

## Gas Regional Initiative – North West Region

### Project Plan for the hub work stream

2007-09-03

#### Enablergroup participants

##### Regulators

Carsten Smidt	DERA
Elif Karatay	DTe

##### Operators

Henriette Hindrichsen	ENDK
Luc Gossuin	Fluxys
Egbert-Jan Schutte	APX

##### Stakeholders

Douglas Wood	EFET
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#### Introduction

In order to have well functioning markets in the North-Northwest region efficient hubs are needed. Therefore Hubs were included as one of the primary priorities for the North-Northwest RCC. In the hub workstream questionnaires were distributed for answering by stakeholders and huboperators in November 2006. The questionnaires focused on market barriers preventing or limiting trade at hubs.

The questionnaires delivered some interesting results which afterwards were discussed at a workshop in Bonn on the 9<sup>th</sup> of February 2007.

The conclusions reached on the workshop in Bonn the 9 of February were

- The barriers mentioned in answers of questionnaires are found to be the central barriers
- Balancing and gas quality also seems to be main barriers
- All hubs are inflicted with problems

The barriers which according to the results from the questionnaire are the largest barriers:

- Lack of access to primary capacity to and from hubs
- Lack of access to storage facilities
- Lack of access to secondary capacity to and from hubs
- Lack of liquidity
- Lack of sellers
- Lack of buyers

Some of these barriers might constitute a problem in some of the hubs and not in other hubs, but these are the six barriers which got the most overall votes as the largest barriers.

The workshop also had a debate on how to overcome the different barriers which are preventing trade on the different hubs.

The following remarks were made on the issue

- capacity release,
- main focus on framework (access, rules),
- large zones with volume based tariffs with no need for capacity booking inside the zone
- possible merger of e.g. Danish and German hubs by further harmonisation of rules (balancing and access to capacity)
- it is only beneficial with large markets if there is enough capacity and few balancing zones,
- gas quality at specific hubs

- standardize balancing (daily vs. hourly) and products, reasonable imbalances cost if not market based, grid company and TSO should work together to make trading of imbalances possible
- all liquidity need to be concentrated at the hubs

### **Purpose of this implementation plan**

The purpose of this implementation plan on the hub workstream is to outline the views on the way forward by the RCC after careful analysis of the outcome at the Bonn workshop.

In light of the issues and comments brought forward on the workshop it has been decided that different issues as well as general issues need to be solved at the specific hubs.

For this task to be successful those with the best knowledge needs to be responsible for carrying out the implementation. For hubs this task therefore has to be taken up by the hub operators and the markets participants relevant for the specific hubs as well as the national regulators.

This implementation plan sets up deadlines and suggests actions taken up at the hubs.

### **Organisational structure**

There will be one enabler group (EG) for this workstream and one usergroup (UG) for each hub.

The EG will be chaired by the lead regulator for the hub workstream, Carsten Smidt. And will also include a representative of the traders of Energy; Douglas Wood, representatives from the system and hub operators; Henriette Hindrichsen, Luc Gossuin and Egbert-jan Schutte, as well as two members from DTe, Elif Karatay and Erik Rakhou. The task of the EG is to monitor and coordinate the actions taken by the different UG. The EG will be overall responsible for the progress in the hub workstream.

The UG will consist of, ideally 5-7, traders which represent the whole market and who trade at the specific hubs or want to trade at the hubs but are prevented because of the barriers. An example could be pure traders, producers, incumbent wholesalers, large industrial companies and so forth. The huboperators together with the national regulators will be in charge of setting up the most qualified UG with respect to their hub. The task of the UG is to come up with specific list of action that needs to be taken at the individual hubs and carrying out these actions in cooperation with the hub operators and the national regulators. The national regulator will attend the UG meetings and lend their support they will also be needed if legal questions are raised about certain actions. The IG, EG, SG and the RCC will all come up with lists of hubs that they think should be included in the workstream. The hubs included will be chosen from these lists.

Together with the hub operators and national regulator the UGs and the EG will carry through and monitor the effect of different implementation on the specific hubs on the local markets and the overall North-Northwest European market.

The EG can charge the individual UGs with specific tasks and overrule them if they want to implement changes which are not beneficial for the overall North-Northwest European market.

### **Tasks for the hub workstream**

The tasks that are set up for the hub workstream are the following:

- Development and implementation of a general action plan for the hub workstream and the UG.
- Monitoring the process in the hub market as the other workstreams implement their actions

The hub workstreams task will be to setup an action plan for developing the different hubs and setting deadlines for the tasks at hand and afterwards monitor and enforce the deadlines set up in the implementation plan. The task for the EG will be to coordinate the efforts of the UG and make sure that progress is made and to monitor the effect of implementation in the other workstreams on the trading at hubs. Participants in the UG meetings will be responsible for coming up with specific solutions and putting the solutions into action.

Some of the point that could be dealt with in the action plans made by the UG is:

- Integration between a future German EEX exchange and the Danish GTF hub
- Expanding the balancing and trading zones at Zeebrugge
- Introduce swap contracts between hubs
- Common contracts at each hub, which could increase trade between hubs
- Improving the frames of creditworthiness
- Decreasing the possible length of time for capacity bookings, so more short term capacity is made available
- Introducing re-entry and re-supply possibilities in every point included in the systems surrounding the hubs
- Decreasing the amount of administrative procedures at hubs
- More information and transparency on the risk of interruption on interruptible capacity

The hub workstream also needs to monitor the effect on hubs as the other workstreams progress in making changes on the North-Northwest European market. This will be monitored by comparing the liquidity and level of trade at the hubs as the actions are implemented.

### Workplan

Phase	What	Who	Deadline
<b>Preparatory</b>	Set up Enabler Group	RCC	done
	Discuss Implementation Plan with IG, EG	RCC	20 March
	Approve Implementation Plan	RCC	30 March
	Finalize conclusion paper	RCC	30 March
	Make a list of the hubs which are included in the workstream	RCC, IG, SG and EG	10 April
<b>Phase 1</b>	Set up User groups (UGs)	Hub operator and regulators	16 April
<b>Phase 2</b>	The UGs makes a Final list of actions to be implemented at their specific hubs	UGs	15 June
	Presentation and discussion of the action plans from	EG - UGs	27 June

	the different UGs at a hub seminar		
<b>Phase 3</b>	Follow up meeting on the conclusion reached at the hub seminar on the 27th of June 2007.	EG - UGs	October
	Status report on implementation depending on the problems implementation might go beyond phase 3	EG - UGs	December

### Key Risk

Key risk to the success of the hub workstream will be

- Lack of commitment from market players and hub operators in creating and managing the UGs
- Possible delays to solving and implementing the actions due to complexity and severity of the problems