

## Gas Regional Initiative – North West Region

### Project Plan for Interconnections: secondary market

#### A. Organisation

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**The work modus (meetings etc.) can be found in part D.**

**Role of Enabler Group<sup>1</sup>:**

- By means of phone conferences, meetings function as an informal (brainstorming) consultative mechanism and work on agreed actions (see part D);
- Possibility to informally co-ordinate initiatives of EFET, Easee-gas and any other on 2ndary market.

**Interaction with “primary markets” workstream<sup>2</sup> and “Day-ahead auctions” pilot:** Lead regulator (DTe) shall coordinate, and where necessary, feed in or take the work from “secondary market”(and if required, the work on ‘primary product’ of the ‘day-ahead auctions’ pilot) to these workstreams or vice versa.

#### B. Outcome

**Original Objective**

In the workstream action plan “Interconnections, Primary and Secondary Capacity Market” the following main objectives of the “Secondary Market” workstream were formulated:

“The outcome of this work stream should lead to a situation, where maximum of “unused capacity” is re-allocated on the secondary market. This should create (additional) network access from which all parties could benefit. The mechanisms used should create transparent signals for efficient investments at physically congested border-points.”

<sup>1</sup> This EG is a flexible, non-binding group of individuals with know-how of gas industry. Companies participating are not bound. Maximum of 8 participants is envisaged. We strive to equal burden of work.

<sup>2</sup> See Implementation Plan(s) of these streams.

With this target in mind the GRI North-West did a study on the current performance of the secondary market. The findings of this study were published in January of 2007 and discussed on the SG workshops in Bonn, February 2007.

### *New (Sub-)Objectives*

During the workshop on the secondary market (Bonn, February) the stakeholders confirmed the targets formulated above. Based on the study and the workshop in Bonn the secondary market work stream shall pursue two new (sub-)objectives:

1. to support the ‘daily, day ahead capacity auctions’ pilot by EFET and the operators in its work and to learn from lessons learned on the facilitation of a secondary market in this pilot;
2. to further study the existing or possible congestion management procedures to find out how they can support the secondary market and how they can be improved AND to feed these advisory studies into work of ‘primary market’ working group(s), if congestion management is on agenda.

### *Details on New (Sub-)Objectives*

#### **Sub-objective one:**

In the study on secondary markets performed by the GRI North-West the shortcomings in the design of the secondary market have been identified as one of reasons behind the illiquidity of the secondary markets in the NW-European region. Three different aspects of the design of the secondary market which could be improved were identified: the market mechanism (bilateral transactions), the facilitation by the TSO (lack of transparency, lack of coordinated entry-exit product and lack of facilitation actual transfer) and the access conditions (especially the implementation lead time). Since the EFET pilot proposal incorporated a number of solutions for the issues concerning the facilitation and market mechanism we propose to monitor the progress of the workstream on this pilot and to advise and facilitate where necessary. Once the pilot is in place the workstream will monitor the liquidity of the secondary market and will study whether the improvements that have been made to the initial shortcoming in the design of the secondary are sufficient to increase the liquidity of the secondary market.

Furthermore the EASEE task force on secondary markets main objective is to shorten the implementation lead time. Therefore the GRI workstream will first study the progress EASEE gas makes on this issue and will then decide if further actions are necessary in that field.

The table on the next page shows an overview of the design issues identified, the subsequent sub-issues and the possible solution.

Design Issues	Sub-issues	Solution
Access conditions	Long implementation lead time (average of 5 days, maximum of 10 days)	EASEE gas
Facilitation	Lack of transparency on products, price and amounts	pilot for daily day-ahead auctions on Bunde/Oude Statenzijl and Ellund <b>[ EG-work is focused at monitoring progress on “firm secondary capacity” product in the pilot]</b>
	No concentration of supply and demand on fixed times	
	No facilitation actual transfer capital-capacity	
No coordinated entry-exit product is offered		
Market mechanism	Bilateral trade does not actively concentrate supply and demand and has a non-transparent character	

### Sub-objective two:

The GRI study on the performance of the secondary market also showed how shippers need incentives to offer their capacity on the secondary market. Furthermore it became clear that the other congestion management procedures are in need of improvements and that there is a need for the study on other alternative congestion management tools. Therefore the second objective of the secondary market is to evaluate and suggest improvements for the two other existing congestion management procedures (the firm UIOLI and interruptible UIOLI mechanisms) and to focus on possible other ways of freeing up unused capacity rights for the market (for example the ‘releasable capacity’ concept).

The results will be presented as advice to the relevant workstreams, primarily for the workstream ‘primary markets for interconnection points’ of the GRI NW-European region.

### C. Risks

A specific risk for objective one is that the EFET pilot proposal is never implemented, or the secondary market is not incorporated in the final design. Then using pilot results as a starting point needs to be reviewed.

Other general risks for the objectives of the workstream:

- *Lack of support* from stakeholders for the activities that will be deployed by the workstream;
- Issues with the *time schedule* proposed in the next part;
- *Resource constraints* (people, time or money)

### D. Workplan

Although we distinguish two objectives for this workstream, the activities that this workstream will need to perform are presented in one overview.

#	Activity	Performed By	Input for	End-date
1	<p><u>Phase 1.</u> Monitor the pilot in regards to ‘secondary firm capacity’ product and, if required, in relation to primary product;</p> <p><u>Phase 2.</u> advise on a way forward for the secondary market in the region based on performance of the pilot.</p>	<p><u>Phase 1.</u> EG: DTe is to facilitate monitoring.</p> <p><u>Phase 2.</u> EG</p>	“Day Ahead Auction” working group	<p><u>Phase 1.</u> Depends on action plan “Day ahead auctions” (23/24 april more expected to be known; work in progress).</p> <p><u>Phase 2.</u> Pilot is expected to start at latest in April 2008. This means that advise work shall mainly be in 2008.</p>
2	Study and evaluation of the ‘releasable capacity’ product	EG: Statoil (lead drafting)	Activity 4 and/or to feed into ‘primary markets for interconnection points’	End of April 2007

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3	Study, evaluation and recommendations for improvement of the current interruptible UIOLI mechanism and the subsequent interruptible product	EG: Centrica (lead drafting)	Advice to feed into workstream 'primary markets for interconnection points'	End of June 2007
4	Workshop/brainstorm session on improving existing and alternative congestion management procedures	EG: DTe to set-up venue	Advice to feed into workstream 'primary markets for interconnection points'	Last 2 weeks of August 2007 [1 day session]
5	Evaluation of the results so far and update of the Implementation Plan	EG	Advice to RCC	End of September 2007