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News: Federal Network Agency procedure on the Capacity Management Convention

AUTHOR: DR. LIANE THAU
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On 9 February, Beschlusskammer 7 of the German Federal Network Agency (*Bundesnetzagentur*) published the “opening decision for the procedure on the Capacity Management Convention” (File no. BK7-10-001). This opening procedure proposes terms for a standard offer on capacity management and some additional regulations. Until 12 April 2010, the 13 affected transmission system operators – namely all operators where capacity can be booked at interconnection points between market areas or at border points – are now obliged to provide the standard offer. Based on that standard offer, the Beschlusskammer will announce the final decision on the Convention. The following Newsletter outlines the terms of the agency’s Convention.

TERMS OF THE CONVENTION

The Convention contains the following individual terms:

OFFER OF BUNDLED CAPACITY. The Federal-Network Agency seeks to bundle capacity at the interconnection points between market areas and border points. Transport between two adjacent market areas or two adjacent countries shall become possible with a single nomination.

HARMONISATION OF CAPACITY PRODUCTS. All premiums on tariffs for transportation periods of less than one year will be abolished. The starting

date for all capacity products on an annual basis shall be January 1.

CAPACITY OFFLOAD. Holders of excess capacity can provide this capacity to network operators who can offer it as primary (first-seller) capacity.

SHORT-TERM CONGESTION MANAGEMENT BY IMPROVEMENT OF AVAILABLE FIRM DAY-AHEAD CAPACITY. The following measures shall allow for the provision of more day-ahead capacity:

- **10 AM DEADLINE FOR INITIAL DESIGNATIONS.** The deadline for initial nominations of

firm capacity at interconnection points will move from 2:00 pm to 10:00 am. However, the allocation data for the withdrawal volumes must not be provided before 1:00 pm.

- **RESTRICTIONS ON RE-NOMINATION RIGHTS.** 90% of the booked capacity cannot be exceeded by the re-nominated capacity and 10 % cannot be undercut respectively. If initially at least 80%, or at most 20 %, of the booked capacity was nominated, half of the booked but not yet nominated capacity is available for re-nomination. These restrictions do not apply to providers that booked less than 10 % of the available technical capacity.
- **AUCTIONING OF FIRM DAY-AHEAD CAPACITY.** To provide further incentives to improve market liquidity capacity at interconnec-

ADDITIONAL REGULATIONS

- The Convention will take effect by January 1, 2011. This deadline may change subject to an evaluation of the necessary effort required for implementation.
- Existing contracts shall be adapted to the new regime. However, the draft does not yet contains a deadline for this adaptation.
- With respect to German border points, different rules may apply if the adjacent foreign network operator does not cooperate voluntarily. However, these rules must be agreed on with the Federal Network Agency.

CONCLUSION

Taking into account the experiences with previous conventions, it is not very likely that major changes to the proposed terms will be made, in the light of the coming discussions. Whether they will finally

tion points between market areas where exchange-based trading takes place, the exchange shall offer the capacity and an accompanying gas contract. Only remaining capacity shall be auctioned separately.

AUCTIONING OF CONGESTED CAPACITY. The Federal Network Agency proposes specific rules for the auctioning of congested capacity. Such auctioning is already part of the existing regulation on network access if more than 90% of technical available capacity is already booked. However, the regulation does not provide for any specific auctioning procedure. The Agency now proposes auctioning the capacity at the maximum for the coming year in a one or multi-stage proceeding. The network operators and other stakeholders will comment on that proposal.

- The Convention contains no provisions for the recognition of cost for network operators related to the new concept under the regime of tariff regulation and no proposal for incentives for network operators to optimise capacity. If necessary, the agency is willing to discuss this topic at a later stage.

take effect on January 1, 2011 remains to be seen. Nevertheless, the offer of bundled capacity might represent a big step forward in coupling different market places.

DR. LIANE THAU
RECHTSANWÄLTIN, PARTNERIN, BERLIN



GÖRG
Klingelhöferstraße 5
10785 Berlin
Tel: + 49 (0) 30 884 503 - 187
E-Mail: lthau@goerg.de

Expertise

- Energy and infrastructure law (incentive regulation, network compensation arrangements for gas and electricity grids)
- Public and regulatory law, environmental law
- Litigation (primary focus on healthcare and administrative law matters)
- Sector experience: energy industry, public institutions
- Key clients consist of public and ecclesiastical institutions
- Currently acting for a Federal State regulation authority in a complaints proceeding relating to incentive regulations

Professional Experience

- As of 2002: Partner, GÖRG Partnerschaft von Rechtsanwälten
- As of 1999: Partner, Gaedertz Rechtsanwälte (Berlin Office, Potsdam)
- Admitted to practice law in 1990

Further Activities

- 2006/2007 Head of the Public Commercial Law practice group

Foreign Languages

- english, russian

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OUR OFFICES:

BERLIN ■ Klingelhöferstraße 5 ■ 10785 Berlin ■ Tel. +49-30-884 503-0 ■ Fax +49-30-882 715-0

COLOGNE ■ Sachsenring 81 ■ 50677 Cologne ■ Tel. +49-221-33 66 0-0 ■ Fax +49-221-33 66 0-80

ESSEN ■ Alfredstraße 220 ■ 45131 Essen ■ Tel. +49-201-38 44 4-0 ■ Fax +49-201-38 44 4-20

FRANKFURT/M. ■ Neue Mainzer Straße 69-75 ■ 60311 Frankfurt/M. ■ Tel. +49-69-17 00 00-17 ■ Fax +49-69-17 00 00-27

MUNICH ■ Prinzregentenstraße 22 ■ 80538 Munich ■ Tel. +49-89-30 90 667-0 ■ Fax + 49-89-30 90 667-90