

Trading Region Upgrade (TRU) - Service Description

Pilot Phase 2017/18

1. General Description

TRU in General, Runtime & Total Quantity

TRU is a specially designed service to facilitate market integration and in the present case it is planned to be applied for connecting the Austrian and Czech gas markets closer together. TRU is a service provided by GAS CONNECT AUSTRIA, GCA, and NET4GAS, N4G.

In brief words: for users of TRU the Austrian and Czech gas markets would be connected directly.

TRU provides the ability to reach also the neighboring markets and both market areas can serve as a bigger turntable.

TRU doesn't constitute a standard capacity however, this service is planned to be organized on existing gas infrastructure of GCA, N4G and - in this specific case - also together with the neighboring TSO from Slovakia, eustream. The customer using TRU however will not notice this involvement, but just use TRU by usual nominations procedures.

For now, it is foreseen to undergo TRU a market test by starting a TRU pilot phase still in 2017. This pilot phase shall provide all parties with a feedback about the market demand in such a market integration tool especially regarding totally desired TRU quantities and specific runtimes in the future.

Within the scope of the TRU pilot phase in the year 2017, the TRU service should be available first as a **yearly service** for the gas year 2017/2018, i.e. useable from 01 October 2017, 06:00 a.m. until 01 October 2018, 06:00 a.m., and should be offered with a **total quantity of 100 000 kWh/h per year**.

The following sections shall provide more detailed insight especially into the planned TRU marketing process and how to use TRU afterwards as well as the price of TRU, settlement and reporting issues. Finally, an overview about the planned next steps is provided as well as examples about the TRU allocation procedure used for the pilot phase and TRU operation.

The final design of the TRU service is subject to the finalization of the corresponding agreement with eustream.

2. TRU Selling in the pilot phase (sales process)

In general, the selling of TRU shall be carried out in form of a bidding and allocation procedure using prospectively any joint capacity booking platform (e.g. PRISMA, GSA, RBP). Within the pilot phase however the bidding and allocation procedure shall be performed in a practical and cost saving way organized by the individual TSOs (see below).

2.1. Participation Requirements

In the pilot phase TRU is offered to all market participants. Both TSOs will offer TRU individually. TRU can be bought from GCA with direction to Czech gas market and from N4G with direction to Austrian gas market:

2.2. Bidding Procedure¹

For the bidding the TSOs will open a bidding window for a certain period (from TT/MM/YYYY 09:00 a.m. until TT/MM/YYYY 09:00 a.m.) and interested customers shall have the chance to bid via a bidding form (TRU Bid form). In case bids are submitted outside of the bidding window and/or in case bids do not comply with the formal requirements as specified below, they shall be refused. Commencement of TRU bidding will be published at web sites of TSOs [or info email to customers contracting TRU]

The interested customers shall indicate in its bid per the TRU Bid form (Annex X):

- a. The relevant **TRU quantity** it intends to book expressed in kWh/h per year in integral multiple of 100 kWh/h per year,
 - i. Bids containing TRU quantities higher than the offered total service quantity of 100,000 kWh/h per year shall be rejected,
 - ii. Bids containing TRU quantities less than the minimum of XXX kWh/h per year shall be rejected.
- b. Contact details, i.e. bids not containing contact details shall be rejected.

The bids shall be confirmed by the TSOs by TT/MM/YYYY, latest three days after close of bidding window.

2.3. Allocation - procedure

After the bidding window has closed and all valid bids are collected, the evaluation for allocating the TRU quantities towards the bidders will proceed as follows:

- a. In case the sum of TRU quantities stated in all valid bids does not exceed the offered total TRU quantity, all bids shall be allocated successfully at the published TRU price.
- b. In case the sum of TRU quantities stated in all valid bids exceeds the offered total TRU quantity following allocation methodology shall apply:
 - i. The bids will be allocated on a pro rata basis (see Annex 1 / example 2).
 - ii. In case the allocation results in quantities below the minimum quantity stated by the TSO (see TRU allocation – methodology point 2.2.a.ii), the bid shall be rejected.

Examples of allocation please see in Annex.

¹ The missing information will be provided in due time before of the start of the bidding procedure

3. TRU Operation (running the service)

In general, the use of TRU is carried out within the standard nomination procedures.

3.1. Starting with TRU, Nomination and Renomination

Although, TRU has the same nature at both markets, some differences arising from different market setups (market rules) have to be taken into account.

After having bought certain TRU quantity within the bidding procedure, customer will conclude a TRU contract (or get a TRU allocation confirmation). TSOs will also register TRU contract(s) within their IT systems [Capacity Utilization @ GCA and trygas @ N4G] so that the TRU contract holder can manage, e.g. allocate its contracted TRU quantities to the relevant TRU user (balance group responsible in AT). The customer using TRU will be able to nominate TRU (for the first time for the gas day 01 October 2017) under following conditions:

- In general, applicable to both markets
 - Customer using TRU has to be entitled to nominate at both markets
 - TRU shall be nominated in the same way as transmission capacity
 - The same lead times apply
 - The renomination lead time for TRU planned to be 2 hours starting at full hour prior to submitted renomination. If not stated differently, prevailing market rules will be applied.
 - Customers using TRU will receive all necessary confirmations to enable their balancing properly in time
 - The exchange format to be used for the nomination of TRU is edigas 4.0 or a higher version. In addition KISSA – Format will be accepted until 01.02.2018.

- In Austria [TRU contracted with GCA]
 - TRU must be allocated to a balance group
 - Allocation procedure is the same as for transmission capacity, i.e. to be executed via GCA's Capacity Utilization system.
 - TRU can be allocated to an existing balance group within a 2 hours lead time prior to the intended use of the service
 - The lead time for the first operational set up for each new balance group is 5 working days
 - Nomination for TRU shall be processed via Gas Management System (GMS)

- In Czech [TRU contracted with N4G]
 - TRU users entering Czech market get registered by Czech market operator OTE [www.ote-cr.cz]
 - TRU users not entering Czech market get registered by N4G
 - Nomination shall be processed within the IT system (trygas) and CDS OTE
 - CMP rules will not be applied for the pilot at least.

3.2. Balancing

The nominated TRU will be allocated to the balancing accounts within the respective market areas and the balancing rules of this gas market will apply. That means the balancing regimes of the Austrian and Czech gas markets are not affected by TRU.

4. Service Price and Fee

Service price for CZ TRU will have two parts:

- a) Fixed price (reserved price) expressed in CZK/kWh/h/a or in CZK/MWh/d/a
- b) Variable price – depending on volume nominated expressed in CZK/kWh/d or in CZK/MWh/d

The monthly service fee is the result of the twelfth part of the fixed price times the allocated amount of the TRU service (fixed part of the fee) and the variable price time the nominated transmission volume into the neighboring market (variable part of the fee).

Service price for AT TRU will have a fixed price expressed in EUR/kWh/h/a.

5. Invoicing and payment

TRU service will be charged monthly on a separate invoice.

6. REMIT

Although TRU is different compared to a standard primary capacity, all applicable REMIT provisions shall be fulfilled when using TRU, i.e. all relevant REMIT information identified will be reported TSOs will report offered and booked TRU quantities as well as all nominations, re-nominations and final allocation related to TRU usage.

7. Other Conditions

The terms and conditions for the TRU service will be ruled in separate TRU contracts of GCA and N4G.

8. Next Steps / Schedule

- Finalization of agreement with eustream
- Approval of TRU tariff by NRAs
- Publication of final Terms & Conditions
- Publication of tariffs
- Publication of sales plan

Annex 1: Allocation Examples

Example 1:

No over demand, each Customer gets allocated as bided.

TRU available	100
TRU demand	100
Customer A bid	60
Customer B bid	40
Allocation	
Customer A	60
Customer B	40

Example 2:

Overdemand; Customer A, B and C get allocated on pro rata basis.

TRU available	100
TRU demand	130
Customer A bid	80
Customer B bid	30
Customer C bid	20
Allocation	
Customer A	62
Customer B	23
Customer C	15

Result of allocation procedure: Customer A gets allocated pro rata 62; Customer B gets allocated pro rata 23, Customer C gets allocated pro rata 15.