

Market information regarding VIP-implementation

(24 August 2018)

Article 19 Paragraph 9 of the Regulation (EU) 2017/459 (NC CAM) foresees the establishment of virtual interconnection points (VIP). The concerned German Transmission System Operators (TSOs) have informed market participants on 1 March 2018 and on 31 May 2018 on the intermediate status of implementation as well as on the discussions with the regulatory authorities on European and national level. Today, we would like to inform you about the current status of the implementation of VIPs (24 August 2018).

Functionality-Process

As the result of the Functionality Process, ACER and ENTSOG have provided jointly developed proposals for amendments of the Network Code CAM to the European Commission (EC) in June 2018 in order to create more legal certainty. During a meeting with representatives of the Member States on 20 June 2018 the EC stated that an amendment to the NC CAM is not feasible before 2020. Furthermore, ACER and ENTSOG have published a letter of the EC dated 6 August 2018. In this letter, the Directorate-General for Energy of the EC communicates its interpretation of the NC CAM requirements. According to the EC, a legal clarification via a prompt NC amendment will not take place. From the EC's point of view, Art. 19 (9) NC CAM implicitly requires the integration of already contracted capacity in the VIP despite the wording "available capacities". The Federal Network Agency (Bundesnetzagentur) has already informed the German TSOs that she does not share this interpretation and that in consequence the dual system has to be implemented in Germany. Also the German TSOs thus continue with the implementation of the dual system.

What does the „dual system“ contain in detail?

The main details of the „dual system“- which have been agreed with the Bundesnetzagentur - are listed in the following. The rules apply at the earliest starting on or referring to 01.11.2018. Should the establishment of a VIP be delayed, the rules only apply starting on or referring to the date of the establishment of the respective VIP. It has to be considered that a VIP can only be implemented in case of an agreement on the establishment and the implementation details of the VIP between the partners on both sides of the border. As long as a VIP has not been formed at a border, the current rules for the IPs at that border continue to apply.

Basic model:

- Establishment of a VIP in addition to the existing IP
- Contracts that exist on the date of VIP-establishment (existing contracts) remain at the IP. An option to transfer these contracts to the VIPs is not foreseen

Capacities:

- The technical capacity at the IP corresponds to the level of the capacity which is contained in existing contracts on the date of VIP-establishment. After the end of a contract the capacity becomes available and is marketed at the VIP
- The technical capacity of the VIP consists of the available capacities of the IPs constituting the respective VIP

Process for existing contracts:

- Nominations for existing contracts take place at the IP, Nominations for new contracts at the VIP
 - Should existing contracts at the other side of the border be transferred to the VIP, the existing contracts are to be nominated at the IP on the German side and at the VIP on the other side. The German TSOs together with the partners on the other side of the border will ensure the execution of the transport
- CMP-Measures:
 - Capacity surrendered from existing contracts is remarketed at the VIP
 - Long Term UIOLI: Identification of the congestion will consider all relevant points, identification of use and withdrawal per IP, marketing of withdrawn capacity at the VIP
 - Short Term UIOLI: Identification of the limits for application and renomination per IP, marketing of capacities made available at the VIP
 - Secondary marketing of existing contracts takes place at the IP

Nomination management / Matching:

- Contractual verification of nominations at each IP and at the VIP
 - Afterwards aggregation of received nominations per border in order to ensure the transport execution also in cases where existing contracts are transferred to the VIP on the other side of the border
- Aggregated nominations are transmitted to the adjacent TSOs for the matching
- Over-nomination:
 - Balancing group managers can only over-nominate at the VIP
 - Over-nomination at the IP is excluded as all available capacity is marketed at the VIP
 - The complete booking of the VIP capacities is the condition for allowing over-nominations at the VIP

Capacity Conversion:

- „Bundling Conversion“ (NC CAM):
 - Converting an unbundled existing contract on the German side of the IP is only possible by booking bundled capacity at the IP until the date of VIP establishment
 - Unbundled IP-capacities on the German side of the IP cannot be converted anymore after the date of VIP establishment
 - Should an unbundled existing contract on the other side of the border be transferred to the VIP, the conversion via booking of bundled capacity at the VIP should still be possible based on the requirements of the TSO on the other side of the border
- „Upgrade Conversion“ (GasNZV):
 - Conversion of existing contracts for interruptible capacity or firm capacities with interruptible elements at the IP to firm capacities or firm capacity products with less interruptible elements are only possible by booking such capacities (according to TSO specific product ranking) at the IP until the date of VIP establishment
 - After the date of VIP establishment, an upgrade at the IP is not possible anymore

Status of VIP-establishment at the VIPs relevant for Fluxys TENP

VIP Belgium-NCG

<u>VIP Belgium-NCG</u>	Belgium	NCG
“VIP-TSO”	Fluxys Belgium	In negotiation
Concerned TSOs	Fluxys Belgium	Fluxys TENP, OGE, TG
Relevant IPs	Eynatten 2	Eynatten-Raeren, Eynatten, Lichtenbusch

VIP NCG-Switzerland

<u>VIP NCG-Switzerland</u>	Switzerland	NCG
“VIP-TSO”	No application of NC CAM	In negotiation
Concerned TSOs	FluxSwiss, Swissgas	Fluxys TENP, OGE
Relevant IPs	Wallbach	Wallbach Fluxys TENP, Wallbach OGE

After further assessment a risk-free operation of these two VIPs cannot be achieved by 1 November 2018.

Due to the uncertainties regarding the VIP-establishment as well as the risks involved, the TSOs have been missing a solid legal basis for a long time and were therefore unable to initiate the adaptations to the core processes and IT-systems required for VIP-implementation. The implementation of VIPs has implications for the whole complex IT-landscape of the TSOs. In particular time-critical, highly-available systems and processes like nomination and grid steering systems are affected by this. Due to the criticality of these systems and processes a comprehensive quality assurance is imperative.

A concrete implementation date cannot be published at this stage unfortunately. The TSOs will inform the market as early as possible about the implementation once it has been identified.

However, the TSOs would like to use this opportunity to underline that no major changes in operations are to be expected from the customer's point of view. This is the case in particular for customers that are already active at the relevant IPs. As one of the currently involved TSOs will be responsible for VIP-operation ("VIP-TSO") and today's process will remain largely unchanged, the requirements for the customer before grid use are mainly to register with the VIP-TSO via PRISMA if they are not already registered with that TSO and perform a communication test. The VIP-TSO will provide sufficient time for registration and establishment of interfaces.

VIP NCG-Netherlands H-Gas

<u>VIP NCG-Netherlands H-Gas</u>	Netherlands	NCG
"VIP-TSO"	GTS	In negotiation
Concerned TSOs	GTS	Fluxys TENP, OGE, TG
Relevant IPs	Bocholtz, Oude Stanzijl 1, Bocholtz-Vetschau	Bocholtz (Fluxys TENP), Bocholtz (OGE), Oude Stanzijl, Bocholtz-Vetschau

On 28 June 2018 the adjacent TSO Gasunie Transport Services (GTS) has published its decision to implement VIPs in Q1 2020 under the condition that the NC TAR with a postage stamp tariff mechanism as RPM is implemented by then in the Netherlands.

The TSOs active at the border between NCG and the Netherlands are in contact with GTS and are going to restart the coordination meetings for VIP implementation soon. Based on current knowledge, the establishment of these VIPs in Q1 2020 also seems feasible for the TSOs in the NCG market area.