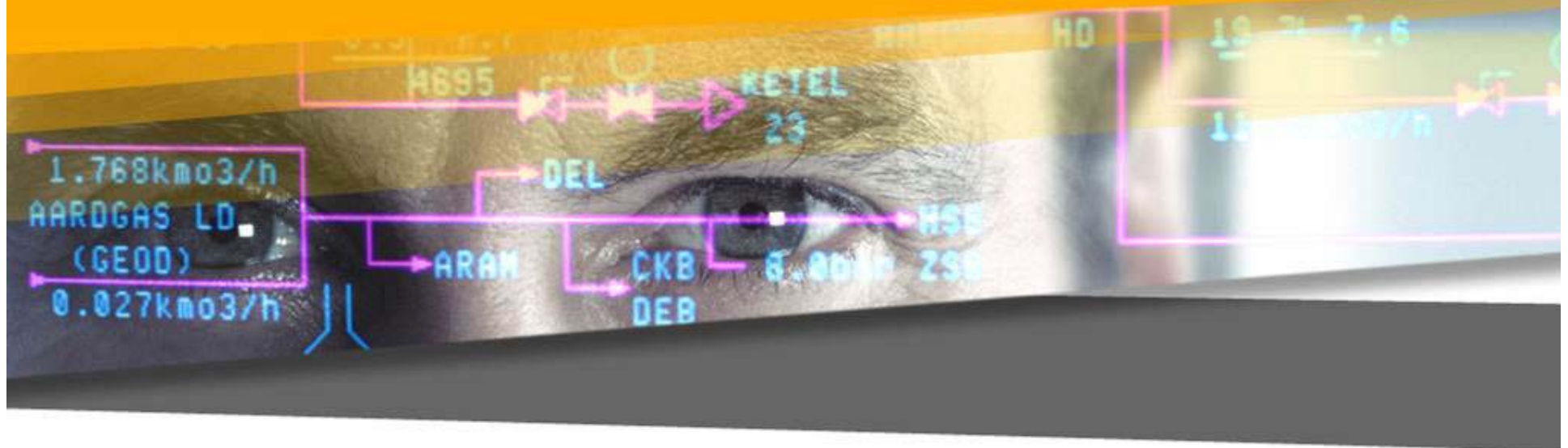


Interactive session long-term use-it-or-lose-it

Shippers meeting
Hoofddorp



15 May 2014

Workshop long-term use-it-or-lose-it

Agenda

1. CMP - status
2. Interactive session- goal, approach
3. LT UIOLI - interpretation, suggestions
4. LT UIOLI - resulting way of working
5. Process - next steps



Congestion Management Procedures - status

Amendment to annex I of regulation 715/2009

- | | | |
|--------------------------------|---|-----------------------------|
| 1. Oversubscription & buy back | ✓ | D,M,Y PRISMA |
| 2. Surrender of capacity | ✓ | M,Q,Y PRISMA |
| 3. Long-term use-it-or-lose-it | | <i>to be implemented</i> |
| 4. Day-ahead use-it-or-lose-it | | <i>potentially required</i> |

Interactive session- goal, approach

Goal:

- Get shippers opinions regarding LT UIOLI

Approach:

- GTS and ACM prepare LT UIOLI code implementation
- The CMP LT UIOLI paragraph requires interpretation
- GTS provides initial suggestions for interpretation, and shippers are invited to give their opinion: first plenary via this session, then on shipper level through a questionnaire that will be developed and send to you after this session
- The outcome will be input for the code development

LT UIOLI – interpretation

Long-term use-it-or-lose-it

2.2.5.1 National regulatory authorities shall require transmission system operators to partially or fully withdraw **(6)** systematically underutilized contracted capacity on an interconnection point by a network user where that user has not sold or offered under reasonable conditions **(4)** its unused capacity and where other network users request firm capacity **(1)**. Contracted capacity is considered to be systematically underutilized **(3)** in particular if the network user uses less than on average 80 % of its contracted capacity both from 1 April until 30 September and from 1 October until 31 March with an effective contract duration of more than one year **(2)** for which no proper justification could be provided **(5)**

- Interpretation is required for all underlined text quotes
- Shippers are requested for their opinions

LT UIOLI – the applicable process per IP

1. “other network users request firm capacity”
2. “effective contract duration of more than one year”
3. “systematically underutilized”
4. “not sold or offered under reasonable conditions”
5. “no proper justification could be provided”
6. “partially or fully withdraw”

1 "where other network users request firm capacity"

Which IP's are to be considered for LT-UIOLI?

Suggested interpretation

Those IPs where in the most recent yearly auction:

- firm capacity for the 1st gasyear was fully sold and for which a price premium was realized

or

- no firm yearly capacity product has been offered for the 1st gasyear

2 "effective contract duration of more than one year"

Which contracts are to be considered for LT UIOLI?
(screening for underutilization and potential withdrawal)

Suggested interpretation

Contracts:

- With a remaining duration of more than one year
 - (multi) annual contract from FCFS
 - consecutive yearly contracts from auctions
 - or any combination of these
- Having equal contracted capacity over the relevant period

4 "not sold or offered under reasonable conditions"

Contracts underutilized, but did shipper re-offer?

Suggested interpretation

- Min. 20% of the contracted capacity should be re-offered
- Via Surrender of Capacity or secondary market
- As yearly capacity over the remaining contract period
- With the regulated tariff as max. secondary market price

5 "no proper justification could be provided"

Contracts underutilized, but can shipper properly justify?

Suggested interpretation

- 1) Capacity is needed to fulfill a legal obligation
- 2) Supply market is characterized by high seasonality
- 3) Delivery agreement exactly defines capacity
- 4) Any other possible justifications.....?

6 “partially or fully withdraw”

How much capacity to withdraw once decided to?

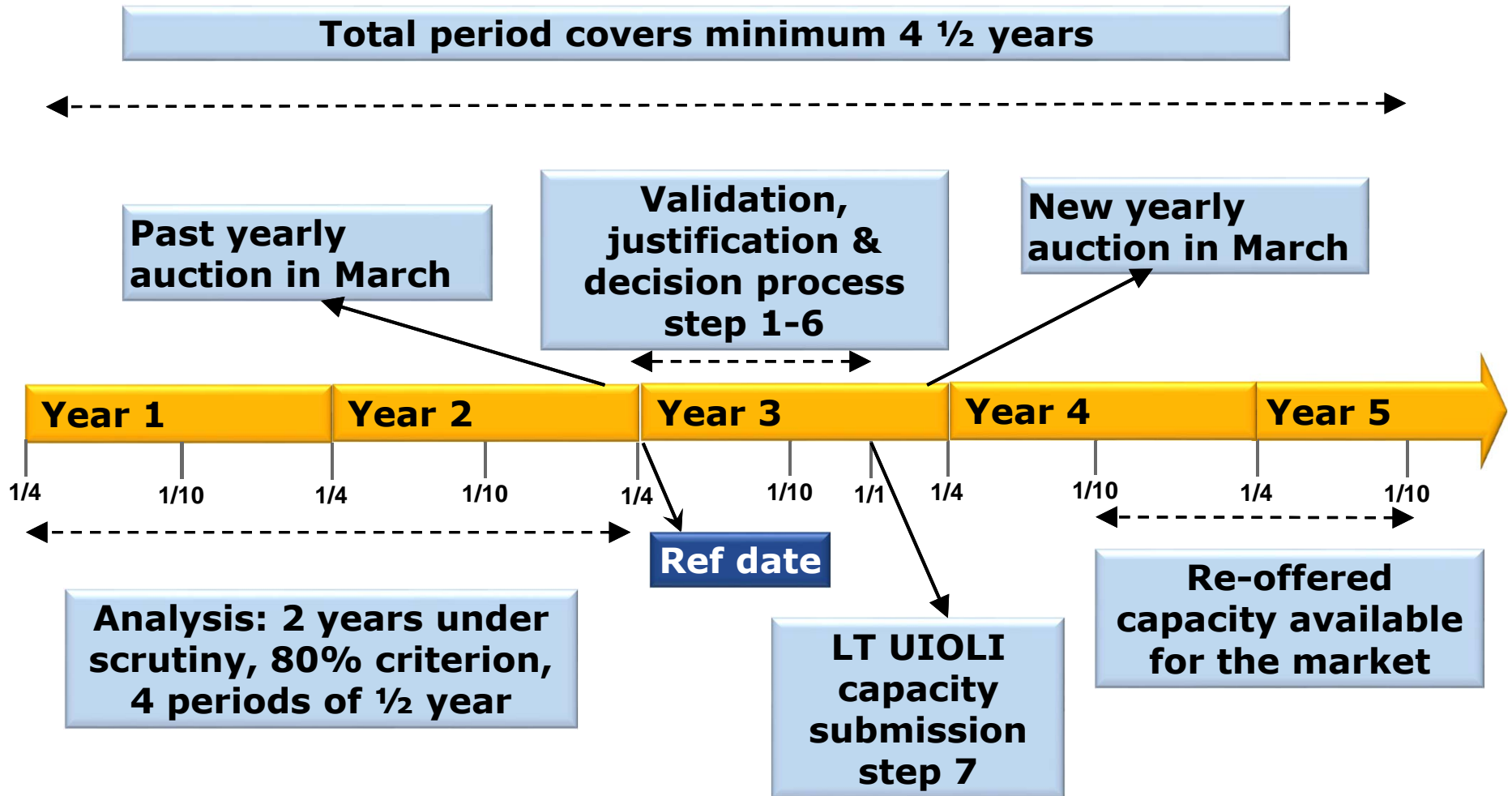
Suggested interpretation

- An amount such that new utilization, based on historic use and remaining capacity, would reach required 80%,
- To be offered for the full length of the remaining effective contract period
- Via PRISMA in the next yearly auction
- Using the standard SoC algorithm but with lower priority

LTUIOLI - suggested way of working

		Timing
1. Scarce IPs?	Network users request firm	March
2. Relevant contracts?	Effective duration > 1 year	April
3. Underutilization?	2 years, 4 periods, < 80%	May
4. Shipper(s) re-offer?	20% capacity remaining period	May
5. Shipper(s) justify?	Justification	June - Oct
6. Decide contract(s) withdrawal	Set level/duration based on 80% utilization	Nov - Dec
7. Yearly capacity submission	PRISMA - via SoC route	Jan

LTUIOLI – suggested way of working



Reference date is 1/4 (and not 1/10) related to pass all steps before new yearly auction

Process – next steps

Process foreseen to reach code implementation

Market consult via questionnaire	June	2014
Concept code proposal in GEN	Nov	2014
Concept code publication	Feb	2015
Hearing reporgs, GTS, ACM	May	2015
Codes final	July	2015