Congestion management procedures in the event of contractual congestion-amendment of Annex of Regulation 715/2009

Proposal for implementation in the Energy Community
Outline

1. General provisions i.e. applicability
2. Oversubscription and buy back
3. Firm day-ahead use-it-or-lose-it mechanism
4. Surrender of contracted capacity
5. Long-term use-it-or-lose-it
**Contractual congestion**

**Congestion Management**

> What is congestion?

- “‘contractual congestion’ means a situation where the level of firm capacity demand exceeds the technical capacity;”
General provisions (1)

• Applicability:

➢ IPs between adjacent entry-exit systems (physical or virtual), subject to booking procedures,

➢ Between 2 or more MSs, within the same MS, and to third countries if the NRA decides so. ECS proposal for the Energy Community: between CPs and between CPs and MSs plus reciprocity!

But **not to:**

➢ exit points to end-consumers and DSO networks,

➢ entry points from LNG terminals and production facilities,

➢ entry and exit points to storages
General provisions (2)

- Report on congestion at IPs:
  - based on information published by TSOs (in line with Regulation 715!)
  - by 1st March every year (starting 2 years after the expiry of deadline for implementation of the CMP amendment)
  - ACER will prepare monitoring report on congestions with respect to firm capacity products sold in the preceding year. ECS proposal: ECRB in close cooperation with ACER/ACER for IPs between MSs and CPs

- capacity made available through application of these CMP measures shall be offered in the regular allocation process (i.e. CAM NC when applicable!)

- Proposed deadlines: 1st January 2018, firm day-ahead UIOLI as of July 2020
Oversubscription and buy-back scheme

- Offering additional firm capacity on top of technical capacity
- Technical and additional capacity recalculated dynamically
- TSO incentivized i.e. revenues from oversubscription and costs of buy-back shared between TSO and network users
- Other CMP measures should be used first
- Buy-back applied if delivery is not guaranteed (the sum of nominations higher than technical capacity)
- Buy-back scheme should be market-based (e.g. auction)
- Before applying buy-back, TSO shall verify whether other technical or commercial measures maintain system integrity more efficiently
- The scheme is proposed by TSO, approved by NRA
Firm day-ahead use-it-or-lose-it (1)

- restriction of re-nomination right
- applied to network users holding more than 10% of average technical capacity in the previous year
- application justified by monitoring report on congestions
- if applied, then no need for oversubscription and buy-back (NRA shall decide)
- so far applied in Austria and Germany, in Romania NRA decision ongoing (according to ENTSOG’s report on CMP implementation)
ST UIOLI – Renomination Rules applicable to contracted capacities

**Upward Renomination Limitation**
- Nomination between 0%-80% → Renomination limited to ≤ 90%
- Nomination > 80% → half of not nominated range is allowed upwards

**Examples:**
- Initial nomination = 65% of contracted capacity → renomination limited upwards to 90%
- Initial nomination = 94% of contracted capacity → renomination limited upwards to 97%

**Downward Renomination Limitation**
- Nomination between 20%-100% → Renomination limited to ≥ 10%
- Nomination < 20% → half of nominated range is allowed downwards

**Examples:**
- Initial nomination = 65% of contracted capacity → renomination limited downwards to 10%
- Initial nomination = 16% of contracted capacity → renomination limited downwards to 8%
Surrender of contacted capacity

- TSO shall accept any surrender of firm capacity with duration longer than a day
- network user retains its rights and obligations until the capacity is reallocated
- alternative to secondary market
- care should be taken not to incentivize network users to overbook
- surrendered capacity returns to the market as primary capacity
- if several network users offer back the same capacity, the TSO should reallocate in the order the offers arrived
Long-term use-it-or-lose-it

- Anti-hoarding measure against “systematically underutilized contracted capacity”:
  - Network user uses on average less than 80% of its contracted capacity both from 1\textsuperscript{st} April till 30 Sep and 1\textsuperscript{st} Oct till 31\textsuperscript{st} March, with an effective contract duration of more than 1 year (applicable to long-term contracts and one year contracts concluded in line with CAM NC)
  - Network user systematically nominates close to 100% in order to avoid rules related to FDA UIOLI
- In case of underutilisation a shipper loses its capacity partially or completely after re-allocation by the TSO
- NRA decides based on information provided by TSO
Thank you for your attention!

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