whether the feature is already implemented or the expected timetable for its implementation (end 2013, end 2014, prior to the implementation deadline of 1 Nov 2015 or on this date). There is also an indication of possible differences in the implementation of the respective CAM provisions by the TSOs at both sides of the IP.

Several examples on the way information is presented in the table were shown by ENTSOG. It was noted that standard products are being introduced progressively and bundling is at a nascent stage but will increase over time. The table currently covers only those IPs where implementation is expected at both sides of the border, but ENTSOG and ACER expressed their ambition to see an increase of the number of IPs reported in the next update of the CAM Roadmap. This IP list is meant to be a valuable resource for stakeholders. ENTSOG asked the participants to report any feedback or correction to the list by e-mail. Only minor questions and comments were raised by the participants.

Ms Poletti stressed the importance of the work and congratulated ENTSOG for it. ACER and ENTSOG agreed that this first version of the list gives a good overview of how early implementation is advancing and spreading across different borders and IPs in Europe. ENTSOG noted that any feedback or correction to the list will be welcome.

### **3. Discussion of issues of common interest**

#### **3.1. Issues arising in the CAM NC early implementation: review of solutions adopted and open questions**

Mr de Miguel (ACER) presented the second main development in the new version of the CAM Roadmap, namely the overview of issues, solutions adopted and open questions identified in the CAM NC early implementation process, included in the new section 4.5 of the Roadmap.

The issues and open questions addressed under this point were the following:

- **Definition of price steps**

Art. 17 of the CAM NC does not specify the ratio between the large and small price steps (how many small price steps are included in a large price step). Operational discretion is left to TSOs and booking platform operators to decide on that ratio.

At the meeting, several experiences were shared with participants:

- PRISMA is applying the ratio already used in Germany (1/5 for small/large price steps). The number of price steps is not limited.
- At the Spain-Portugal VIP, price steps are defined on the basis of a proportional incremental premium equal to 3% (arithmetic progression) of the tariff in each country with 30 price steps per Member State.
- RBP (HU/RO) enables any LPS/SPS ratio, provided that the LPS is an integer number multiple of the SPS. The ratio can be set up before each individual auction by TSOs. If TSOs do not set a value, the default ratio is 1:10.

#### Comments by participants:

Mr Lincke (PRISMA) expressed his view that this aspect should remain flexible and should not be something completely fixed for the future. Experience will tell whether the current ratio should be kept or whether a different or more sophisticated approach will be required. Mr Lincke also informed the group that this was one of the aspects covered by the public consultation held in recent weeks (closed on 17 September), with 25 responses received (only 1 or 2 out of which commenting on this topic).

- **Auction premium and split and destination of auction revenues**

In Article 26 of the CAM NC, the split of the revenues above the reserve price is left to the agreement between TSOs and to the approval by NRAs. In the absence of an agreement, a default rule of equal split (50:50) applies. Regarding the destination of congestion revenues, or auction premium, Chapter 4 of the Tariffs FG is expected to address this issue.

The examples reported at the meeting were the following:

- At the IPs where capacity is allocated via PRISMA, the default rule (50:50 split of the auction premium) is applied, unless otherwise justified on a case-by-case basis and approved by the relevant NRA, if necessary.
- At the Spain-Portugal VIP, the default rule is also applied.
- In RBP (HU/RO), TSOs can set any auction split. FGSZ and Transgaz chose the proportional split according to their respective currencies. Mr Gellényi (FGSZ) explained that the bids are submitted as a percentage of the reserve price (as consulted and approved by NRAs). The issue is “who bears the currency risk”. Payments are done in the two respective currencies.

Comments by participants:

Mr Poillion (GRTgaz) reminded participants of the relationship with incremental capacity and asked for all efforts to be made to achieve consistency in the economic test and when setting tariffs. In the incremental capacity blueprint, an economic test to evaluate new investments is foreseen, as applied to Open Seasons in the past. Tariffs should reflect the long-run marginal cost (LRMC). The revenues’ split should not be 50-50 but it should be based on LRMC (according to the costs of each TSO), instead of average costs. This would apply to IPs where additional capacity is needed.

Ms Held (EC) asked whether this proposal on the consideration of the LRMC would be applied in a “project-based” way (according to the costs incurred by each project) or globally for the whole system. Ms Poletti stressed the need to bring incremental capacity into the scope of the work of this group.

- **Interrelation between CAM and CMP**

Several CAM NC provisions have interactions with some of the requirements from the CMP Guidelines. The application of these provisions from the CAM NC and the CMP Guidelines has to take place in a compatible and consistent way. The concurrent implementation of the CMP Guidelines and CAM NC requirements and potential coordination issues are analysed in a document developed by ACER in spring 2013, which is now published on ACER website<sup>2</sup>.

Comments by participants:

A number of comments were raised on this topic. It was noted that the CMP has been extensively discussed in the GRI South region but not so much in the other two regions. Mr Menditti (TAG) informed the group about the coordination problem existing at the Austrian-Italian border with the application of capacity surrender.

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[http://www.acer.europa.eu/Official\\_documents/Acts\\_of\\_the\\_Agency/Publication/ACER\\_CMP\\_Guidance\\_issue\\_paper\\_on\\_CMP\\_implementation\\_20130808.pdf](http://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Publication/ACER_CMP_Guidance_issue_paper_on_CMP_implementation_20130808.pdf)

While TAG allocates the surrendered capacity based on the time-stamp criterion on the Austrian side, in Italy the pro-rata principle is applied. The existence of this disparity might create problems when bundled products start to be surrendered. Ms Poletti explained that the issue is known to both NRAs and is currently under discussion. It is part of the implementation process and will be appropriately tackled at a local level.

Ms Prieto (CNE) shared the experience observed in the South region. There were extensive discussions with the goal of agreeing on the same principles applicable to CMP rules at both sides of each border between the countries in the region. A public consultation had also been conducted. A high level of convergence will probably be achieved between the French and Spanish CMP mechanisms. The unique difference will concern the long term UIOLI. In France, there is an important involvement of the NRA in the final withdrawal decision, while CNE proposes an automatic process performed by TSOs where NRA involvement is only necessary in case of conflict and for monitoring purposes. However, this would not be a problem at a cross-border level as a sort of “lesser rule” (lower of the capacity values to withdraw at the two sides of the border) may be applied in this case.

Ms Held explained that the view of the EC is that there should be a common approach to CMP implementation across the Member States.

Finally, Mr Backes (BNetzA) reminded participants that ACER paper on CMP does not prescribe a unique solution to the CMP rules’ implementation (e.g., the use of time stamp or pro-rata) but recommends that at each side of each IP a consistent choice is made on the way CMP rules are implemented.

- **Bundling of different firm capacity products**

The amount of capacity that can be bundled at each IP is sometimes limited due to the existence of asymmetric available capacity at both sides of the IP. In case of different firm capacity products at each side of the IP, rules to allow for effective bundling may be required.

Some examples were presented on this matter:

- On PRISMA, two bundling approaches are possible: classic bundling and cross bundling. The classic bundling approach is done “offline” by the TSOs, who submit bundled or unbundled products which cannot be changed by the platform. TSOs have to coordinate “offline” especially regarding day-ahead products. The cross bundling approach is done “online/automatically” by the platform, in a sequential manner according to a priority order where products of different types or “flavors” exist at one side of the border.
- RBP applies same-quality bundling, which takes place online on the platform.

Comments by participants:

The difference between classic and cross bundling was considered to be mainly an IT-related matter. Mr Lincke explained that there is no fundamental difference in the way bundling takes place. If there is a mismatch, it would be rejected by the platform. Mr Gellényi added that everybody uses the lesser rule and there is no need to devote much further time to this topic.

- **Different currencies in use at each side of the border**

When TSOs allocate capacity at IPs where a different currency is used at each side of the border, operational challenges may arise.

The experiences shared at the meeting on this topic were the following:

- In the HU/RO project, TSOs keep the reserve price in both currencies and execute the bids as a percentage of the reserve prices.
- In the PL/DE project at Lasów IP, one currency was selected for the bids. The applicable exchange rate is the same as that applied at the moment of the completion of auctions.
- In PRISMA, only the Danish TSO uses a currency different from the euro. No currency conversion mechanism is implemented on the platform itself. Energinet.dk is responsible for converting Danish kroners into euros (and vice versa).

Comments by participants:

Mr Lincke informed the group that PRISMA will introduce a new multicurrency functionality in order to allow TSOs to participate from countries where the euro is not in use.

- **Countries with different time zones**

Potential issues might arise when TSOs allocate capacity at IPs where the time zones are different at both sides of the border. This is why this topic was also identified as a potential issue to be tackled.

However, the issue has been addressed bilaterally in a successful way wherever it has appeared. Given that the standard gas day is now defined (Article 3 “Definitions” of the CAM NC), this should not be an issue for CAM early implementation projects in the future.

A particular example was shown by FGSZ. The Regional Booking Platform applies the UTC time standard, which solves the issue both for Network Users (bidding from different time zones) and TSOs (being in different time zones).

Comments by participants:

Mr Gellényi explained more in detail how this has been tackled. The key principle is that everyone knows what is happening in each moment. Mr Lincke added that the existence of different time zones is more problematic for customers rather than for TSOs.

It was noted that this issue may become more prominent as TSOs start to implement within-day capacity allocation.

- **Licensing issues**

The different requirements in terms of licenses for the users to operate in different countries might create an obstacle when accessing bundled capacity at certain IPs. The issue had been identified in different countries prior to the meeting:

- Energy shippers in Hungary and some other Central-Eastern European Member States are required to obtain a license to trade gas at wholesale level, whose criteria may differ from Member State to Member State. The need for cross-border licensing is being addressed in discussion with NRAs.



- In France, all network users are required to obtain a license from the government which enables them to sign a transmission contract with GRTgaz and/or TIGF. It is not, however, the task of the TSO to check the validity of the license.

Comments by participants:

The topic raised numerous comments from participants. Mr Gellényi detected a big issue here, yet to be solved. At present, it is being addressed with NRAs but asked for further assistance by ACER or EC. He pointed out that resolution of such issues may need the support of Member States instead of or in addition to NRAs.

With respect to the Spain-Portugal VIP, Ms Prieto clarified that licensing no longer represents a problem for national companies but may still do so for foreign based companies, because obtaining a license can take them several months. She said that in any case this issue should not prevent capacity bundling.

Mr Poillion explained the existing situation in France. For the purpose of market integration, an EU-wide license appears a good solution, but might not be compatible with the security of supply obligations applicable in certain Member States. Mr Gellényi stated that a system of wholesale trading licenses and retail licenses could be helpful in resolving the issue.

Mr Parada (Enagas) also expressed support for differentiating wholesale from retail licenses. This would allow for having a single shipper (with a single EIC code) signing the contract at an IP with both TSOs, which would be the same shipper that purchased capacity at the auction. This is relevant for avoiding practical problems related to different processes such as nomination matching and CMP application. Shippers willing to operate at national level with an affiliate having a retail license would just need to sell the gas to the affiliate company at the national hub, which is coherent with the Gas Target Model, since it fosters trade at hubs and not at IPs.

Ms Held stated that the EC is aware of the issue and it has been clearly identified in the recent study by KEMA on entry-exit zones.

It was concluded that this is still an open issue, not yet tackled, and it will have to be kept on the agenda for future meetings and discussions.

Finally, there was a brief discussion on the three topics identified as open questions still to be addressed:

- **Costs of booking platforms**

The establishment and use of joint web-based booking platforms involves capital and operational expenditure to be incurred by TSOs. How such fixed and variable costs are shared across TSOs and whether they are recognised as 'efficiently incurred' by the relevant NRAs remains an open question in some Member States.

Comments by participants:

In PRISMA, the split of costs was set according to ENTSO voting rights. According to Mr Poillion, for TSOs the key condition is that costs are recovered, no matter how. If NRAs were to prescribe a different split TSOs would apply it. TSOs are not inflexible on this aspect. PRISMA has been focused up to now on providing a reliable and secure capacity allocation service through the platform.

Mr Parada informed that ERSE already confirmed that they will recognise REN's costs. CRE has done the same in France. Therefore, Spain is the only country where this recognition of costs is still pending. Enagas believes that costs should not be split according to ENTSG voting rights but according to the service provided.

Mr Gellényi explained that RBP is at the moment a project, not a separate company, and agreed with PRISMA that their key focus is on providing appropriate functionality for capacity allocation. In Hungary, the NRA has approved the costs. No problems seem to exist in Romania either. RBP allocates the cost between TSOs according to the share of capacity at the IPs.

- **Activities of joint platforms and need for appropriate exchange of information**

TSOs should ensure that CAM implementation activities via joint platforms are transparent to the market and NRAs, allowing appropriate exchange of information.

Comments by participants:

No particular comments were raised on this topic.

- **Harmonisation of the capacity contracts at both sides of the border**

The implementation of the CAM NC will result in the harmonisation of certain aspects of capacity contracts. Further harmonisation of contractual terms will result when other NCs are implemented (e.g. balancing NC for nominations). The appropriate degree of harmonisation of these contracts remains an open question.

Comments by participants:

No particular comments were raised on this topic at this stage. It was addressed under point 3.3 of the agenda.

### **3.2. CMP implementation: update on progress**

Mr Backes made a presentation on the state of play of CMP implementation across the different EU Member States, with respect to each one of the CMP mechanisms established in the Guidelines published in the EC Decision of 24 August 2012, to be implemented as of 1 October 2013. Additional explanations and clarifications on how CMP mechanisms are planned to be applied in the different countries were provided.

As a conclusion, it was noted that NRAs' replies to the questionnaires circulated by ACER show that the decision on the implementation of CMP provisions is still pending in many cases. The EC stated that it is very important that there is as consistent and harmonised an approach as possible on CMP implementation.

### **3.3. Harmonisation of capacity contracts**

Ms Poletti made a brief description of the rationale and scope of this issue.

Ms Held noted that everyone should be aware of this topic, as the KEMA study on entry-exit zones identifies relevant issues in this respect. The issue is expected to frequently arise during CAM early implementation and is interlinked with other topics.



ENTSOG stated that there is now a clear framework, considering the information provided by the EC regarding the establishment of the annual priority list for network codes and guidelines for 2014 and the scoping work expected for the development of the FG on Rules for Trading by ACER.

#### **4.1. Preparation of EU Stakeholders Group Meeting**

No comments were made on the agenda for the afternoon meeting with stakeholders.

#### **4.2. Preparation of Madrid Forum**

Ms Poletti briefly informed the group about the envisaged structure for the presentations to the 24<sup>th</sup> Madrid Forum. The presentations will be circulated as soon as available for information.

#### **5. Next meeting**

It was agreed that the next meeting will take place in Brussels in 2014. The exact date and schedule will be communicated in due time.