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Guidance Notes

to the

Portuguese VTP Appendix (Version 1.0) to the EFET General Agreement concerning Delivery and Acceptance of Natural Gas

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The implementation of EU Regulation 312/2014 in Portugal, which started in 2016 with the launch of a Virtual Trading Point (“*Ponto Virtual de Transação*” or “VTP”), has been finally achieved with the go-live of MIBGAS as balancing platform in 16 March 2021 (which is also the balancing platform for the PVB in Spain) and the consequential revision of the codified network rules, namely, the Regulation of Operation of Infrastructures (“*Regulamento de Operação das Infraestruturas do setor do gás*” or “ROI”) and the more detailed Manual of Procedures for Global Technical Management of the National Gas System (“*Manual de Procedimentos da Gestão Técnica Global do Sistema Nacional de Gás*” or “MPGTG”), through a public consultation (number 96) concluded by the Portuguese regulator, ERSE, on 12 May 2021.

Annex II of the MPGTG contains the form of the Adhesion Agreement to the Global Technical Management of the Gas National System (“Contrato de adesão à Gestão Técnica Global do Sistema Nacional de Gás”) that a market agent needs to enter into with *REN Gasodutos, S.A.*, the Gas National System Global Technical Manager, for bilateral title transfer transactions at the Portuguese VTP.

On the OTC market, natural gas in the Portuguese market has been negotiated over the years through bilateral bespoke contracts, drafted under local language, which may in some instances constitute an obstacle for the entrance of certain foreign traders. With this new EFET Portuguese VTP Appendix, the aim is to standardize contractual terms for OTC trading at the Portuguese VTP in order to facilitate the entrance of new market participants and the development of liquidity, similar to the positive experience with the neighbor Spanish PVB, further to the publication of the corresponding EFET PVB Appendix.

The drafting of the Portuguese VTP Appendix is very much driven from the last PVB Appendix, by simply adapting the regulatory cross-references to the corresponding Portuguese regulatory instruments and defined terms. However, the gas regulations in Portugal and Spain are not identical hence some highlights are explained below:

- Notifications at the Portuguese VTP follow the “lesser value rule” (MPGTG Procedure 16, section 2.1) hence in case of non-matching notified volumes by two counterparties, the lower notified value will be taken as resulting notified volume (unlike Spain, where there is a single-sided notification hence if one counterparty does not match the volume previously notified by the other party, the resulting notified volume will be zero)
- Imbalance Price used for calculating the damages payment for failure to deliver/take is the Marginal Buy Price (“MBP”)/Marginal Sell Price (“MSP”) defined in MPGTG Procedure 14.

The definition of the MBP and MSP is similar to the applicable equivalent price at the PVB, including the haircut of 3%, as follows:

- (i) MBP: Higher of the (i) highest buy price by TSO or (ii) Weighted average price (WAP) on “d” day, plus haircut of 3%
- (ii) MSP: Lower of the (i) lowest sell price by TSO or (ii) WAP on “d” day, minus haircut of 3%

The difference with the PVB is that the Portuguese rules include a fallback for calculation of WAP in the event there are no transactions published on “d” day at the Portuguese VTP, as follows:

- (i) the WAP taken shall be the last WAP available in the preceding 7 days, or if not existing,
- (ii) the WAP for PVB in Spain, adjusted by the capacity price resulting from implicit capacity allocation at the VIP PT-ES but until such implicit allocation exists, it will be

adjusted by adding (in case of purchases by REN) or subtracting (in case of sale by REN), as applicable, the tariff of the daily used capacity at the VIP.

- Linepack flexibility: there is currently a free linepack flexibility which is available to suppliers of end users. This free flexibility will be phased out on 30 September 2021 by a fee-based optional service, which market allocation mechanism needs to be proposed by REN to ERSE by 15 July 2021 (MPGTG Procedure 5). In any event, such free linepack flexibility or future fee-based service is excluded from Portuguese VTP Transactions under the Portuguese VTP Appendix, in line with EFET standard, for purpose of calculating damages for failure to deliver/take.