

FUNC issue on data exchange

Potential Solutions for VTPs and UGS
INT WG/INT TF meeting 5 December

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Introduction



Data exchange at VTPs and UGS

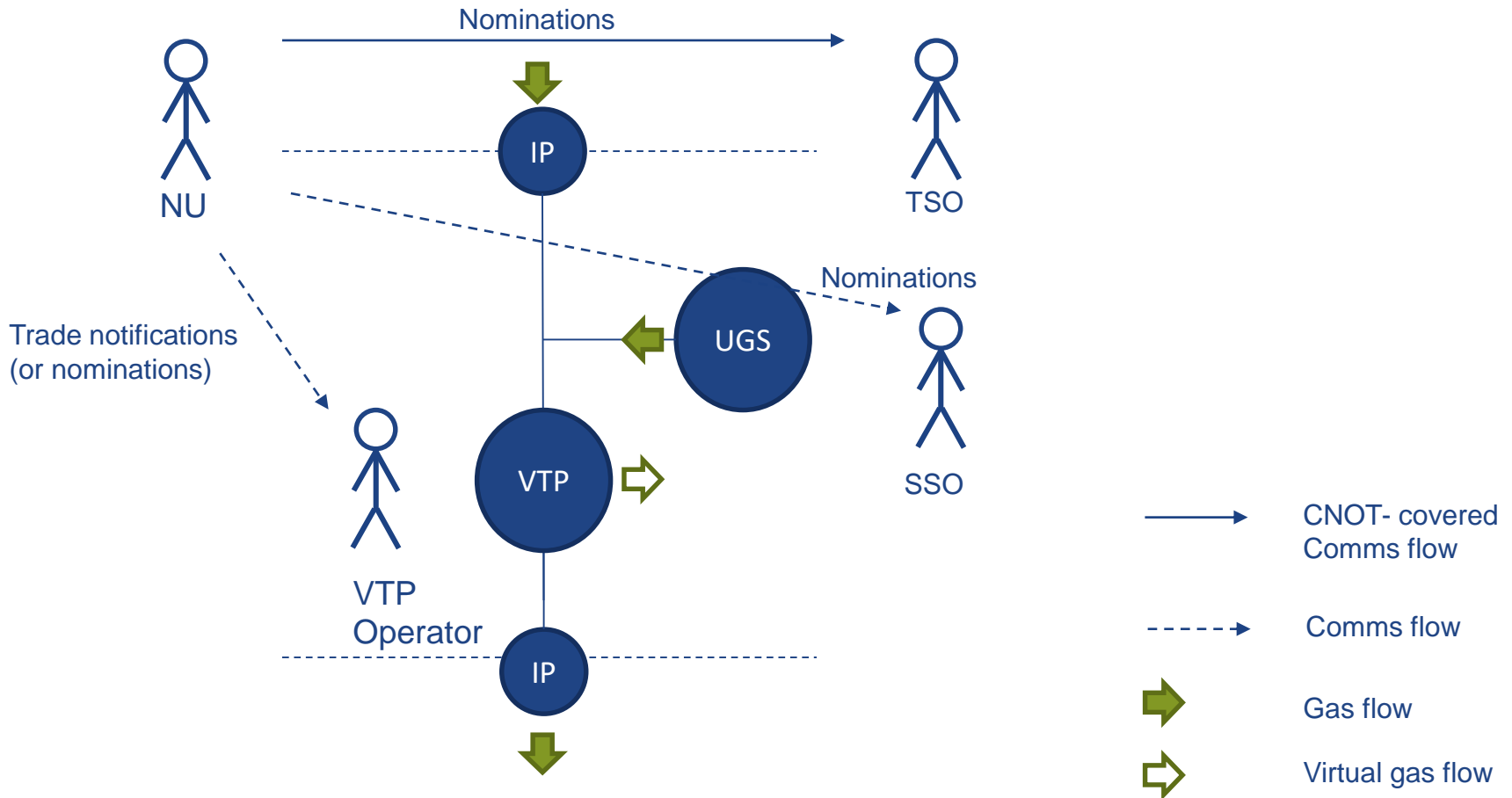
Issue description (Equinor)

- > **Issue subject:** Communication protocol and encryption (original title)
- > **Reported issue:**
 - Storage operators and market area operators (Gaspool and Netconnect Germany) tell they do not need to follow article 23 (Implementation of Common Data Exchange Solutions. In this case, AS4).
 - This leads to an extra cost where network users need to keep AS2 and also ask their vendors to support new encryption algorithm to AS2.
 - In addition they also claim they are not obliged to support edig@s xml (file format) for nominations on the VTPs.
 - If the network code isn't covering these companies the Network Code on Interoperability and Data Exchange Rules, Commission Regulation (EU) 2015/703 has a reduced effect on harmonization.
- > The issue has received the support of ENGIE, GasTerra and EASEE-Gas



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Issue context: Nominations and Matching process



Current ENTSOG CNOT only covers nominations at IPs



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Overview of steps taken so far

- > Issue categorized as valid and of European scope
- > Potential solutions jointly developed by ENTSOG and ACER
 - VTP issue: European solution (NC amendment)
 - Storage issue: National solution vs European fully fledged binding solution
- > Stakeholder meeting on 16 May
- > Public consultation open from 17 May to 13 June
- > Consultation report published in August on the FUNC platform
 - 30 answers received
 - General support for NC amendment and CNOT extension
- > In view of PC results, ENTSOG and ACER updated draft solutions by 25 September
- > Stakeholder meeting held on 2 October
- > ENTSOG and ACER agreed on issue solutions at FUNC CG level in December 2018

Next steps

- > Publication of the solution and closure of the issue expected in January



Draft solutions presented for public consultation



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Potential solutions for VTPs

- > Proposed solution: “European solution”
 - Make the INT NC apply to Virtual Trading Points
 - Insert in Article 1 (2): “Chapter V shall apply to **IPs** and **virtual trading points**”
 - Change Article 20 (1) “counterparties means network users active at **IPS or Virtual trading points**”
 - Extend obligations to parties carrying out data Exchange of behalf of TSOs
 - Add **Article 24a**: Article 20 (2) – 23 shall apply both to the transmission system operator and entities who carry out tasks of the transmission system operator.



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Potential solutions for VTPs

- > Proposed solution: “European solution” (cont.)
 - NC amendment to apply from XX.YY.2020:
 - New **Art 26a**: The implementation of the amendments in Article 1(2), 20 (1) and 24a shall apply from XX.YY.2020.
 - *Note*: While network users would anyhow receive a nomination confirmation after the matching process on day D, the allocation of trade notifications to balancing accounts on day D+1 is not mentioned in the issue raised.
 - Rescoping of the ENTSOG CNOT for Nominations & Matching to include VTPs:
 - Modification of the Nominations & Matching BRS
 - Addition of the relevant rows to the ENTSOG CDES table



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Potential solutions for Storage Facilities

- > Option 1: “National voluntary solution”:
 - Rescoping of the ENTSOG CNOT to include nominations to storage facilities, LNG terminals and other points subject to nomination (BAL NC article 18) and recommend a CDES for such data exchange requirements

- > Option 2: “Fully fledged binding European solution”:
 - Rescoping of the ENTSOG CNOT as stated above
 - Depending on the outcome of the relevant impact assessment, amending the gas regulation (in the course of 2020 gas legislative package discussion) to extend INT NC obligations for TSOs in Chapter V to other system operators involved in points subject to nominations according to BAL NC Art 18 (e.g. SSOs, LSOs, etc).



Public consultation overview, findings and conclusions



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Public consultation overview

- > 30 participants: 15 NUs, 7 TSOs, 5 SSOs, 2 MAMs, 1 NRA, 2 associations, 1 clearing responsible party, 1 LSO.
- > VTP issue:
 - 24 vs 1 participants support an amendment of the NC to make VTP operators use common data exchange solution
 - 1 NU argued that there is a stronger case for harmonizing trade “nominations” than for trade notifications.
 - 2 NUs considers allocation processes connected to balancing should also be harmonized.
- > Storage issue:
 - 18 vs 7 respondents believe lack of harmonization is a barrier
 - 19 participants would benefit from harmonization at other points requiring nominations (BAL NC Article 18)
 - 5 supported “National voluntary solution” vs 19 for “Fully fledged European solution”



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Discussion point: Trade notifications vs trade nominations

- > RWEST replied to the PC saying that there is a stronger case for harmonisation of trade nominations than for trade notifications.
 - A trade notification is one where the shipper notifies the TSO of a VTP trade that is just one end of day number. These apply in the GB and Italian markets.
 - A trade nomination looks like a physical flow nomination, i.e. it will have a lead time to take effect, will be effective from a certain hour of the gas day and have an hourly profile for the remainder of the gas day. These apply in the German, Austrian and Dutch gas markets for example.
 - RWEST argues that the process for registering both trades are different.
- > *Pending question/conclusion: trade notifications in the BAL NC cover the two operational models above. A wide majority of stakeholders sees value in harmonising data exchange solutions for trade notifications in general.*
- > *Background: BAL NC Articles 3, 5, 7 (3) and 13*



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Discussion point: solution for the storage issue

- > 18 vs 7 respondents believe lack of harmonization is a barrier
- > 19 participants would benefit from harmonization at other points requiring nominations (BAL NC Article 18)
- > 5 supported “National voluntary solution” vs 19 for “Fully fledged European solution”
- > *Provisional conclusion:*
 - *Respondents are mostly asking for a binding solution. However, according to ACER, under the third package rules it would be very difficult to impose such detailed provisions on LSOs and SSOs.*
 - *A possible approach could be to leave to the NRA the decision on the application of CNOTs to other points subject to nominations as per BAL NC Article 18.*



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Discussion point: allocation process

- > As a side topic, some stakeholders (Equinor and RWEST) have argued in favour of harmonising the allocation process.
- > The BAL NC requires TSOs to provide network users with information regarding allocations.
- > This has been interpreted by some respondents in some member states as a data exchange requirement in a NC and, therefore, subject to harmonisation via an ENTSOG CNOT.
- > However, the allocation process goes beyond the scope of the INT NC (IPs + VTPs) as it refers to any in-take or off-take *for the purpose of determining the daily imbalance* (city gates, storage points, direct customers ...).
- > *Provisional conclusions:*
 - *Any proposal of NC amendment should be made in consideration of potential future harmonisation work on allocations.*
 - *Giving discretion to NRAs in the applicability of a potential CNOT for allocations (as for the storage issue) seems a prudent approach.*



Proposed solution



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Previous considerations on the proposed solution

- > ENTSOG understands that CDES as specified in CNOTs are binding after reading Articles 23 (1) and 24 in combination. The binding character of CNOTs refers to the choice of the common data exchange solution (protocol and format) but does not imply that the whole set of CNOT related documents (BRS, implementation guides and communication profiles) are mandatory.
- > ACER and ENTSOG think that including or referring to the CDES table in the NC may be beneficial.
- > Regardless of the legal debate around the binding character of CNOTs, stakeholders overwhelmingly supported harmonized data exchange solutions.
- > CDES as specified in the CNOTs have been implemented by 80% (inc. 11% N/A) of TSOs. ENTSOG and ACER encourage the implementation of the CDES specified in the CNOTs.
- > NCs bind directly only TSOs but they have effects on other parties. Therefore, extension of obligations to other parties is proposed to be conditional upon NRA decision.
- > ENTSOG has established a dialog with BNetzA and BSI regarding encryption algorithms.



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Solution summary

- > *Amendment of the INT NC (European solution for VTP + national regulatory for other points):*
 - *Insert in Article 1 (2): “Chapter V shall apply to **interconnection points, virtual trading points and, subject to national regulatory authorities’ decision, other points than interconnection points**”*
 - *Change Article 20 (1) “counterparties means network users active at (a) **IPS; or (b) VTPs, or (c) other points than interconnection points following NRA decision under Article 1 (2)**”*
 - *Change Article 20 (2): “(...) (i) between transmission system operators and from transmission system operators, **entities that carry out tasks of the transmission system operator, and other system operators to the extent they are affected by NRAs’ decision under Article 1 (2) to their counterparties (..)**”.*
 - *Change article 23 (1): “1. Depending on the data exchange requirements (...), transmission system operators, **entities that carry out tasks of the transmission system operator, and other system operators to the extent they are affected by NRAs’ decision under Article 1 (2)** shall make available and use the common data exchange solutions defined in Article 21*



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Solution summary (II)

- > *Amendment of the INT NC (European solution for VTP + national regulatory for other points):*
 - *Add at the end of Art 26 the following sentence: “The implementation date of the amendments in Article 1(2), 20 (1), 20 (2) and 23 (1) shall be **12 months from the entry into force for VTPs and for other points than interconnection points as may be decided by the national regulatory authority**”.*
- > *ENTSOG will update the CNOT for Nominations and Matching to include:*
 - *An explanation of the different types of trade notifications.*
 - *Nominations to storage facilities, LNG terminals and other points subject to nomination (as per BAL NC article 18)*
 - *Extension of the CDES table for these data exchange requirements*



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Considerations on the proposed solution

- > The proposed solution would:
 - Clarify that harmonization is applicable also to VTPs from a common future date
 - Clarify that parties carrying out data exchange on behalf of TSOs (such as Market Area Managers) are also bound by the INT NC in this respect.
 - Leave discretion to NRAs in:
 - Applying the ENTSOG CNOTs beyond the scope of the INT NC (IPs + VTPs) to other points (storage points, LNG terminals) and deciding on the implementation date
 - Setting obligations for SSOs, LSOs and other operators not acting on behalf of a TSO.
- > Any future harmonization work on other topics that arose during this consultation (e.g. allocations) would be reasonably framed by the amended INT NC by distinguishing between the minimal interoperability scope (IPs + VTPs) and possible extensions as decided by NRAs
- > *We expect that NC amendment process will not be fast considering that a new parliament will be elected in 2019 and the on-going higher level regulatory discussion (negotiations on Electricity regulation and the gas package)*



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Considerations on the proposed solution

- > The needs of small network users need to be taken into account. In that respect, Article 23 (2) allows existing solution to continue to apply and gives discretion to NRAs as for the implementation date of CDES.
- > In the long-term, standardization saves costs and all type of network users should benefit from it.
- > ACER and ENTSOG are of the view that the proposed NC amendment would apply regardless of whether trade notifications are done on a daily or hourly basis. The CNOTs will describe both variants.
- > As a part of the CNOT extension process (BRS and MIG) message semantics may need to be analysed to ensure that they take account of the different national specificities.
- > If eventually, the allocation process is harmonized message semantics might deserve special attention due to the different balancing systems in place.



Thank You for Your Attention

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