

Minetad consultation on gas guarantees rules and access framework contract – “Normas de gestión de garantías del sistema gasista y el contrato marco de acceso a las instalaciones del sistema gasista español”

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EFET comments – 4 October 2017

The European Federation of Energy Traders (EFET¹) takes the opportunity to submit comments to the Minetad draft rules on guarantees management in the Spanish gas system. Below we have provided our detailed feedback on what, in our view, are the main key issues:

Comments to Annex VIII (guarantees for imbalances)

- Period to be covered by guarantees: in general, reducing the amounts of guarantees that have to be provided, is a measure that ease operational costs for companies and helps boost liquidity in the market. However, in this case, and due to the recent fraudulent cases, EFET believes the proposed reduction to be excessively far-reaching: in our view, the guarantees for imbalances should cover the worst case of fraud and, in fact, the system proposed in the draft Resolución could be acceptable in a gas market with only wholesale operations. However, the system should also work for imbalances created by an hypothetical fraudulent retailer that stops procuring gas and continues selling gas to final customers. Under Spanish regulations, customers are not responsible for the non-payments of the retailer if they paid their bills, so their supply cannot be suspended. Therefore, the fraud continues until the retailer is finally disqualified and left without customers who are transferred to a last resource retailer. This situation has already occurred recently in the Spanish gas system and the system of guarantees was clearly insufficient to cover the imbalance created for months. Hence, guarantees should cover the period between an hypothetical fraud and the transfer of customers to a last resource supplier. This could be solved by means of enabling provisional transferring of customers to the last resource supplier until the fraudulent supplier pays for the imbalances.
- Updating procedure: according to the proposal contained in the draft Resolución, guarantees would be continuously updated to reflect operations in the market and evolving risk profile of each market participant. While we would consider it an improvement of the existing situation in terms of efficiency, we believe this could be challenging from an IT point of view: in our view, the proposal could be implemented, but under the condition that the IT system is robust enough to perform such updates. Rigorous testing should hence be performed before its potential introduction.
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¹ The European Federation of Energy Traders (EFET) promotes and facilitates European energy trading in open, transparent and liquid wholesale markets, unhindered by national borders or other undue obstacles. EFET currently represents more than 100 energy trading companies, active in over 27 European countries. For more information: www.efet.org

- Minimum guarantees: in the draft Resolucion the minimum guarantees are reduced from €150,000 to €10,000. We believe instead that the current value should be maintained.
- Consideration of gas stocks in the formula: Gas stock in underground storage and LNG have limited effect in the formula of the Annex VIII: in fact, when there is enough stock the LNG and

the underground storage (UGS) terms are negative, but it is stated that if they become negative they should be changed into zero. We believe that gas stocks should mean that less guarantees are required: therefore, it would be convenient to review the formula to allow negative LNG terms and underground storage terms. Only operational stock should be considered. Also if a shipper uses an amount of gas in stock to allow negative LNG/UGS terms and reduce the Imbalance Risk, that amount of gas should not be used, nominated or sold by the shipper (unless the shipper stops using that stock of gas for having negative LNG/UGS terms). Moreover, it is fundamental for shippers to know in advance a clear procedure which would be applied in case that gas stock guarantees were to be executed. In particular, we seek clarification on who will be in charge of doing it, at what price and if there would be physical limitations to ship the gas/LNG from underground storages/regasification plants to PVB.

Comments to Point 2 “Framework access contract”

The framework access contract should introduce additional clauses to clarify what happens when the access contract of a supplier is suspended in case of fraud. If the access contract is an exit contract from the PVB to the distribution network, and this contract is suspended because of non-payment, we propose that the customers of the supplier ought to be transferred provisionally to a last resource supplier until all the debts with the system are cancelled.

Comments to point 3 “Guarantees for exit capacity - booking platform”

Due to the lack of a single capacity booking platform, the industry agreed on an interim consensus procedure for exit capacity booking which was communicated to the Ministry and is currently being applied. This procedure is now included in point 3 of the proposal and consists of a global management of guarantees for all exit points not included in the existing platform. However, this is not coherent with the “exponendo” of the proposal where it is said that the management of only groups 3, 2.1 2.2 and 2.3 would be done globally, but individually for the rest of points. This individual management would increase the costs and the lengthy of the process.

We propose to modify the “exponendo” of point 3 as follows:

“Se incluye en el apartado tercero un procedimiento transitorio que han de respetar los distribuidores y el Gestor Técnico del Sistema para gestionar las garantías aplicables a la contratación de capacidad en los referidos puntos de salida hasta que estos se integren en la Plataforma Única de Contratación. Se ha optado por un tratamiento global de las garantías de los puntos de suministro contratados a través de la plataforma SCTD.”

In addition, point 3 of the proposal replicates the original definitions for N°C y Qm contained in the previous resolution, but we think they should be replaced for the ones included in the consensus procedure. So this additional definitions should be added to point 3 of the proposal:

“N°C: Número de clientes activos el último día del mes de referencia con detalle por usuario, nivel de presión y subgrupo tarifario.*

Qm: consumo unitario medio mensual facturado de gas natural en cada subgrupo tarifario de los últimos 12 meses disponibles en el sistema de liquidaciones. Este dato lo proporcionará la CNMC a los distribuidores que remitirán al GTS junto con el resto de la información.

Los valores que pueden tomar los parámetros de Usuario del PVB o Comercializador, nivel de presión y peaje se basaran en las instrucciones de SIFCO aprobadas por la CNMC y vigentes en cada momento.”

We also propose the following wording for point 3.b.iv:

“Qd: Caudal diario contratado (expresado en MWh/día) el último día del mes de referencia, con detalle por usuario y subgrupo tarifario*

Guarantees for negotiation of long-term products

We also seek clarification regarding the last paragraph of point 1.2 “Cuentas de asignación de actividades” of Annex 1, which requires market participants trading long-term products (i.e. beyond month ahead) in the Organized Market to use a separate guarantee account and specifically for this activity. We would like to point out that, in case the negotiation of those products in the Organized Market is executed through a central clearing house (normal scheme in energy commodities exchanges), many parties trading in this market will use the services of a clearing agent that will manage all the guarantees on behalf of the market participant. Considering this, in our understanding a market participant would not be required to have a specific guarantee account for this activity, since its guarantees would be managed directly by the clearing agent.