Public Consultation – FUNC issue “Greater flexibility to book firm capacity at IPs”

Fields marked with * are mandatory.

Introduction

EFET posted the following issue on the Gas Network Code Functionality Platform https://www.gasncfunc.eu/gas-func/issues/01/2020/view

Extract of the reported issue

Abstract: The CAM NC has given shippers more flexibility to book capacity at IPs and made the process more efficient. This has contributed to reduced contractual congestion and narrowed spreads through efficient price arbitrage. However, the standard auction timetable still limits opportunities for arbitrage to be fully exploited, particularly across the forward curve. This is detrimental to market efficiency and reduces the amount of capacity TSOs sell. ACER’s latest gas market monitoring report (paragraph 36) suggested that consideration should be given to increasing the frequency of CAM auctions with a standardised timing to make them even more useful for network users.

- **Who should act**: ACER, ENTSOG, Involved TSO(s)
- **Suggested solution or action**: Adjustment of implementation
- **Other suggestions**: The proposal is consistent with the fundamental principles of the CAM NC but does not fully comply with the detailed obligations in a couple of aspects. To the extent an adjustment of implementation is not sufficient, a change to the CAM NC legal text as part of the 2021 EU Gas Legislative Package should be pursued.

In order to get a better understanding of the needs of the market, ACER and ENTSOG are launching this public consultation to collect stakeholder input.

Please note that the public consultation questionnaire is divided into three main sections, each with its own focus and aim.

**Section 1** – Questions aimed at evaluating the key provisions of the NC CAM  
**Section 2** – Questions aimed at collecting feedback on the EFET proposal  
**Section 3** – Questions aimed at exploring other options besides the EFET proposal

When evaluating the EFET proposal, or any change compared with the current auction procedures, it is important to consider both benefits and costs. We would therefore like to stress the importance of you
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- **Who should act:** ACER, ENTSOG, Involved TSO(s)
- **Suggested solution or action:** Adjustment of implementation
- **Other suggestions:** The proposal is consistent with the fundamental principles of the CAM NC but does not fully comply with the detailed obligations in a couple of aspects. To the extent an adjustment of implementation is not sufficient, a change to the CAM NC legal text as part of the 2021 EU Gas Legislative Package should be pursued.

In order to get a better understanding of the needs of the market, ACER and ENTSOG are launching this public consultation to collect stakeholder input.

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**Section 1** – Questions aimed at evaluating the key provisions of the NC CAM
**Section 2** – Questions aimed at collecting feedback on the EFET proposal
**Section 3** – Questions aimed at exploring other options besides the EFET proposal

When evaluating the EFET proposal, or any change compared with the current auction procedures, it is important to consider both benefits and costs. We would therefore like to stress the importance of you
substantiating your answers, to allow us to better understand your needs, the scale of the issue, and all potential benefits or costs. We would also like to highlight that this is the first consultation for this FUNC issue and, based on the responses received, further consultations might be required in the future.

For your convenience please find below the links to the relevant websites hosting supporting documents for this public consultation. The terminology used in the public consultation corresponds to the definitions established in Article 3 of Commission Regulation (EU) 2017/459 (CAM Network Code).

Supporting Documents:
CAM Network Code
EFET Issue supporting documents
ACER Congestion management report 7th edition

General information

Your name: [redacted]

Email address: [redacted]

Company name: PRISMA European Capacity Platform GmbH

Country: Germany

If other country, not in the list above: [redacted]

My answers:

☑ can be published with my organisation’s information
☐ can be published provided that my organisation remains anonymous

Please specify your role (multiple answers are possible):

☑ Capacity Booking Platform Operator
☐ Network User
☐ Other

If other, please specify below
If you are a network user, please indicate on how many markets (entry/exit-systems) you are active on and have booked capacity in the last gas year:

- 1
- 2-4
- more than 4

If you are a network user, please indicate which standard capacity products you booked in the last gas year (multiple answers are possible)

- Yearly
- Quarterly
- Monthly
- Day ahead / Within day

I have read, understood and I accept the terms of the ACER and ENTSOG privacy policies and I consent, in particular, on ACER/ENTSOG processing my personal data (above-mentioned) for this public consultation.

**Section 1**

The first version of the NC CAM of 2013 had been in place until the amended NC CAM came into force in April 2017 and repealed it. The NC CAM was implemented to address barriers to moving gas between Member States due to differences in capacity allocation methods and contractual congestion. The NC CAM introduced standard capacity products at IPs, bundling obligations and a common auction timetable to allow shippers to secure capacity on both sides of an IP. The NC CAM code has contributed to reduced contractual congestion, narrowing spreads and more liquidity across EU gas market.

This section contains questions aimed at identifying the degree of satisfaction regarding current capacity allocation mechanisms. It also aims at collecting the market need(s) for greater flexibility to book firm capacity at IPs, if any. You will be asked to evaluate the existing capacity allocation rules in the NC CAM and elaborate on which areas you feel need improvement or which areas are currently satisfactory to meet your needs. Your answers will be used to analyze if the current NC CAM limits opportunities for optimizing capacity allocation and improving market functioning.

For questions containing a scale from 1 to 5:
1 is to be considered as 'not suitable to my current needs at all'
2 is to be considered as 'somewhat suitable for my current needs'
3 is to be considered as 'reasonably suitable for my current needs'
4 is to be considered as 'highly suitable for my current needs'
5 is to be considered as 'completely suitable for my current needs'
1. How do you generally evaluate the current rules for capacity allocation according to NC CAM regarding the design of the auction algorithms as defined in Articles 16-18 NC CAM?

1.1 Please elaborate on your rating

The NC was drafted in a moment in time when the market conditions were significantly different from the current situation: diffuse contractual congestions affecting the development on well-functioning national gas markets and outlooks that would have confirmed this situation for several years. The current situation is, in the majority of the cases, significantly different with capacity available for all the market participants for all the different capacity products, also within day products. Having different market conditions could justify the request to assess if the current requirements and obligations are the most appropriate ones or if there is the need to upgrade them.

1.2 Are you facing any specific problems with the current auction algorithms?

Yes

No

1.2.1 If yes, please elaborate on how this could be improved:

PRISMA European Capacity Platform is not directly facing problems with the current obligations and requirements of NC CAM, but some critical situations for monthly auctions could be object of a specific analysis. The ascending clock algorithm can cause unexpected results during monthly auctions in some specific cases auctions, due to initial high levels of demand, go on for several days. It happened that after several days in which a monthly auction was running, the market conditions changed and all, or the majority of, the shippers decided to step-out of the auction without buying gas transmission capacity. It also happened that due to an extremely high demand the monthly auctions ran until the delivery period started and it had to be cancelled. The unsold capacity was offered in the subsequent daily auctions.

1.3 How do you generally evaluate the current rules for capacity allocation according to NC CAM regarding the auction calendar as defined in Articles 11-15 NC CAM?

1.3.1 Please elaborate on your rating
With regard to the products defined by NC CAM, stakeholders voluntarily mentioned to PRISMA European Capacity Platform that they would have been interested in buying additional kind of products as: end of the month, end of the week or weekend since similar products are available, as commodity products, on gas exchanges.

1.4 Are you facing any specific problems with the current auction calendar?

☐ Yes
☐ No

1.4.1 If yes, please elaborate on how this could be improved:

PRISMA European Capacity Platform is not directly facing problems with the current obligations and requirements of NC CAM, but stakeholders voluntarily expressed opinions that the auction calendar of NC CAM could be improved. Stakeholders commented that in some situation they would have liked, or even needed, to buy - in the case of market participants - or to sell - in case of Transmission System Operators - but the obligations introduced by the NC CAM would not have allowed it, due to the fixed calendar. This is relevant for the allocation of Yearly, Quarterly and Monthly products that have limited occasions, defined by the calendar defined in the regulation, in which capacity will be offered to the market. Changes could be done to increase flexibility for market participants.

2. Do the current runtimes of the standard capacity products provide sufficient flexibility to transport gas across the European Union? Please elaborate:

PRISMA European Capacity Platform doesn’t have enough information to answer this question.

2.1 Do the current runtimes of the standard capacity products still reflect the commercial need to exchange on commodity markets? Please elaborate:

The gas commodity products and the gas transmission capacity products are not completely in line. For duration under the Gas Year, more commodity products are traded on gas exchanges.

3 Please provide any additional comments on the current capacity allocation rules and elaborate:

The European markets had already experienced the effect of increasing the possibilities for market participants to buy gas transmission capacity; this happened with the changes in the auction calendar in 2017. Before 03.2017 quarterly products were offered to the market only once in a year and the demand for this product was extremely limited. After March 2017 Transmission System Operators were allowed to market quarterly products 4 times in a year. In the chart below the positive implications of having more auctions
during the year are evident.  
[For an illustrative representation, please refer to the sent pdf document]

Section 2

This section contains questions aimed at collecting feedback on the proposal posted by EFET. We ask you to evaluate the EFET proposal based on your previously identified needs and consider whether the proposal would meet those needs in a satisfactory way. This will help us assess if the EFET proposal is a suitable solution for meeting the overall market needs.

EFET argues the current standard auction timetable still limits opportunities for arbitrage to be fully exploited, particularly across the forward curve. At times when capacity is being auctioned in accordance with the NC CAM, profitable commodity arbitrage opportunities may not exist, whereas at times outside of the NC CAM auction timetable they may do. EFET considers this to be detrimental to market efficiency and reduces the amount of IP capacity TSOs can sell.

The EFET proposal aims at making firm IP capacity more readily available to shippers by enabling TSOs to offer it for sale in uniform price allocation (UPA) auctions outside the CAM NC auction timetable dates. Supplementary UPA auctions for yearly, quarterly, and monthly IP capacity would be held for any capacity remaining unsold after the first relevant CAM NC (ascending clock) auction, up to the point where it becomes usable. Shippers would always have the option to bid for yearly, quarterly, and monthly IP capacity in the relevant CAM NC auctions first before any supplementary UPA auctions took place. To the extent an adjustment of implementation is not sufficient to accommodate the proposal, EFET proposes that a change to the CAM NC legal text as part of the 2021 EU Gas Legislative Package could be pursued.

For questions containing a scale from 1 to 5:
1 is to be considered as ‘not appropriate at all’
2 is to be considered as ‘somewhat appropriate’
3 is to be considered as ‘reasonably appropriate’
4 is to be considered as ‘highly appropriate’
5 is to be considered as ‘completely appropriate’

4. Do you agree with the problem EFET has described in the posted FUNC issue?

☐ Yes
☐ No

4.1 Please elaborate on your answer:

In specific situation, as mentioned in the answer to question 1.4, stakeholders commented that they were looking for buying/selling gas transmission capacity but the calendar would not have allowed it.
5. Do you consider the EFET proposal to introduce a supplementary uniform price allocation (UPA) auctions, for yearly, quarterly and monthly products, to be an appropriate improvement to the current system of allocation of capacities according to the CAM NC?

- [ ] 1
- [ ] 2
- [ ] 3
- [ ] 4
- [x] 5

5.1 Please elaborate on your rating

6. Do you consider the EFET proposal to introduce more than one opportunity per month to book **monthly capacity products** (via UPA) to be an appropriate improvement to the current system of allocation of capacities according to the CAM NC?

- [ ] 1
- [ ] 2
- [x] 3
- [ ] 4
- [ ] 5

6.1 Please elaborate on your rating

As mentioned in the previous answer to question 3, the experience with the quarterly auctions indicates that having more moment in time during the year in which capacity is offered increase the interest in the related capacity products. The methodology for marketing this product shall be agreed between all the interested stakeholders.

7. Do you consider the EFET proposal to increase the opportunities to book **quarterly capacity products** (via UPA) to be an appropriate improvement to the current system of allocation of capacities according to the CAM NC?

- [ ] 1
- [ ] 2
- [x] 3
- [ ] 4
- [ ] 5

7.1 Please elaborate on your rating

Please refer to answer to question 6.1
8. Do you consider the EFET proposal to increase the opportunities to book *yearly capacity products* (via UPA) to be an appropriate improvement to the current system of allocation of capacities according to the CAM NC?

- 1
- 2
- 3
- 4
- 5

8.1 Please elaborate on your rating

Please refer to answer to question 6.1

9. Would you agree with EFET that additional auctions *should be a voluntary option* for TSOs or not?

- Voluntary
- Mandatory

9.1. Please explain your reasoning:

Additional solutions could be implemented if previously approved by the relevant National Authorities. The current obligations of the NC CAM could be considered as minimum mandatory requirements. Additional marketing processes, that don’t conflict with the mandatory requirements, could be allowed if previously approved by the relevant National Regulatory Authorities.

10. In case any additional auctions would be implemented on a voluntary basis, how can we assure that the bundling principle is followed? Please elaborate:

Any additional process shall be approved by the relevant National Regulatory Authority(ies).

11. What are, from your point of view, the *positive aspects* of the supplementary uniform price allocation (UPA) auctions for yearly, quarterly, and monthly IP capacity proposed by EFET, as compared to the current CAM NC rules on capacity allocation? Please elaborate:

No specific position
12. What are, from your point of view, the **negative aspects** with the supplementary uniform price allocation (UPA) auctions for yearly, quarterly, and monthly IP capacity proposed by EFET, as compared to the current CAM NC rules on capacity allocation? Please elaborate:

No specific position

13. Which elements of the EFET proposal may be advantageous for your company and why? Please elaborate:

No specific position

14. Which elements of the EFET proposal may be disadvantageous for your company and why? If you have any, please include suggestions to improvements of the proposal. Please elaborate:

No specific position

**Section 3**

This section contains questions aimed at exploring other options to increase flexibility in capacity bookings, besides the EFET proposal. If you previously indicated a need for change in the current capacity allocation rules, and identified problems with the EFET proposal, this section would allow you to propose alternative ways to meet your needs.

15. What other runtimes of the standard capacity products would be desirable from a market perspective? (multiple answers are possible)

- Season
- Balance of month
- Weekend
- **Other**
- No other products are desirable

15.1 Please specify, if other:

A specific assessment shall be done taking in consideration which commodity products are today offered in the most liquid European hubs.
15.2 Please elaborate on why these products are desirable or not desirable:

No specific position

16. Would you see merit in offering capacity further in advance of delivery to provide more opportunities to book capacity products compared to the current auction calendar? For example, for the monthly products, instead of the current rule that each month, the monthly standard capacity product for the following calendar month shall be auctioned, this could be extended further into the future to cover multiple months ahead.

☐ Yes
☐ No

17. If yes, which products would you like to be able to book/offer further in advance?

☐ Monthly
☐ Quarterly
☐ Other

17.1 Please elaborate, if other:

No specific position

17.2 Please elaborate on your answer and indicate how much further in advance each product would be desired to be booked/offered.

No specific position

18. Would you see a merit in exploring the potential for a wider use of implicit allocation methods (as defined in Article 3 NC CAM) for allocation of capacities?

☐ Yes
☐ No

18.1 Please elaborate on your answer and if possible, provide suggestions for how implicit allocation methods could be further developed.

PRISMA European Capacity Platform analyzed a new algorithm that can allocate gas transmission capacity at the same time implicitly and explicitly; activities done in the past showed that this algorithm could be implemented.

19. Do you have any alternative proposals on how to improve the current offer of capacity products and the rules on capacity allocation? Please elaborate:

No specific position.
20. What other concrete changes, within the scope of the current FUNC issue, could improve the access to transmission capacity and contribute to better cross-border competition and market integration? Please elaborate:

No specific position.

Thank you!

Contact

support@gasncfunc.eu
substantiating your answers, to allow us to better understand your needs, the scale of the issue, and all potential benefits or costs. We would also like to highlight that this is the first consultation for this FUNC issue and, based on the responses received, further consultations might be required in the future.

For your convenience please find below the links to the relevant websites hosting supporting documents for this public consultation. The terminology used in the public consultation corresponds to the definitions established in Article 3 of Commission Regulation (EU) 2017/459 (CAM Network Code).

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- CAM Network Code
- EFET Issue supporting documents
- ACER Congestion management report 7th edition

General information

Your name:

Email address:

Company name:

Country:
- Austria
- Belgium
- Bulgaria
- Croatia
- Cyprus
- Czechia
- Denmark
- Estonia
- Finland
- France
- Germany
- Greece
- Hungary
- Ireland
- Italy
- Latvia
- Lithuania
- Luxembourg
If other country, not in the list above:

UK

My answers:

- can be published with my organisation's information
- can be published provided that my organisation remains anonymous

Please specify your role (multiple answers are possible):

- Capacity Booking Platform Operator
- Network User
- Other

If other, please specify below

If you are a network user, please indicate on how many markets (entry/exit-systems) you are active on and have booked capacity in the last gas year:

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- more than 4

If you are a network user, please indicate which standard capacity products you booked in the last gas year (multiple answers are possible)

- Yearly
- Quarterly
- Monthly
- Day ahead / Within day

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Section 1
The first version of the NC CAM of 2013 had been in place until the amended NC CAM came into force in April 2017 and repealed it. The NC CAM was implemented to address barriers to moving gas between Member States due to differences in capacity allocation methods and contractual congestion. The NC CAM introduced standard capacity products at IPs, bundling obligations and a common auction timetable to allow shippers to secure capacity on both sides of an IP. The NC CAM code has contributed to reduced contractual congestion, narrowing spreads and more liquidity across EU gas market.

This section contains questions aimed at identifying the degree of satisfaction regarding current capacity allocation mechanisms. It also aims at collecting the market need(s) for greater flexibility to book firm capacity at IPs, if any. You will be asked to evaluate the existing capacity allocation rules in the NC CAM and elaborate on which areas you feel need improvement or which areas are currently satisfactory to meet your needs. Your answers will be used to analyze if the current NC CAM limits opportunities for optimizing capacity allocation and improving market functioning.

For questions containing a scale from 1 to 5:
1 is to be considered as ‘not suitable to my current needs at all’
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3 if to be considered as ‘reasonably suitable for my current needs’
4 is to be considered as ‘highly suitable for my current needs’
5 is to be considered as ‘completely suitable for my current needs’

1. How do you generally evaluate the current rules for capacity allocation according to NC CAM regarding the design of the auction algorithms as defined in Articles 16-18 NC CAM?

1.1 Please elaborate on your rating

Score: 3.5
The current CAM auctions have successfully functioned since their implementation. There is no a clear need for a redesign. We believe, however, some improvements can be introduced in particular for the long-term auctions. For example, to speed up the rounds between the long-term auctions and extend their offering as the current calendar remains fairly restrictive on a long-term basis.

1.2 Are you facing any specific problems with the current auction algorithms?

Yes
No

1.2.1 If yes, please elaborate on how this could be improved:
Overall, no we are not. It is worth mentioning, however, that in some situations when hub spreads are wide the price steps between round auctions are too small.

We are of the view that TSOs can review some of the parameters of the algorithms, for example, increasing the price steps between round auctions.

1.3 How do you generally evaluate the current rules for capacity allocation according to NC CAM regarding the auction calendar as defined in Articles 11-15 NC CAM?

1.3.1 Please elaborate on your rating

We believe that more flexibility to book annual and quarterly products can be introduced without necessary redesign the current CAM auction scheme. Having a few windows to book annual and quarterly capacity makes shipper’s booking options fairly restrictive on a long-term basis. Ideally, we would like to book long-term capacity on a First Come First Serve basis.

1.4 Are you facing any specific problems with the current auction calendar?

1.4.1 If yes, please elaborate on how this could be improved:

Regarding short term auctions, issues have been related with the lack of fall-back solutions for within day auctions when the booking platform fails.

It can be improved by implementing adequate fall back solutions such as over-nomination in the event of capacity platform fails.

2. Do the current runtimes of the standard capacity products provide sufficient flexibility to transport gas across the European Union? Please elaborate:

Runtimes of the auctions cannot be seen as the only way of providing flexibility to transport gas across the EU. Hub spread prices incentivize capacity booking. Flexibility provided by runtimes of capacity auctions will only be fully exploited if auctions are held when spreads prices are wide enough.

2.1 Do the current runtimes of the standard capacity products still reflect the commercial need to exchange on commodity markets? Please elaborate:
We believe that creating additional capacity products (e.g. weekend, working-days, next week products, etc.) can contribute to enhance capacity booking flexibility. However, ultimately, it will depend on the level of liquidity in the underlying markets. Even with the introduction of supplementary auctions, there could still be situations when spread prices are wide and shippers are unable to book capacity. It is also worth mentioning that the more products are created and the more auctions will need to be managed, which adds operational complexity and additional costs for shippers. Having the ability to book capacity on a First Come First Serve basis would provide shippers with the adequate flexibility to maximize the arbitrage opportunities in the market.

3 Please provide any additional comments on the current capacity allocation rules and elaborate:

No further comments

Section 2

This section contains questions aimed at collecting feedback on the proposal posted by EFET. We ask you to evaluate the EFET proposal based on your previously identified needs and consider whether the proposal would meet those needs in a satisfactory way. This will help us assess if the EFET proposal is a suitable solution for meeting the overall market needs.

EFET argues the current standard auction timetable still limits opportunities for arbitrage to be fully exploited, particularly across the forward curve. At times when capacity is being auctioned in accordance with the NC CAM, profitable commodity arbitrage opportunities may not exist, whereas at times outside of the NC CAM auction timetable they may do. EFET considers this to be detrimental to market efficiency and reduces the amount of IP capacity TSOs can sell.

The EFET proposal aims at making firm IP capacity more readily available to shippers by enabling TSOs to offer it for sale in uniform price allocation (UPA) auctions outside the CAM NC auction timetable dates. Supplementary UPA auctions for yearly, quarterly, and monthly IP capacity would be held for any capacity remaining unsold after the first relevant CAM NC (ascending clock) auction, up to the point where it becomes usable. Shippers would always have the option to bid for yearly, quarterly, and monthly IP capacity in the relevant CAM NC auctions first before any supplementary UPA auctions took place. To the extent an adjustment of implementation is not sufficient to accommodate the proposal, EFET proposes that a change to the CAM NC legal text as part of the 2021 EU Gas Legislative Package could be pursued.

For questions containing a scale from 1 to 5:
1 is to be considered as 'not appropriate at all'
2 is to be considered as ‘somewhat appropriate’
3 is to be considered as 'reasonably appropriate’
4 is to be considered as 'highly appropriate’
5 is to be considered as 'completely appropriate’
4. Do you agree with the problem EFET has described in the posted FUNC issue?

- Yes
- No

4.1 Please elaborate on your answer:

We do agree with EFET from the angle that flexibility should be increased to book capacity. However, we would welcome further evidence in terms of the missed arbitrage opportunities due to the current CAM auctions mechanism.

5. Do you consider the EFET proposal to introduce a supplementary uniform price allocation (UPA) auctions, for yearly, quarterly and monthly products, to be an appropriate improvement to the current system of allocation of capacities according to the CAM NC?

- 1
- 2
- 3
- 4
- 5

5.1 Please elaborate on your rating

We are of the view that the proposal could add some unnecessary complexity. Having multiple supplementary auctions can result in substantial operational complexity and create transparency issues. The proposal would require shippers to manage great deals of information (which capacity is available? what and when capacity needs to be booked? and in which auction CAM or UPA participate?) leading to additional operational burden rather than focusing on optimizing booking capacity to capture arbitrage opportunities.

From a trading perspective, the current gas market dynamics implies that not necessary the UPA auctions and its calendar would maximize arbitrage opportunities. In fact, for example, hub spread prices can wide within the morning and be contracted within the afternoon. Therefore, arbitrages opportunities could not be captured even by increasing the number of auctions that are held during the day.

6. Do you consider the EFET proposal to introduce more than one opportunity per month to book monthly capacity products (via UPA) to be an appropriate improvement to the current system of allocation of capacities according to the CAM NC?

- 1
- 2
- 3
- 4
- 5

6.1 Please elaborate on your rating

See general comment in 5.1
7. Do you consider the EFET proposal to increase the opportunities to book **quarterly capacity products** (via UPA) to be an appropriate improvement to the current system of allocation of capacities according to the CAM NC?

- [ ] 1
- [ ] 2
- [X] 3
- [ ] 4
- [ ] 5

7.1 Please elaborate on your rating

See general comment in 5.1

8. Do you consider the EFET proposal to increase the opportunities to book **yearly capacity products** (via UPA) to be an appropriate improvement to the current system of allocation of capacities according to the CAM NC?

- [ ] 1
- [ ] 2
- [X] 3
- [ ] 4
- [ ] 5

8.1 Please elaborate on your rating

See general comment in 5.1

9. Would you agree with EFET that additional auctions **should be a voluntary option** for TSOs or not?

- [ ] Voluntary
- [X] Mandatory

9.1. Please explain your reasoning:

The proposal also suggests that TSO would have the optionality to implement UPA auctions. We believe that any proposal seeking to reform the CAM auction design should be a “do-it-all-alone” approach. Having any TSO not implementing the underlying change will result in transparency issues and coordination problems among TSOs, for example, the capability to offer bundled products.

10. In case any additional auctions would be implemented on a voluntary basis, how can we assure that the bundling principle is followed? Please elaborate:
11. What are, from your point of view, the **positive aspects** of the supplementary uniform price allocation (UPA) auctions for yearly, quarterly, and monthly IP capacity proposed by EFET, as compared to the current CAM NC rules on capacity allocation? Please elaborate:

   To provide shippers with more opportunities to book capacity.

12. What are, from your point of view, the **negative aspects** with the supplementary uniform price allocation (UPA) auctions for yearly, quarterly, and monthly IP capacity proposed by EFET, as compared to the current CAM NC rules on capacity allocation? Please elaborate:

   As mentioned in response to the question 5.1, the negative aspects are related to the substantial administrative and operational burden creating additional risks to the booking platform, transparency issues and unnecessary complexity to book capacity

13. Which elements of the EFET proposal may be advantageous for your company and why? Please elaborate:

   We would like to capture any arbitrage opportunity and have more booking flexibility, and therefore, the proposal could help achieve that objective to some degree

14. Which elements of the EFET proposal may be disadvantageous for your company and why? If you have any, please include suggestions to improvements of the proposal. Please elaborate:

   See response to question 12

**Section 3**

This section contains questions aimed at exploring other options to increase flexibility in capacity bookings, besides the EFET proposal. If you previously indicated a need for change in the current capacity allocation
rules, and identified problems with the EFET proposal, this section would allow you to propose alternative ways to meet your needs.

15. What other runtimes of the standard capacity products would be desirable from a market perspective? (multiple answers are possible)
   - Season
   - Balance of month
   - Weekend
   - Other
   - No other products are desirable

15.1 Please specify, if other:
   - All the above products

15.2 Please elaborate on why these products are desirable or not desirable:
   All the runtimes suggested by ACER are suitable. Ultimately, they are all beneficial to the extend they allow traders to further capture trading opportunities. From a hedging perspective, these runtimes for standard products will work. It remains to see the booking cost associated to those products which will determine in fine if there is any value to be captured.

16. Would you see merit in offering capacity further in advance of delivery to provide more opportunities to book capacity products compared to the current auction calendar? For example, for the monthly products, instead of the current rule that each month, the monthly standard capacity product for the following calendar month shall be auctioned, this could be extended further into the future to cover multiple months ahead.
   - Yes
   - No

17. If yes, which products would you like to be able to book/offer further in advance?
   - Monthly
   - Quarterly
   - Other

17.1 Please elaborate, if other:

17.2 Please elaborate on your answer and indicate how much further in advance each product would be desired to be booked/offered.
18. Would you see a merit in exploring the potential for a wider use of implicit allocation methods (as defined in Article 3 NC CAM) for allocation of capacities?

- Yes
- No

18.1 Please elaborate on your answer and if possible, provide suggestions for how implicit allocation methods could be further developed.

We are in favor of implicit allocation mechanisms as such offered by IUK and BBL. Implicit allocation methods could be improved by introducing an adequate methodology to ensure efficient booking for bundled products on a long-term basis.

19. Do you have any alternative proposals on how to improve the current offer of capacity products and the rules on capacity allocation? Please elaborate:

We are of the view that booking capacity on a First Come First Serve basis would contribute to bringing significant flexibility to shippers to book capacity without adding operational complexity, administrative burden or transparency issues. We believe that whenever a specific product cannot longer be auctioned (once it has passed), then shippers should be able to book capacity for that product until delivery on a First Come First Serve basis. Thus, shippers would have a fair opportunity to secure capacity in the relevant auctions and then the remaining capacity can be booked on a First Come First Serve basis. This approach would also help shippers procure capacity until the end of the trading window, for example, to provide balancing services to TSOs. Currently, the last capacity auction closes before the end of trading window and therefore there are situations when shippers cannot secure capacity in the very short term to provide balancing services or capture arbitrage opportunities. Some caveats, however, should be considered. For example, when annual capacity auctions are held, the auctioned capacity should not be offered on a First Come First Serve basis as that capacity needs to be reserved for the relevant annual auction.

20. What other concrete changes, within the scope of the current FUNC issue, could improve the access to transmission capacity and contribute to better cross-border competition and market integration? Please elaborate:

Having more harmonized and adequate tariff methodologies across Europe will highly improve competition. Currently, on average, spread prices in the market are not as high as the underlying transportation cost to flow gas between hubs.

Thank you!

Contact

support@gasncfunc.eu
Public Consultation – FUNC issue “Greater flexibility to book firm capacity at IPs”

Introduction

EFET posted the following issue on the Gas Network Code Functionality Platform https://www.gasncfunc.eu/gas-func/issues/01/2020/view

Extract of the reported issue

Abstract: The CAM NC has given shippers more flexibility to book capacity at IPs and made the process more efficient. This has contributed to reduced contractual congestion and narrowed spreads through efficient price arbitrage. However, the standard auction timetable still limits opportunities for arbitrage to be fully exploited, particularly across the forward curve. This is detrimental to market efficiency and reduces the amount of capacity TSOs sell. ACER’s latest gas market monitoring report (paragraph 36) suggested that consideration should be given to increasing the frequency of CAM auctions with a standardised timing to make them even more useful for network users.

- **Who should act**: ACER, ENTSOG, Involved TSO(s)
- **Suggested solution or action**: Adjustment of implementation
- **Other suggestions**: The proposal is consistent with the fundamental principles of the CAM NC but does not fully comply with the detailed obligations in a couple of aspects. To the extent an adjustment of implementation is not sufficient, a change to the CAM NC legal text as part of the 2021 EU Gas Legislative Package should be pursued.

In order to get a better understanding of the needs of the market, ACER and ENTSOG are launching this public consultation to collect stakeholder input.

Please note that the public consultation questionnaire is divided into three main sections, each with its own focus and aim.

**Section 1** – Questions aimed at evaluating the key provisions of the NC CAM

**Section 2** – Questions aimed at collecting feedback on the EFET proposal

**Section 3** – Questions aimed at exploring other options besides the EFET proposal

When evaluating the EFET proposal, or any change compared with the current auction procedures, it is important to consider both benefits and costs. We would therefore like to stress the importance of you
substantiating your answers, to allow us to better understand your needs, the scale of the issue, and all potential benefits or costs. We would also like to highlight that this is the first consultation for this FUNC issue and, based on the responses received, further consultations might be required in the future.

For your convenience please find below the links to the relevant websites hosting supporting documents for this public consultation. The terminology used in the public consultation corresponds to the definitions established in Article 3 of Commission Regulation (EU) 2017/459 (CAM Network Code).

Supporting Documents:
CAM Network Code
EFET Issue supporting documents
ACER Congestion management report 7th edition

General information

Your name:

Email address:

Company name:

Country:

If other country, not in the list above:

My answers:
  □ can be published with my organisation’s information
  ● can be published provided that my organisation remains anonymous

Please specify your role (multiple answers are possible):
  □ Capacity Booking Platform Operator
  ● Network User
  □ Other

If other, please specify below
If you are a network user, please indicate on how many markets (entry/exit-systems) you are active on and have booked capacity in the last gas year:

- 1
- 2-4
- more than 4

If you are a network user, please indicate which standard capacity products you booked in the last gas year (multiple answers are possible)

- [ ] Yearly
- [ ] Quarterly
- [x] Monthly
- [x] Day ahead / Within day

I have read, understood and I accept the terms of the ACER and ENTSOG privacy policies and I consent, in particular, on ACER/ENTSOG processing my personal data (above-mentioned) for this public consultation.

Section 1

The first version of the NC CAM of 2013 had been in place until the amended NC CAM came into force in April 2017 and repealed it. The NC CAM was implemented to address barriers to moving gas between Member States due to differences in capacity allocation methods and contractual congestion. The NC CAM introduced standard capacity products at IPs, bundling obligations and a common auction timetable to allow shippers to secure capacity on both sides of an IP. The NC CAM code has contributed to reduced contractual congestion, narrowing spreads and more liquidity across EU gas market.

This section contains questions aimed at identifying the degree of satisfaction regarding current capacity allocation mechanisms. It also aims at collecting the market need(s) for greater flexibility to book firm capacity at IPs, if any. You will be asked to evaluate the existing capacity allocation rules in the NC CAM and elaborate on which areas you feel need improvement or which areas are currently satisfactory to meet your needs. Your answers will be used to analyze if the current NC CAM limits opportunities for optimizing capacity allocation and improving market functioning.

For questions containing a scale from 1 to 5:
1 is to be considered as 'not suitable to my current needs at all'
2 is to be considered as 'somewhat suitable for my current needs'
3 if to be considered as ‘reasonably suitable for my current needs’
4 is to be considered as 'highly suitable for my current needs’
5 is to be considered as 'completely suitable for my current needs'
1. How do you generally evaluate the current rules for capacity allocation according to NC CAM regarding the design of the **auction algorithms as defined in Articles 16-18 NC CAM**?

1 2 3 4 5

1.1 Please elaborate on your rating

1.2 Are you facing any specific problems with the current auction algorithms?

☐ Yes
☐ No

1.2.1 If yes, please elaborate on how this could be improved:

1.3 How do you generally evaluate the current rules for capacity allocation according to NC CAM regarding the **auction calendar as defined in Articles 11-15 NC CAM**?

1 2 3 4 5

1.3.1 Please elaborate on your rating

Would like more flexibility and frequency to fit with business requirements downstream

1.4 Are you facing any specific problems with the current auction calendar?

☐ Yes
☐ No

1.4.1 If yes, please elaborate on how this could be improved:

Would like more opportunities to purchase monthly capacity
2. Do the current runtimes of the standard capacity products provide sufficient flexibility to transport gas across the European Union? Please elaborate:

Would like more opportunities to purchase monthly capacity, specifically connected to changes in electricity market information and business need to import gas to use gas in power generation. Capacity is costly and therefore try to book efficient profile in best interests of business and end-consumers. Limitations on IP capacity auctions reduce cost efficiency.

2.1 Do the current runtimes of the standard capacity products still reflect the commercial need to exchange on commodity markets? Please elaborate:

3 Please provide any additional comments on the current capacity allocation rules and elaborate:

Business needs for gas for power gen m-1 change post auction.

Section 2

This section contains questions aimed at collecting feedback on the proposal posted by EFET. We ask you to evaluate the EFET proposal based on your previously identified needs and consider whether the proposal would meet those needs in a satisfactory way. This will help us assess if the EFET proposal is a suitable solution for meeting the overall market needs.

EFET argues the current standard auction timetable still limits opportunities for arbitrage to be fully exploited, particularly across the forward curve. At times when capacity is being auctioned in accordance with the NC CAM, profitable commodity arbitrage opportunities may not exist, whereas at times outside of the NC CAM auction timetable they may do. EFET considers this to be detrimental to market efficiency and reduces the amount of IP capacity TSOs can sell.

The EFET proposal aims at making firm IP capacity more readily available to shippers by enabling TSOs to offer it for sale in uniform price allocation (UPA) auctions outside the CAM NC auction timetable dates. Supplementary UPA auctions for yearly, quarterly, and monthly IP capacity would be held for any capacity remaining unsold after the first relevant CAM NC (ascending clock) auction, up to the point where it becomes usable. Shippers would always have the option to bid for yearly, quarterly, and monthly IP capacity in the relevant CAM NC auctions first before any supplementary UPA auctions took place. To the
extent an adjustment of implementation is not sufficient to accommodate the proposal, EFET proposes that a change to the CAM NC legal text as part of the 2021 EU Gas Legislative Package could be pursued.

For questions containing a scale from 1 to 5:
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2 is to be considered as 'somewhat appropriate'
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4 is to be considered as 'highly appropriate'
5 is to be considered as 'completely appropriate'

4. Do you agree with the problem EFET has described in the posted FUNC issue?

☐ Yes
☐ No

4.1 Please elaborate on your answer:
More frequent auctions are needed for capacity users to utilise available capacity more efficiently and for TSOs to have opportunities to sell more long-term capacity.

5. Do you consider the EFET proposal to introduce a supplementary uniform price allocation (UPA) auctions, for yearly, quarterly and monthly products, to be an appropriate improvement to the current system of allocation of capacities according to the CAM NC?

☐ 1
☐ 2
☐ 3
☐ 4
☐ 5

5.1 Please elaborate on your rating
Provides greater flexibility while supporting the spirit of CAM

6. Do you consider the EFET proposal to introduce more than one opportunity per month to book monthly capacity products (via UPA) to be an appropriate improvement to the current system of allocation of capacities according to the CAM NC?

☐ 1
☐ 2
☐ 3
☐ 4
☐ 5

6.1 Please elaborate on your rating
Welcome the opportunity to purchase additional monthly up to last day of M-1

7. Do you consider the EFET proposal to increase the opportunities to book quarterly capacity products (via UPA) to be an appropriate improvement to the current system of allocation of capacities according to the CAM NC?
   - 1
   - 2
   - 3
   - 4
   - 5

7.1 Please elaborate on your rating

Welcome greater opportunity to purchase. Calendar looks complex.

8. Do you consider the EFET proposal to increase the opportunities to book yearly capacity products (via UPA) to be an appropriate improvement to the current system of allocation of capacities according to the CAM NC?
   - 1
   - 2
   - 3
   - 4
   - 5

8.1 Please elaborate on your rating

Yes allows adaptation to business needs within year, more efficiency of bookings

9. Would you agree with EFET that additional auctions should be a voluntary option for TSOs or not?
   - Voluntary
   - Mandatory

9.1. Please explain your reasoning:

We agree with voluntary due to cost and appropriateness issues at some IPs, however we have concerns that adoption by some TSOs and not others could lead to competition impacts on cross-border flows, e.g. where there are multiple IPs/TSOs operating on a country’s borders, or in selection of routes to flow or trade gas.
10. In case any additional auctions would be implemented on a voluntary basis, how can we assure that the bundling principle is followed? Please elaborate:

Additional auctions can only occur if TSOs on both sides volunteer / agree interoperability terms

11. What are, from your point of view, the **positive aspects** of the supplementary uniform price allocation (UPA) auctions for yearly, quarterly, and monthly IP capacity proposed by EFET, as compared to the current CAM NC rules on capacity allocation? Please elaborate:

- Greater efficiency and optimisation opportunities for capacity booking at IPs.
- Increased cross-border trade efficiency.
- Improve ability to react in a timely manner to market information on gas and power to increase cost efficiency to the benefit of end users.
- Improve operational processes by spreading auction-led activity peaks.
- Potential to increase booking and revenue certainty for TSOs.

12. What are, from your point of view, the **negative aspects** with the supplementary uniform price allocation (UPA) auctions for yearly, quarterly, and monthly IP capacity proposed by EFET, as compared to the current CAM NC rules on capacity allocation? Please elaborate:

13. Which elements of the EFET proposal may be advantageous for your company and why? Please elaborate:

- Greater efficiency and optimisation opportunities for capacity booking at IPs.

14. Which elements of the EFET proposal may be disadvantageous for your company and why? If you have any, please include suggestions to improvements of the proposal. Please elaborate:

Section 3
This section contains questions aimed at exploring other options to increase flexibility in capacity bookings, besides the EFET proposal. If you previously indicated a need for change in the current capacity allocation rules, and identified problems with the EFET proposal, this section would allow you to propose alternative ways to meet your needs.

15. What other runtimes of the standard capacity products would be desirable from a market perspective? (multiple answers are possible)
   - Season
   - Balance of month
   - Weekend
   - Other
   - No other products are desirable

15.1 Please specify, if other:

15.2 Please elaborate on why these products are desirable or not desirable:
   
   Importing gas for power gen, as info availability (constraints, weather, operations) grows through a month, it would be helpful to be able to book balance of month

16. Would you see merit in offering capacity further in advance of delivery to provide more opportunities to book capacity products compared to the current auction calendar? For example, for the monthly products, instead of the current rule that each month, the monthly standard capacity product for the following calendar month shall be auctioned, this could be extended further into the future to cover multiple months ahead.
   - Yes
   - No

17. If yes, which products would you like to be able to book/offer further in advance?
   - Monthly
   - Quarterly
   - Other

17.1 Please elaborate, if other:

17.2 Please elaborate on your answer and indicate how much further in advance each product would be desired to be booked/offered.
18. Would you see a merit in exploring the potential for a wider use of implicit allocation methods (as defined in Article 3 NC CAM) for allocation of capacities?

- Yes
- No

18.1 Please elaborate on your answer and if possible, provide suggestions for how implicit allocation methods could be further developed.

The concept of capacity booking auctions in systems and at IPs with spare capacity is an anachronism. Costly capacity-weighted tariffs introduced via TAR NC mean that to book cost-efficiently parties are driven to book short-term. Where there are no constraints it is more efficient for all parties (and end-consumers) to allocate capacity costs based on flows nominated / gas purchased. Shippers would have e.g. an access agreement with the TSOs at the IP, possibly with a small option payment and regular indicative forecast of flows or peak requirement; capacity would then be charged on the basis of final allocation (actual flows).

19. Do you have any alternative proposals on how to improve the current offer of capacity products and the rules on capacity allocation? Please elaborate:

20. What other concrete changes, within the scope of the current FUNC issue, could improve the access to transmission capacity and contribute to better cross-border competition and market integration? Please elaborate:

Thank you!

Contact
support@gasncfunc.eu
Public Consultation – FUNC issue “Greater flexibility to book firm capacity at IPs”

Fields marked with * are mandatory.

Introduction

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Extract of the reported issue

Abstract: The CAM NC has given shippers more flexibility to book capacity at IPs and made the process more efficient. This has contributed to reduced contractual congestion and narrowed spreads through efficient price arbitrage. However, the standard auction timetable still limits opportunities for arbitrage to be fully exploited, particularly across the forward curve. This is detrimental to market efficiency and reduces the amount of capacity TSOs sell. ACER’s latest gas market monitoring report (paragraph 36) suggested that consideration should be given to increasing the frequency of CAM auctions with a standardised timing to make them even more useful for network users.

- **Who should act:** ACER, ENTSOG, Involved TSO(s)
- **Suggested solution or action:** Adjustment of implementation
- **Other suggestions:** The proposal is consistent with the fundamental principles of the CAM NC but does not fully comply with the detailed obligations in a couple of aspects. To the extent an adjustment of implementation is not sufficient, a change to the CAM NC legal text as part of the 2021 EU Gas Legislative Package should be pursued.

In order to get a better understanding of the needs of the market, ACER and ENTSOG are launching this public consultation to collect stakeholder input.

Please note that the public consultation questionnaire is divided into three main sections, each with its own focus and aim.

**Section 1** – Questions aimed at evaluating the key provisions of the NC CAM  
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**Section 3** – Questions aimed at exploring other options besides the EFET proposal

When evaluating the EFET proposal, or any change compared with the current auction procedures, it is important to consider both benefits and costs. We would therefore like to stress the importance of you
substantiating your answers, to allow us to better understand your needs, the scale of the issue, and all potential benefits or costs. We would also like to highlight that this is the first consultation for this FUNC issue and, based on the responses received, further consultations might be required in the future.

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Supporting Documents:
CAM Network Code
EFET Issue supporting documents
ACER Congestion management report 7th edition

General information

Your name:

Email address:

Company name:

Country:
○ Austria
○ Belgium
○ Bulgaria
○ Croatia
○ Cyprus
○ Czechia
○ Denmark
○ Estonia
○ Finland
○ France
○ Germany
○ Greece
○ Hungary
○ Ireland
○ Italy
○ Latvia
○ Lithuania
○ Luxembourg
If other country, not in the list above:

My answers:
- can be published with my organisation’s information
- can be published provided that my organisation remains anonymous

Please specify your role (multiple answers are possible):
- Capacity Booking Platform Operator
- Network User
- Other

If other, please specify below

If you are a network user, please indicate on how many markets (entry/exit-systems) you are active on and have booked capacity in the last gas year:
- 1
- 2-4
- more than 4

If you are a network user, please indicate which standard capacity products you booked in the last gas year (multiple answers are possible)
- Yearly
- Quarterly
- Monthly
- Day ahead / Within day

I have read, understood and I accept the terms of the ACER and ENTSOG privacy policies and I consent, in particular, on ACER/ENTSOG processing my personal data (above-mentioned) for this public consultation.

Section 1
The first version of the NC CAM of 2013 had been in place until the amended NC CAM came into force in April 2017 and repealed it. The NC CAM was implemented to address barriers to moving gas between Member States due to differences in capacity allocation methods and contractual congestion. The NC CAM introduced standard capacity products at IPs, bundling obligations and a common auction timetable to allow shippers to secure capacity on both sides of an IP. The NC CAM code has contributed to reduced contractual congestion, narrowing spreads and more liquidity across EU gas market.

This section contains questions aimed at identifying the degree of satisfaction regarding current capacity allocation mechanisms. It also aims at collecting the market need(s) for greater flexibility to book firm capacity at IPs, if any. You will be asked to evaluate the existing capacity allocation rules in the NC CAM and elaborate on which areas you feel need improvement or which areas are currently satisfactory to meet your needs. Your answers will be used to analyze if the current NC CAM limits opportunities for optimizing capacity allocation and improving market functioning.

For questions containing a scale from 1 to 5:
1 is to be considered as ‘not suitable to my current needs at all’
2 is to be considered as ‘somewhat suitable for my current needs’
3 if to be considered as ‘reasonably suitable for my current needs’
4 is to be considered as ‘highly suitable for my current needs’
5 is to be considered as ‘completely suitable for my current needs’

1. How do you generally evaluate the current rules for capacity allocation according to NC CAM regarding the design of the auction algorithms as defined in Articles 16-18 NC CAM?

   ○ 1
   ○ 2
   ○ 3
   ○ 4
   ○ 5

1.1 Please elaborate on your rating

Reasoning shared below

1.2 Are you facing any specific problems with the current auction algorithms?

   ○ Yes
   ○ No

1.2.1 If yes, please elaborate on how this could be improved:
1.3 How do you generally evaluate the current rules for capacity allocation according to NC CAM regarding the auction calendar as defined in Articles 11-15 NC CAM?

☐ 1
☒ 2
☐ 3
☐ 4
☐ 5

1.3.1 Please elaborate on your rating

Reasoning below.

1.4 Are you facing any specific problems with the current auction calendar?

☒ Yes
☐ No

1.4.1 If yes, please elaborate on how this could be improved:

Under the current CAM NC rules, within-day capacity auctions are held every hour during the gas day. To further improve flexibility and market liquidity, we request that ACER / CEER consider further amendments to the CAM Network Code as part of this consultation, to hold within-day auctions every half hour. This would offer market participants more opportunity to book available within-day capacity, where otherwise, they would effectively be locked out of the intraday capacity market 50% of the time, despite the capacity being capacity available.

SEEL has previously raised this issue during a Prisma forum and received positive interest from the shipping community in enhancing within-day capacity availability and flexibility. Not only would this have a positive impact on market liquidity but could have a dampening impact on network tariffs as it enables the TSOs to sell more of the available capacity within-day, the benefits of which will be socialised across all gas network users.

2. Do the current runtimes of the standard capacity products provide sufficient flexibility to transport gas across the European Union? Please elaborate:

No. Please see response above.

2.1 Do the current runtimes of the standard capacity products still reflect the commercial need to exchange on commodity markets? Please elaborate:
No. To facilitate a more dynamic response to price movements, greater within-day flexibility in capacity bookings will better enable market participants to capture the full value potential related to the commercial need to exchange on commodity markets.

3 Please provide any additional comments on the current capacity allocation rules and elaborate:

Section 2

This section contains questions aimed at collecting feedback on the proposal posted by EFET. We ask you to evaluate the EFET proposal based on your previously identified needs and consider whether the proposal would meet those needs in a satisfactory way. This will help us assess if the EFET proposal is a suitable solution for meeting the overall market needs.

EFET argues the current standard auction timetable still limits opportunities for arbitrage to be fully exploited, particularly across the forward curve. At times when capacity is being auctioned in accordance with the NC CAM, profitable commodity arbitrage opportunities may not exist, whereas at times outside of the NC CAM auction timetable they may do. EFET considers this to be detrimental to market efficiency and reduces the amount of IP capacity TSOs can sell.

The EFET proposal aims at making firm IP capacity more readily available to shippers by enabling TSOs to offer it for sale in uniform price allocation (UPA) auctions outside the CAM NC auction timetable dates. Supplementary UPA auctions for yearly, quarterly, and monthly IP capacity would be held for any capacity remaining unsold after the first relevant CAM NC (ascending clock) auction, up to the point where it becomes usable. Shippers would always have the option to bid for yearly, quarterly, and monthly IP capacity in the relevant CAM NC auctions first before any supplementary UPA auctions took place. To the extent an adjustment of implementation is not sufficient to accommodate the proposal, EFET proposes that a change to the CAM NC legal text as part of the 2021 EU Gas Legislative Package could be pursued.

For questions containing a scale from 1 to 5:
1 is to be considered as 'not appropriate at all'
2 is to be considered as 'somewhat appropriate'
3 is to be considered as 'reasonably appropriate'
4 is to be considered as 'highly appropriate'
5 is to be considered as 'completely appropriate'

4. Do you agree with the problem EFET has described in the posted FUNC issue?
4.1 Please elaborate on your answer:

Yes. SEEL agrees with EFET that offering market participants increased opportunity to book longer-term capacity products will enable opportunities for arbitrage to be fully exploited, particularly across the forward curve.

As pointed out in the consultation, at times when capacity is being auctioned in accordance with the CAM NC, profitable commodity arbitrage opportunities may not exist, whereas at times outside of the CAM NC auction timetable they may do. Overall, this is detrimental to market efficiency and reduces the amount of IP capacity TSOs can sell.

We are encouraged to see that ACER in its most recent gas market monitoring report that ‘NRA’s, the European Commission and ACER could consider the possibility to further increase the frequency of CAM auctions with a standardised timing in order to make them even more useful for the network users.’

We agree that ‘the CAM NC is favouring the possibility for shippers better to profile their capacity portfolio and to incorporate short-term price signals in the management of their capacity at the IPs’ and as per our previous comments made in this consultation, not only should this be extended to long-term capacity auctions but also to within-day auctions, which fulfils an aim of the CAM NC in enabling market participants to ‘flexibly use the existing transmission systems to ship their gas according to price signals… That in turn attracts more suppliers, increasing liquidity at the trading hubs and contributing to efficient price discovery mechanisms and consequently fair gas prices that are based on the principle of demand and supply.’

More flexibility across both long-term and short-term capacity products will promote hub liquidity, as market participants can make more flexible use of capacities and services to hedge their positions.

5. Do you consider the EFET proposal to introduce a supplementary uniform price allocation (UPA) auctions, for yearly, quarterly and monthly products, to be an appropriate improvement to the current system of allocation of capacities according to the CAM NC?

☐ 1
☐ 2
☐ 3
☒ 4
☐ 5

5.1 Please elaborate on your rating

Reasons set out above.

6. Do you consider the EFET proposal to introduce more than one opportunity per month to book **monthly capacity products** (via UPA) to be an appropriate improvement to the current system of allocation of capacities according to the CAM NC?

☐ 1
☐ 2
6.1 Please elaborate on your rating

Reasons set out above

7. Do you consider the EFET proposal to increase the opportunities to book quarterly capacity products (via UPA) to be an appropriate improvement to the current system of allocation of capacities according to the CAM NC?

    1
    2
    3
    4
    5

7.1 Please elaborate on your rating

8. Do you consider the EFET proposal to increase the opportunities to book yearly capacity products (via UPA) to be an appropriate improvement to the current system of allocation of capacities according to the CAM NC?

    1
    2
    3
    4
    5

8.1 Please elaborate on your rating

9. Would you agree with EFET that additional auctions should be a voluntary option for TSOs or not?

    Voluntary
    Mandatory

9.1. Please explain your reasoning:
A mandatory obligation supports an aim of the CAM NC, which is to establish 'a network code on capacity allocation mechanism in gas transmission systems aimed to achieve the necessary degree of harmonisation across the Union'.

If the additional auctions are not made mandatory, then it risks introducing fragmentation and complexity into the CAM NC process. If only offered on one side of an IP, market participants will not be able to benefit from the increased flexibility and the additional auctions will be rendered ineffective. Moreover, it will make it more challenging for market participants to navigate different approaches to capacity products and develop their capacity booking strategies accordingly.

10. In case any additional auctions would be implemented on a voluntary basis, how can we assure that the bundling principle is followed? Please elaborate:

If the additional auctions are only implemented on a voluntary basis, it would not be possible to assure that the bundling principle is followed and create fragmentation in cross-border capacity bookings at the risk of leading to stranded capacity on one side of the border.

11. What are, from your point of view, the **positive aspects** of the supplementary uniform price allocation (UPA) auctions for yearly, quarterly, and monthly IP capacity proposed by EFET, as compared to the current CAM NC rules on capacity allocation? Please elaborate:

Please see our response to previous questions in this consultation.

12. What are, from your point of view, the **negative aspects** with the supplementary uniform price allocation (UPA) auctions for yearly, quarterly, and monthly IP capacity proposed by EFET, as compared to the current CAM NC rules on capacity allocation? Please elaborate:

None identified if the supplementary auctions are made mandatory.

13. Which elements of the EFET proposal may be advantageous for your company and why? Please elaborate:

Please see our responses above.
14. Which elements of the EFET proposal may be disadvantageous for your company and why? If you have any, please include suggestions to improvements of the proposal. Please elaborate:

None identified.

Section 3

This section contains questions aimed at exploring other options to increase flexibility in capacity bookings, besides the EFET proposal. If you previously indicated a need for change in the current capacity allocation rules, and identified problems with the EFET proposal, this section would allow you to propose alternative ways to meet your needs.

15. What other runtimes of the standard capacity products would be desirable from a market perspective? (multiple answers are possible)
   - Season
   - Balance of month
   - Weekend
   - Other
   - No other products are desirable

15.1 Please specify, if other:

15.2 Please elaborate on why these products are desirable or not desirable:

16. Would you see merit in offering capacity further in advance of delivery to provide more opportunities to book capacity products compared to the current auction calendar? For example, for the monthly products, instead of the current rule that each month, the monthly standard capacity product for the following calendar month shall be auctioned, this could be extended further into the future to cover multiple months ahead.
   - Yes
   - No

17. If yes, which products would you like to be able to book/offer further in advance?
   - Monthly
17.1 Please elaborate, if other:

17.2 Please elaborate on your answer and indicate how much further in advance each product would be desired to be booked/offered.

18. Would you see a merit in exploring the potential for a wider use of implicit allocation methods (as defined in Article 3 NC CAM) for allocation of capacities?

- Yes
- No

18.1 Please elaborate on your answer and if possible, provide suggestions for how implicit allocation methods could be further developed.

19. Do you have any alternative proposals on how to improve the current offer of capacity products and the rules on capacity allocation? Please elaborate:

   Please see our response above with respect for greater flexibility for within-day auctions - we do not believe this should be an alternative but an addition to the EFET proposals.

20. What other concrete changes, within the scope of the current FUNC issue, could improve the access to transmission capacity and contribute to better cross-border competition and market integration? Please elaborate:

   Please see our response above with regards to within-day auctions.

Thank you!

Contact
Public Consultation – FUNC issue “Greater flexibility to book firm capacity at IPs”

Introduction

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- **Other suggestions:** The proposal is consistent with the fundamental principles of the CAM NC but does not fully comply with the detailed obligations in a couple of aspects. To the extent an adjustment of implementation is not sufficient, a change to the CAM NC legal text as part of the 2021 EU Gas Legislative Package should be pursued.

In order to get a better understanding of the needs of the market, ACER and ENTSOG are launching this public consultation to collect stakeholder input.

Please note that the public consultation questionnaire is divided into three main sections, each with its own focus and aim.

**Section 1** – Questions aimed at evaluating the key provisions of the NC CAM
**Section 2** – Questions aimed at collecting feedback on the EFET proposal
**Section 3** – Questions aimed at exploring other options besides the EFET proposal

When evaluating the EFET proposal, or any change compared with the current auction procedures, it is important to consider both benefits and costs. We would therefore like to stress the importance of you
substantiating your answers, to allow us to better understand your needs, the scale of the issue, and all potential benefits or costs. We would also like to highlight that this is the first consultation for this FUNC issue and, based on the responses received, further consultations might be required in the future.

For your convenience please find below the links to the relevant websites hosting supporting documents for this public consultation. The terminology used in the public consultation corresponds to the definitions established in Article 3 of Commission Regulation (EU) 2017/459 (CAM Network Code).

Supporting Documents:
CAM Network Code
EFET Issue supporting documents
ACER Congestion management report 7th edition

General information

Your name:

Email address:

Company name:

Country:
- Austria
- Belgium
- Bulgaria
- Croatia
- Cyprus
- Czechia
- Denmark
- Estonia
- Finland
- France
- Germany
- Greece
- Hungary
- Ireland
- Italy
- Latvia
- Lithuania
- Luxembourg
Malta
Netherlands
Poland
Portugal
Romania
Slovak Republic
Slovenia
Spain
Sweden

If other country, not in the list above:

My answers:
- can be published with my organisation's information
- can be published provided that my organisation remains anonymous

Please specify your role (multiple answers are possible):
- Capacity Booking Platform Operator
- Network User
- Other

If other, please specify below

If you are a network user, please indicate on how many markets (entry/exit-systems) you are active on and have booked capacity in the last gas year:
- 1
- 2-4
- more than 4

If you are a network user, please indicate which standard capacity products you booked in the last gas year (multiple answers are possible)
- Yearly
- Quarterly
- Monthly
- Day ahead / Within day

I have read, understood and I accept the terms of the ACER and ENTSOG privacy policies and I consent, in particular, on ACER/ENTSOG processing my personal data (above-mentioned) for this public consultation.

Section 1
The first version of the NC CAM of 2013 had been in place until the amended NC CAM came into force in April 2017 and repealed it. The NC CAM was implemented to address barriers to moving gas between Member States due to differences in capacity allocation methods and contractual congestion. The NC CAM introduced standard capacity products at IPs, bundling obligations and a common auction timetable to allow shippers to secure capacity on both sides of an IP. The NC CAM code has contributed to reduced contractual congestion, narrowing spreads and more liquidity across EU gas market.

This section contains questions aimed at identifying the degree of satisfaction regarding current capacity allocation mechanisms. It also aims at collecting the market need(s) for greater flexibility to book firm capacity at IPs, if any. You will be asked to evaluate the existing capacity allocation rules in the NC CAM and elaborate on which areas you feel need improvement or which areas are currently satisfactory to meet your needs. Your answers will be used to analyze if the current NC CAM limits opportunities for optimizing capacity allocation and improving market functioning.

For questions containing a scale from 1 to 5:
1 is to be considered as ‘not suitable to my current needs at all’
2 is to be considered as ‘somewhat suitable for my current needs’
3 is to be considered as ‘reasonably suitable for my current needs’
4 is to be considered as ‘highly suitable for my current needs’
5 is to be considered as ‘completely suitable for my current needs’

1. How do you generally evaluate the current rules for capacity allocation according to NC CAM regarding the design of the auction algorithms as defined in Articles 16-18 NC CAM?

   - 1
   - 2
   - 3
   - 4
   - 5

1.1 Please elaborate on your rating

   Some times the capacity remains unsold despite of the high demand at the auction first rounds

1.2 Are you facing any specific problems with the current auction algorithms?

   - Yes
   - No

1.2.1 If yes, please elaborate on how this could be improved:
1.3 How do you generally evaluate the current rules for capacity allocation according to NC CAM regarding the auction calendar as defined in Articles 11-15 NC CAM?

☐ 1
☐ 2
☐ 3
☐ 4
☐ 5

1.3.1 Please elaborate on your rating

| There aren't enough auctions for monthly, quarterly or yearly products. |
| The Day ahead auctions are too late during the day. |

1.4 Are you facing any specific problems with the current auction calendar?

☐ Yes
☐ No

1.4.1 If yes, please elaborate on how this could be improved:

| the Day ahead auctions are too late and market is about to close when they clear, the market liquidity is very limited. |

2. Do the current runtimes of the standard capacity products provide sufficient flexibility to transport gas across the European Union? Please elaborate:

| No, we would prefer to have the option to have auctions more often. For example for a shipper that buy yearly storage capacity, it would be preferable to be able to buy the capacity at the same time than the storage or at least closer in time than it is today |

2.1 Do the current runtimes of the standard capacity products still reflect the commercial need to exchange on commodity markets? Please elaborate:

| same answer as before |

3 Please provide any additional comments on the current capacity allocation rules and elaborate:
Section 2

This section contains questions aimed at collecting feedback on the proposal posted by EFET. We ask you to evaluate the EFET proposal based on your previously identified needs and consider whether the proposal would meet those needs in a satisfactory way. This will help us assess if the EFET proposal is a suitable solution for meeting the overall market needs.

EFET argues the current standard auction timetable still limits opportunities for arbitrage to be fully exploited, particularly across the forward curve. At times when capacity is being auctioned in accordance with the NC CAM, profitable commodity arbitrage opportunities may not exist, whereas at times outside of the NC CAM auction timetable they may do. EFET considers this to be detrimental to market efficiency and reduces the amount of IP capacity TSOs can sell.

The EFET proposal aims at making firm IP capacity more readily available to shippers by enabling TSOs to offer it for sale in uniform price allocation (UPA) auctions outside the CAM NC auction timetable dates. Supplementary UPA auctions for yearly, quarterly, and monthly IP capacity would be held for any capacity remaining unsold after the first relevant CAM NC (ascending clock) auction, up to the point where it becomes usable. Shippers would always have the option to bid for yearly, quarterly, and monthly IP capacity in the relevant CAM NC auctions first before any supplementary UPA auctions took place. To the extent an adjustment of implementation is not sufficient to accommodate the proposal, EFET proposes that a change to the CAM NC legal text as part of the 2021 EU Gas Legislative Package could be pursued.

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3 is to be considered as ‘reasonably appropriate’
4 is to be considered as ‘highly appropriate’
5 is to be considered as ‘completely appropriate’

4. Do you agree with the problem EFET has described in the posted FUNC issue?
   - [ ] Yes
   - [ ] No

4.1 Please elaborate on your answer:
5. Do you consider the EFET proposal to introduce a supplementary uniform price allocation (UPA) auctions, for yearly, quarterly and monthly products, to be an appropriate improvement to the current system of allocation of capacities according to the CAM NC?

- 1
- 2
- 3
- 4
- 5

5.1 Please elaborate on your rating

6. Do you consider the EFET proposal to introduce more than one opportunity per month to book monthly capacity products (via UPA) to be an appropriate improvement to the current system of allocation of capacities according to the CAM NC?

- 1
- 2
- 3
- 4
- 5

6.1 Please elaborate on your rating

7. Do you consider the EFET proposal to increase the opportunities to book quarterly capacity products (via UPA) to be an appropriate improvement to the current system of allocation of capacities according to the CAM NC?

- 1
- 2
- 3
- 4
- 5

7.1 Please elaborate on your rating
8. Do you consider the EFET proposal to increase the opportunities to book yearly capacity products (via UPA) to be an appropriate improvement to the current system of allocation of capacities according to the CAM NC?

○ 1
○ 2
○ 3
○ 4
○ 5

8.1 Please elaborate on your rating


9. Would you agree with EFET that additional auctions should be a voluntary option for TSOs or not?

○ Voluntary
○ Mandatory

9.1. Please explain your reasoning:

voluntary is already a very good step but ideally it should be mandatory

10. In case any additional auctions would be implemented on a voluntary basis, how can we assure that the bundling principle is followed? Please elaborate:


11. What are, from your point of view, the positive aspects of the supplementary uniform price allocation (UPA) auctions for yearly, quarterly, and monthly IP capacity proposed by EFET, as compared to the current CAM NC rules on capacity allocation? Please elaborate:
it would give more market arbitrage opportunities and probably more capacity would be sold. This might as well have a positive impact on regulated capacity prices as it would increase the TSO revenue.

12. What are, from your point of view, the **negative aspects** with the supplementary uniform price allocation (UPA) auctions for yearly, quarterly, and monthly IP capacity proposed by EFET, as compared to the current CAM NC rules on capacity allocation? Please elaborate:

13. Which elements of the EFET proposal may be advantageous for your company and why? Please elaborate:

14. Which elements of the EFET proposal may be disadvantageous for your company and why? If you have any, please include suggestions to improvements of the proposal. Please elaborate:

Section 3

This section contains questions aimed at exploring other options to increase flexibility in capacity bookings, besides the EFET proposal. If you previously indicated a need for change in the current capacity allocation rules, and identified problems with the EFET proposal, this section would allow you to propose alternative ways to meet your needs.

15. What other runtimes of the standard capacity products would be desirable from a market perspective? (multiple answers are possible)
   - Season
   - Balance of month
   - Weekend
   - Other
15.1 Please specify, if other:

I was unable to select multiple choices but Balance of month, Weekend and Season would be desirable in that order

15.2 Please elaborate on why these products are desirable or not desirable:

16. Would you see merit in offering capacity further in advance of delivery to provide more opportunities to book capacity products compared to the current auction calendar? For example, for the monthly products, instead of the current rule that each month, the monthly standard capacity product for the following calendar month shall be auctioned, this could be extended further into the future to cover multiple months ahead.

- Yes
- No

17. If yes, which products would you like to be able to book/offer further in advance?

- Monthly
- Quarterly
- Other

17.1 Please elaborate, if other:

both months and quarters

17.2 Please elaborate on your answer and indicate how much further in advance each product would be desired to be booked/offered.

6 months ahead and 4 quarters ahead

18. Would you see a merit in exploring the potential for a wider use of implicit allocation methods (as defined in Article 3 NC CAM) for allocation of capacities?

- Yes
- No

18.1 Please elaborate on your answer and if possible, provide suggestions for how implicit allocation methods could be further developed.
19. Do you have any **alternative proposals** on how to improve the current offer of capacity products and the rules on capacity allocation? Please elaborate:

DAy ahead auctions should be held earlier in the day where there's still market liquidity

20. What other concrete changes, within the scope of the current FUNC issue, could improve the access to transmission capacity and contribute to better cross-border competition and market integration? Please elaborate:

Thank you!

**Contact**

support@gasncfunc.eu
Public Consultation – FUNC issue “Greater flexibility to book firm capacity at IPs”

Fields marked with * are mandatory.

Introduction

EFET posted the following issue on the Gas Network Code Functionality Platform https://www.gasncfunc.eu/gas-func/issues/01/2020/view

Extract of the reported issue

Abstract: The CAM NC has given shippers more flexibility to book capacity at IPs and made the process more efficient. This has contributed to reduced contractual congestion and narrowed spreads through efficient price arbitrage. However, the standard auction timetable still limits opportunities for arbitrage to be fully exploited, particularly across the forward curve. This is detrimental to market efficiency and reduces the amount of capacity TSOs sell. ACER’s latest gas market monitoring report (paragraph 36) suggested that consideration should be given to increasing the frequency of CAM auctions with a standardised timing to make them even more useful for network users.

- **Who should act:** ACER, ENTSOG, Involved TSO(s)
- **Suggested solution or action:** Adjustment of implementation
- **Other suggestions:** The proposal is consistent with the fundamental principles of the CAM NC but does not fully comply with the detailed obligations in a couple of aspects. To the extent an adjustment of implementation is not sufficient, a change to the CAM NC legal text as part of the 2021 EU Gas Legislative Package should be pursued.

In order to get a better understanding of the needs of the market, ACER and ENTSOG are launching this public consultation to collect stakeholder input.

Please note that the public consultation questionnaire is divided into three main sections, each with its own focus and aim.

- **Section 1** – Questions aimed at evaluating the key provisions of the NC CAM
- **Section 2** – Questions aimed at collecting feedback on the EFET proposal
- **Section 3** – Questions aimed at exploring other options besides the EFET proposal

When evaluating the EFET proposal, or any change compared with the current auction procedures, it is important to consider both benefits and costs. We would therefore like to stress the importance of you
substantiating your answers, to allow us to better understand your needs, the scale of the issue, and all potential benefits or costs. We would also like to highlight that this is the first consultation for this FUNC issue and, based on the responses received, further consultations might be required in the future.

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Supporting Documents:
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- EFET Issue supporting documents
- ACER Congestion management report 7th edition

General information

Your name:

Email address:

Company name:

BDEW Bundesverband der Energie- und Wasserwirtschaft

Country:

Germany

If other country, not in the list above:

My answers:
- [ ] can be published with my organisation’s information
- [ ] can be published provided that my organisation remains anonymous

Please specify your role (multiple answers are possible):
- [x] Capacity Booking Platform Operator
- [x] Network User
- [x] Other

If other, please specify below
We respond to this consultation in our role as business association representing members who are engaged in both activities mentioned above.

If you are a network user, please indicate on how many markets (entry/exit-systems) you are active on and have booked capacity in the last gas year:

- 1
- 2-4
- more than 4

If you are a network user, please indicate which standard capacity products you booked in the last gas year (multiple answers are possible):

- Yearly
- Quarterly
- Monthly
- Day ahead / Within day

- I have read, understood and I accept the terms of the ACER and ENTSOG privacy policies and I consent, in particular, on ACER/ENTSOG processing my personal data (above-mentioned) for this public consultation.

**Section 1**

The first version of the NC CAM of 2013 had been in place until the amended NC CAM came into force in April 2017 and repealed it. The NC CAM was implemented to address barriers to moving gas between Member States due to differences in capacity allocation methods and contractual congestion. The NC CAM introduced standard capacity products at IPs, bundling obligations and a common auction timetable to allow shippers to secure capacity on both sides of an IP. The NC CAM code has contributed to reduced contractual congestion, narrowing spreads and more liquidity across EU gas market.

This section contains questions aimed at identifying the degree of satisfaction regarding current capacity allocation mechanisms. It also aims at collecting the market need(s) for greater flexibility to book firm capacity at IPs, if any. You will be asked to evaluate the existing capacity allocation rules in the NC CAM and elaborate on which areas you feel need improvement or which areas are currently satisfactory to meet your needs. Your answers will be used to analyze if the current NC CAM limits opportunities for optimizing capacity allocation and improving market functioning.

For questions containing a scale from 1 to 5:
1 is to be considered as 'not suitable to my current needs at all'
2 is to be considered as 'somewhat suitable for my current needs'
3 if to be considered as 'reasonably suitable for my current needs'
4 is to be considered as 'highly suitable for my current needs'
5 is to be considered as 'completely suitable for my current needs'
1. How do you generally evaluate the current rules for capacity allocation according to NC CAM regarding the design of the auction algorithms as defined in Articles 16-18 NC CAM?

- 1
- 2
- 3
- 4
- 5

1.1 Please elaborate on your rating

In the view of BDEW there is no issue regarding the auction algorithms.

1.2 Are you facing any specific problems with the current auction algorithms?

- Yes
- No

1.2.1 If yes, please elaborate on how this could be improved:

1.3 How do you generally evaluate the current rules for capacity allocation according to NC CAM regarding the auction calendar as defined in Articles 11-15 NC CAM?

- 1
- 2
- 3
- 4
- 5

1.3.1 Please elaborate on your rating

The auction calendar is generally well structured, but there is untapped potential for capacity bookings after the initial auction dates, especially for long-term capacity products. However, any change in the capacity allocation system must not lead to limitations on possibilities for TSOs to re-allocate free capacity after auctions on specific IPs to other connection points, especially to connection points for national consumption.

1.4 Are you facing any specific problems with the current auction calendar?

- Yes
- No

1.4.1 If yes, please elaborate on how this could be improved:
Please see our answer in 1.3.1

2. Do the current runtimes of the standard capacity products provide sufficient flexibility to transport gas across the European Union? Please elaborate:

Generally, yes.

2.1 Do the current runtimes of the standard capacity products still reflect the commercial need to exchange on commodity markets? Please elaborate:

Generally, yes. However, the yearly basis ‘gas year’ from 1st Oct to 1st Oct for the capacity contracts does not fit to the standard trading product ‘calendar year’ on the wholesale market. The chosen period of the yearly capacity product is based on the long-term supply contracts for historical reasons, but especially these supply contracts are more and more replaced by shorter-terms contracts. Thus, the gap between the commercial products (based on calendar years) and the capacity products (based on gas years) is widening.

3 Please provide any additional comments on the current capacity allocation rules and elaborate:

At least on the national level it should be ensured that the infrastructure capacity is most efficiently used on network points. Any change in the capacity allocation system therefore must not lead to limitations on possibilities for TSOs to re-allocate free capacity after auctions from specific points to other points, including to connection points for national consumption. Additionally, it could be useful to introduce competing auctions to ensure a level playing field if the respective capacities are offered at bookable points, where the capacity is offered via the capacity booking platforms.

Section 2

This section contains questions aimed at collecting feedback on the proposal posted by EFET. We ask you to evaluate the EFET proposal based on your previously identified needs and consider whether the proposal would meet those needs in a satisfactory way. This will help us assess if the EFET proposal is a suitable solution for meeting the overall market needs.

EFET argues the current standard auction timetable still limits opportunities for arbitrage to be fully exploited, particularly across the forward curve. At times when capacity is being auctioned in accordance with the NC CAM, profitable commodity arbitrage opportunities may not exist, whereas at times outside of the NC CAM auction timetable they may do. EFET considers this to be detrimental to market efficiency and reduces the amount of IP capacity TSOs can sell.

The EFET proposal aims at making firm IP capacity more readily available to shippers by enabling TSOs to offer it for sale in uniform price allocation (UPA) auctions outside the CAM NC auction timetable dates.
Supplementary UPA auctions for yearly, quarterly, and monthly IP capacity would be held for any capacity remaining unsold after the first relevant CAM NC (ascending clock) auction, up to the point where it becomes usable. Shippers would always have the option to bid for yearly, quarterly, and monthly IP capacity in the relevant CAM NC auctions first before any supplementary UPA auctions took place. To the extent an adjustment of implementation is not sufficient to accommodate the proposal, EFET proposes that a change to the CAM NC legal text as part of the 2021 EU Gas Legislative Package could be pursued.

For questions containing a scale from 1 to 5:
1 is to be considered as ‘not appropriate at all’
2 is to be considered as ‘somewhat appropriate’
3 is to be considered as ‘reasonably appropriate’
4 is to be considered as ‘highly appropriate’
5 is to be considered as ‘completely appropriate’

4. Do you agree with the problem EFET has described in the posted FUNC issue?

☐ Yes
☐ No

4.1 Please elaborate on your answer:
Different price spreads were experienced within times outside the auction timetable with no option to book the respective capacity and thus to ‘secure’ a potential deal on the wholesale market.

5. Do you consider the EFET proposal to introduce a supplementary uniform price allocation (UPA) auctions, for yearly, quarterly and monthly products, to be an appropriate improvement to the current system of allocation of capacities according to the CAM NC?

☐ 1
☐ 2
☐ 3
☐ 4
☐ 5

5.1 Please elaborate on your rating
In the view of BDEW the EFET proposal is reasonable and appropriate. It has even more potential in our general evaluation if the proposed frequency would be adjusted to a lesser extent.

More flexibility to book capacity on the side of shippers comes at the price of more complexity, for example the view on the capacity booking platform. Also, higher operating costs on the side of grid operators for increasing (initial) error rates in processes should be considered.

One possibility to lower financial risks for TSOs would be to check, if the proposed high number of additional auctions for long-term capacity products can be reduced, but on the other hand be equally distributed over the whole year (for example no daily auctions for yearly capacity products over three months, but instead monthly or bi-weekly auctions over the whole year).

Generally, BDEW has the opinion that proposed auction processes via uniform price allocation are an appropriate instrument because they are a fast way to offer and bid for additional capacities. The results of the auctions are directly available after the first auction round in contrast to the ascending clock auction. This would be a big improvement to the market.

6. Do you consider the EFET proposal to introduce more than one opportunity per month to book *monthly capacity products* (via UPA) to be an appropriate improvement to the current system of allocation of capacities according to the CAM NC?

   - [ ] 1
   - [ ] 2
   - [ ] 3
   - [x] 4
   - [ ] 5

6.1 Please elaborate on your rating

   Please see our answer in 5.1.

7. Do you consider the EFET proposal to increase the opportunities to book *quarterly capacity products* (via UPA) to be an appropriate improvement to the current system of allocation of capacities according to the CAM NC?

   - [ ] 1
   - [ ] 2
   - [ ] 3
   - [x] 4
   - [ ] 5

7.1 Please elaborate on your rating

   Please see our answer in 5.1.
8. Do you consider the EFET proposal to increase the opportunities to book yearly capacity products (via UPA) to be an appropriate improvement to the current system of allocation of capacities according to the CAM NC?

- 1
- 2
- 3
- 4
- 5

8.1 Please elaborate on your rating

Please see our answer in 5.1.

9. Would you agree with EFET that additional auctions should be a voluntary option for TSOs or not?

- Voluntary
- Mandatory

9.1. Please explain your reasoning:

In the view of the BDEW if it comes to additional auctions, a mandatory implementation should be more practical for all market participants, to ensure a harmonised proceeding by all TSOs and thus across border points.

10. In case any additional auctions would be implemented on a voluntary basis, how can we assure that the bundling principle is followed? Please elaborate:

This can only be assured if the amended auction calendar is mandatory for the TSOs.

11. What are, from your point of view, the positive aspects of the supplementary uniform price allocation (UPA) auctions for yearly, quarterly, and monthly IP capacity proposed by EFET, as compared to the current CAM NC rules on capacity allocation? Please elaborate:

The proposed uniform-price auctions would present a fast mean to book the required capacity, as they are not lasting as long as the initial capacity auctions with potential price steps over several rounds, and at the same time offer a fair and non-discriminatory possibility to book capacity.
12. What are, from your point of view, the **negative aspects** with the supplementary uniform price allocation (UPA) auctions for yearly, quarterly, and monthly IP capacity proposed by EFET, as compared to the current CAM NC rules on capacity allocation? Please elaborate:

Shippers may not participate in the initial multi-step auctions and wait for the uniform-price auctions to start for bidding for the same capacity products.

13. Which elements of the EFET proposal may be advantageous for your company and why? Please elaborate:

Please see our answer in 5.1.

14. Which elements of the EFET proposal may be disadvantageous for your company and why? If you have any, please include suggestions to improvements of the proposal. Please elaborate:

Please see our answer in 5.1.

### Section 3

This section contains questions aimed at exploring other options to increase flexibility in capacity bookings, besides the EFET proposal. If you previously indicated a need for change in the current capacity allocation rules, and identified problems with the EFET proposal, this section would allow you to propose alternative ways to meet your needs.

15. What other runtimes of the standard capacity products would be desirable from a market perspective? (multiple answers are possible)

- Season
- Balance of month
- Weekend
- Other
- No other products are desirable

15.1 Please specify, if other:

It is impossible to choose multiple answers above. However, we would like to answer question 15 with "Season", "Balance of month", and "Weekend".
15.2 Please elaborate on why these products are desirable or not desirable:

The above listed possibilities are worth to take into consideration but shouldn’t replace the EFET proposal for additional capacity auctions in the existing time frames.

16. Would you see merit in offering capacity further in advance of delivery to provide more opportunities to book capacity products compared to the current auction calendar? For example, for the monthly products, instead of the current rule that each month, the monthly standard capacity product for the following calendar month shall be auctioned, this could be extended further into the future to cover multiple months ahead.

- Yes
- No

17. If yes, which products would you like to be able to book/offer further in advance?

- Monthly
- Quarterly
- Other

17.1 Please elaborate, if other:

17.2 Please elaborate on your answer and indicate how much further in advance each product would be desired to be booked/offered.

More auctions may mean that capacity is booked at an earlier stage (but the reservation for short-term allocation remains).

18. Would you see a merit in exploring the potential for a wider use of implicit allocation methods (as defined in Article 3 NC CAM) for allocation of capacities?

- Yes
- No

18.1 Please elaborate on your answer and if possible, provide suggestions for how implicit allocation methods could be further developed.

BDEW sees that the explicit allocation methods generally work.

19. Do you have any alternative proposals on how to improve the current offer of capacity products and the rules on capacity allocation? Please elaborate:

BDEW shares the view that the auction calendar has potential to offer more long-term capacity products. The proposal from EFET should be adjusted in terms of frequency. An everyday-option to book long-term
capacity would make it very complex and raises questions about cost-benefit of the implementation. One possibility would be to check, if the proposed high number of additional auctions for long-term capacity products can be reduced, but on the other hand be equally distributed over the whole year (for example no daily auctions for yearly capacity products over three months, but instead monthly or bi-weekly auctions over the whole year).

20. What other concrete changes, within the scope of the current FUNC issue, could improve the access to transmission capacity and contribute to better cross-border competition and market integration? Please elaborate:

Thank you!

Contact
support@gasncfunc.eu
Public Consultation – FUNC issue “Greater flexibility to book firm capacity at IPs”

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Introduction

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Extract of the reported issue

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EFET Issue supporting documents
ACER Congestion management report 7th edition

General information

Your name:

Email address:

Company name:
Bord Gáis Energy Ltd

Country:
Ireland

If other country, not in the list above:

My answers:
- can be published with my organisation’s information
- can be published provided that my organisation remains anonymous

Please specify your role (multiple answers are possible):
- Capacity Booking Platform Operator
- Network User
- Other

If other, please specify below
If you are a network user, please indicate on how many markets (entry/exit-systems) you are active on and have booked capacity in the last gas year:

- 1
- 2-4
- more than 4

If you are a network user, please indicate which standard capacity products you booked in the last gas year (multiple answers are possible)

- Yearly
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- Day ahead / Within day

I have read, understood and I accept the terms of the ACER and ENTSOG privacy policies and I consent, in particular, on ACER/ENTSOG processing my personal data (above-mentioned) for this public consultation.

Section 1

The first version of the NC CAM of 2013 had been in place until the amended NC CAM came into force in April 2017 and repealed it. The NC CAM was implemented to address barriers to moving gas between Member States due to differences in capacity allocation methods and contractual congestion. The NC CAM introduced standard capacity products at IPs, bundling obligations and a common auction timetable to allow shippers to secure capacity on both sides of an IP. The NC CAM code has contributed to reduced contractual congestion, narrowing spreads and more liquidity across EU gas market.

This section contains questions aimed at identifying the degree of satisfaction regarding current capacity allocation mechanisms. It also aims at collecting the market need(s) for greater flexibility to book firm capacity at IPs, if any. You will be asked to evaluate the existing capacity allocation rules in the NC CAM and elaborate on which areas you feel need improvement or which areas are currently satisfactory to meet your needs. Your answers will be used to analyze if the current NC CAM limits opportunities for optimizing capacity allocation and improving market functioning.

For questions containing a scale from 1 to 5:
1 is to be considered as 'not suitable to my current needs at all'
2 is to be considered as 'somewhat suitable for my current needs'
3 is to be considered as ‘reasonably suitable for my current needs’
4 is to be considered as ‘highly suitable for my current needs’
5 is to be considered as ‘completely suitable for my current needs’
1. How do you generally evaluate the current rules for capacity allocation according to NC CAM regarding the design of the **auction algorithms as defined in Articles 16-18 NC CAM**?

   - 1
   - 2
   - 3
   - 4
   - 5

1.1 Please elaborate on your rating

   Previous annual auctions could be booked up to 10 days before the gas year, now we have to book by the first Monday in July which is nearly 3 months before the start of the gas year. EU rules are attempting to bring us to a "one size fits all" structure (e.g. attempt to drive down multipliers). In reality, a lot of markets are different and a wide range should be put in place instead of trying to reduce these ranges. Leave the national operators decide what is best for each market within a wide range.

1.2 Are you facing any specific problems with the current auction algorithms?  
   - Yes
   - No

1.2.1 If yes, please elaborate on how this could be improved:

1.3 How do you generally evaluate the current rules for capacity allocation according to NC CAM regarding the **auction calendar as defined in Articles 11-15 NC CAM**?

   - 1
   - 2
   - 3
   - 4
   - 5

1.3.1 Please elaborate on your rating

   Annual auctions are too early and should be moved closer to the gas year and then we book a more accurate capacity booking for the following gas year.

1.4 Are you facing any specific problems with the current auction calendar?  
   - Yes
   - No

1.4.1 If yes, please elaborate on how this could be improved:
Annual auctions are too early and should be moved closer to the gas year and then we book a more accurate capacity booking for the following gas year.

2. Do the current runtimes of the standard capacity products provide sufficient flexibility to transport gas across the European Union? Please elaborate:

No. Annual auctions are too early and should be moved closer to the gas year and then we book a more accurate capacity booking for the following gas year. Quarterly should be moved closer to their use date also.

2.1 Do the current runtimes of the standard capacity products still reflect the commercial need to exchange on commodity markets? Please elaborate:

3 Please provide any additional comments on the current capacity allocation rules and elaborate:

Section 2

This section contains questions aimed at collecting feedback on the proposal posted by EFET. We ask you to evaluate the EFET proposal based on your previously identified needs and consider whether the proposal would meet those needs in a satisfactory way. This will help us assess if the EFET proposal is a suitable solution for meeting the overall market needs.

EFET argues the current standard auction timetable still limits opportunities for arbitrage to be fully exploited, particularly across the forward curve. At times when capacity is being auctioned in accordance with the NC CAM, profitable commodity arbitrage opportunities may not exist, whereas at times outside of the NC CAM auction timetable they may do. EFET considers this to be detrimental to market efficiency and reduces the amount of IP capacity TSOs can sell.

The EFET proposal aims at making firm IP capacity more readily available to shippers by enabling TSOs to offer it for sale in uniform price allocation (UPA) auctions outside the CAM NC auction timetable dates. Supplementary UPA auctions for yearly, quarterly, and monthly IP capacity would be held for any capacity remaining unsold after the first relevant CAM NC (ascending clock) auction, up to the point where it
becomes usable. Shippers would always have the option to bid for yearly, quarterly, and monthly IP capacity in the relevant CAM NC auctions first before any supplementary UPA auctions took place. To the extent an adjustment of implementation is not sufficient to accommodate the proposal, EFET proposes that a change to the CAM NC legal text as part of the 2021 EU Gas Legislative Package could be pursued.

For questions containing a scale from 1 to 5:
1 is to be considered as ‘not appropriate at all’
2 is to be considered as ‘somewhat appropriate’
3 is to be considered as ‘reasonably appropriate’
4 is to be considered as ‘highly appropriate’
5 is to be considered as ‘completely appropriate’

4. Do you agree with the problem EFET has described in the posted FUNC issue?

- Yes
- No

4.1 Please elaborate on your answer:

5. Do you consider the EFET proposal to introduce a supplementary uniform price allocation (UPA) auctions, for yearly, quarterly and monthly products, to be an appropriate improvement to the current system of allocation of capacities according to the CAM NC?

- 1
- 2
- 3
- 4
- 5

5.1 Please elaborate on your rating

6. Do you consider the EFET proposal to introduce more than one opportunity per month to book monthly capacity products (via UPA) to be an appropriate improvement to the current system of allocation of capacities according to the CAM NC?

- 1
- 2
- 3
- 4
- 5
6.1 Please elaborate on your rating

7. Do you consider the EFET proposal to increase the opportunities to book quarterly capacity products (via UPA) to be an appropriate improvement to the current system of allocation of capacities according to the CAM NC?
   - 1
   - 2
   - 3
   - 4
   - 5

7.1 Please elaborate on your rating

8. Do you consider the EFET proposal to increase the opportunities to book yearly capacity products (via UPA) to be an appropriate improvement to the current system of allocation of capacities according to the CAM NC?
   - 1
   - 2
   - 3
   - 4
   - 5

8.1 Please elaborate on your rating

9. Would you agree with EFET that additional auctions should be a voluntary option for TSOs or not?
   - Voluntary
   - Mandatory

9.1. Please explain your reasoning:
10. In case any additional auctions would be implemented on a voluntary basis, how can we assure that the bundling principle is followed? Please elaborate:

11. What are, from your point of view, the **positive aspects** of the supplementary uniform price allocation (UPA) auctions for yearly, quarterly, and monthly IP capacity proposed by EFET, as compared to the current CAM NC rules on capacity allocation? Please elaborate:

12. What are, from your point of view, the **negative aspects** with the supplementary uniform price allocation (UPA) auctions for yearly, quarterly, and monthly IP capacity proposed by EFET, as compared to the current CAM NC rules on capacity allocation? Please elaborate:

13. Which elements of the EFET proposal may be advantageous for your company and why? Please elaborate:

14. Which elements of the EFET proposal may be disadvantageous for your company and why? If you have any, please include suggestions to improvements of the proposal. Please elaborate:

**Section 3**
This section contains questions aimed at exploring other options to increase flexibility in capacity bookings, besides the EFET proposal. If you previously indicated a need for change in the current capacity allocation rules, and identified problems with the EFET proposal, this section would allow you to propose alternative ways to meet your needs.

15. What other runtimes of the standard capacity products would be desirable from a market perspective? (multiple answers are possible)
   - Season
   - Balance of month
   - Weekend
   - Other
   - No other products are desirable

15.1 Please specify, if other:

15.2 Please elaborate on why these products are desirable or not desirable:

16. Would you see merit in offering capacity further in advance of delivery to provide more opportunities to book capacity products compared to the current auction calendar? For example, for the monthly products, instead of the current rule that each month, the monthly standard capacity product for the following calendar month shall be auctioned, this could be extended further into the future to cover multiple months ahead.
   - Yes
   - No

17. If yes, which products would you like to be able to book/offer further in advance?
   - Monthly
   - Quarterly
   - Other

17.1 Please elaborate, if other:

17.2 Please elaborate on your answer and indicate how much further in advance each product would be desired to be booked/offered.
18. Would you see a merit in exploring the potential for a wider use of implicit allocation methods (as defined in Article 3 NC CAM) for allocation of capacities?

- Yes
- No

18.1 Please elaborate on your answer and if possible, provide suggestions for how implicit allocation methods could be further developed.

19. Do you have any alternative proposals on how to improve the current offer of capacity products and the rules on capacity allocation? Please elaborate:

20. What other concrete changes, within the scope of the current FUNC issue, could improve the access to transmission capacity and contribute to better cross-border competition and market integration? Please elaborate:

Thank you!

Contact
support@gasncfunc.eu
Public Consultation – FUNC issue “Greater flexibility to book firm capacity at IPs”

Introduction

EFET posted the following issue on the Gas Network Code Functionality Platform https://www.gasncfunc.eu/gas-func/issues/01/2020/view

Extract of the reported issue

Abstract: The CAM NC has given shippers more flexibility to book capacity at IPs and made the process more efficient. This has contributed to reduced contractual congestion and narrowed spreads through efficient price arbitrage. However, the standard auction timetable still limits opportunities for arbitrage to be fully exploited, particularly across the forward curve. This is detrimental to market efficiency and reduces the amount of capacity TSOs sell. ACER’s latest gas market monitoring report (paragraph 36) suggested that consideration should be given to increasing the frequency of CAM auctions with a standardised timing to make them even more useful for network users.

- **Who should act**: ACER, ENTSOG, Involved TSO(s)
- **Suggested solution or action**: Adjustment of implementation
- **Other suggestions**: The proposal is consistent with the fundamental principles of the CAM NC but does not fully comply with the detailed obligations in a couple of aspects. To the extent an adjustment of implementation is not sufficient, a change to the CAM NC legal text as part of the 2021 EU Gas Legislative Package should be pursued.

In order to get a better understanding of the needs of the market, ACER and ENTSOG are launching this public consultation to collect stakeholder input.

Please note that the public consultation questionnaire is divided into three main sections, each with its own focus and aim.

**Section 1** – Questions aimed at evaluating the key provisions of the NC CAM
**Section 2** – Questions aimed at collecting feedback on the EFET proposal
**Section 3** – Questions aimed at exploring other options besides the EFET proposal

When evaluating the EFET proposal, or any change compared with the current auction procedures, it is important to consider both benefits and costs. We would therefore like to stress the importance of you
substantiating your answers, to allow us to better understand your needs, the scale of the issue, and all potential benefits or costs. We would also like to highlight that this is the first consultation for this FUNC issue and, based on the responses received, further consultations might be required in the future.

For your convenience please find below the links to the relevant websites hosting supporting documents for this public consultation. The terminology used in the public consultation corresponds to the definitions established in Article 3 of Commission Regulation (EU) 2017/459 (CAM Network Code).

Supporting Documents:
- CAM Network Code
- EFET Issue supporting documents
- ACER Congestion management report 7th edition

General information

Your name: 

Email address: 

Company name: 
EFET

Country: 
Netherlands

If other country, not in the list above: 

My answers: 
- [ ] can be published with my organisation’s information
- [ ] can be published provided that my organisation remains anonymous

Please specify your role (multiple answers are possible):
- [ ] Capacity Booking Platform Operator
- [ ] Network User
- [x] Other

If other, please specify below
If you are a network user, please indicate on how many markets (entry/exit-systems) you are active on and have booked capacity in the last gas year:

- 1
- 2-4
- more than 4

If you are a network user, please indicate which standard capacity products you booked in the last gas year (multiple answers are possible)

- Yearly
- Quarterly
- Monthly
- Day ahead / Within day

I have read, understood and I accept the terms of the ACER and ENTSOG privacy policies and I consent, in particular, on ACER/ENTSOG processing my personal data (above-mentioned) for this public consultation.

Section 1

The first version of the NC CAM of 2013 had been in place until the amended NC CAM came into force in April 2017 and repealed it. The NC CAM was implemented to address barriers to moving gas between Member States due to differences in capacity allocation methods and contractual congestion. The NC CAM introduced standard capacity products at IPs, bundling obligations and a common auction timetable to allow shippers to secure capacity on both sides of an IP. The NC CAM code has contributed to reduced contractual congestion, narrowing spreads and more liquidity across EU gas market.

This section contains questions aimed at identifying the degree of satisfaction regarding current capacity allocation mechanisms. It also aims at collecting the market need(s) for greater flexibility to book firm capacity at IPs, if any. You will be asked to evaluate the existing capacity allocation rules in the NC CAM and elaborate on which areas you feel need improvement or which areas are currently satisfactory to meet your needs. Your answers will be used to analyze if the current NC CAM limits opportunities for optimizing capacity allocation and improving market functioning.

For questions containing a scale from 1 to 5:
1 is to be considered as ‘not suitable to my current needs at all’
2 is to be considered as ‘somewhat suitable for my current needs’
3 is to be considered as ‘reasonably suitable for my current needs’
4 is to be considered as ‘highly suitable for my current needs’
5 is to be considered as ‘completely suitable for my current needs’
1. How do you generally evaluate the current rules for capacity allocation according to NC CAM regarding the design of the auction algorithms as defined in Articles 16-18 NC CAM?

   - 1
   - 2
   - 3
   - 4
   - 5

1.1 Please elaborate on your rating

   The auction algorithms in NC CAM are generally fit for purpose and have led to an improved efficiency of IP capacity booking within the EU. The ascending clock auction algorithm (ASC) successfully enables shippers to easily buy forward capacity to satisfy their supply obligations at the reserve price, and to effectively adjust their bid prices in light of any congestion. The uniform price auction algorithm (UPA) allows shippers to place spot capacity bids commensurate with their imbalance price risks, and to exploit spot arbitrage opportunities. In the case of ASC auctions there have been cases where auctions have failed to close at congested IPs prior to, or very close to, the point where capacity becomes usable. There have also been cases where multiple bidding rounds occurred over a number of days but then collapsed failing to allocate much capacity, as the spreads changed suddenly making further bidding uneconomic. Fortunately, such instances are rare, but it reinforces the need for TSOs to anticipate congestion and set large enough price steps between ASC auction rounds to minimise overly extended bidding periods.

1.2 Are you facing any specific problems with the current auction algorithms?

   - Yes
   - No

1.2.1 If yes, please elaborate on how this could be improved:

1.3 How do you generally evaluate the current rules for capacity allocation according to NC CAM regarding the auction calendar as defined in Articles 11-15 NC CAM?

   - 1
   - 2
   - 3
   - 4
   - 5

1.3.1 Please elaborate on your rating

   The auction calendar, as defined in NC CAM and determined by ENTSOG, limits opportunities for arbitrage between EU gas markets to be fully exploited across the forward curve. At times when IP capacity is being auctioned profitable commodity arbitrage opportunities may not
exist, whereas at times outside of NC CAM auction calendar they may do. Whilst arbitrage trades can be executed financially and unwound before delivery, making physical IP capacity unnecessary, and whilst some shippers may be willing to take the risk of executing commodity trades and booking capacity as an when available, arbitrage opportunities are still being missed, particularly in less liquid markets. Clearly we cannot go back to a “click and book” process, so an auction process and calendar are necessary to ensure transparency and consistency in capacity booking. However, the current rigidity of these is detrimental to market efficiency and reduces the opportunities for TSOs to sell capacity, potentially contributing to under recovery of TSOs’ allowed revenues. The restrictions imposed by the auction calendar prevent shippers from fully capturing the intrinsic and extrinsic value of IP capacity. It was for this reason that the two merchant TSOs that operate gas pipelines between the UK and the continent (IUK and BBL) chose to implement implicit capacity allocation mechanisms. These afford shippers more opportunities to exploit arbitrage (similar to what the EFET proposal is seeking achieve) and have been perceived to be quite successful, with significant quantities of capacity being sold when spreads are profitable (for example during this winter).

1.4 Are you facing any specific problems with the current auction calendar?

- Yes
- No

1.4.1 If yes, please elaborate on how this could be improved:

By implementing the EFET proposal.

2. Do the current runtimes of the standard capacity products provide sufficient flexibility to transport gas across the European Union? Please elaborate:

Yes, provided TSOs are able to anticipate congestion and set large enough price steps between ASC auction rounds, thereby avoid monthly auctions extending to the point where the first day-ahead UPA auction is due to take place for the month in question. Also, booking platforms failures which result in NC CAM auctions being cancelled (particularly for day-ahead and within day IP capacity products) need to kept to an absolute minimum, which has not always been the case.

2.1 Do the current runtimes of the standard capacity products still reflect the commercial need to exchange on commodity markets? Please elaborate:

Yes. Standard IP capacity products generally reflect the most liquid tenors in commodity markets.

3 Please provide any additional comments on the current capacity allocation rules and elaborate:
Section 2

This section contains questions aimed at collecting feedback on the proposal posted by EFET. We ask you to evaluate the EFET proposal based on your previously identified needs and consider whether the proposal would meet those needs in a satisfactory way. This will help us assess if the EFET proposal is a suitable solution for meeting the overall market needs.

EFET argues the current standard auction timetable still limits opportunities for arbitrage to be fully exploited, particularly across the forward curve. At times when capacity is being auctioned in accordance with the NC CAM, profitable commodity arbitrage opportunities may not exist, whereas at times outside of the NC CAM auction timetable they may do. EFET considers this to be detrimental to market efficiency and reduces the amount of IP capacity TSOs can sell.

The EFET proposal aims at making firm IP capacity more readily available to shippers by enabling TSOs to offer it for sale in uniform price allocation (UPA) auctions outside the CAM NC auction timetable dates. Supplementary UPA auctions for yearly, quarterly, and monthly IP capacity would be held for any capacity remaining unsold after the first relevant CAM NC (ascending clock) auction, up to the point where it becomes usable. Shippers would always have the option to bid for yearly, quarterly, and monthly IP capacity in the relevant CAM NC auctions first before any supplementary UPA auctions took place. To the extent an adjustment of implementation is not sufficient to accommodate the proposal, EFET proposes that a change to the CAM NC legal text as part of the 2021 EU Gas Legislative Package could be pursued.

For questions containing a scale from 1 to 5:
1 is to be considered as ‘not appropriate at all’
2 is to be considered as ‘somewhat appropriate’
3 is to be considered as ‘reasonably appropriate’
4 is to be considered as ‘highly appropriate’
5 is to be considered as ‘completely appropriate’

4. Do you agree with the problem EFET has described in the posted FUNC issue?

- [ ] Yes
- [ ] No

4.1 Please elaborate on your answer:

There are plenty of examples of profitable price spreads existing between EU markets both before and after the point where it is currently possible to acquire IP capacity under NC CAM, and where price spreads do not support arbitrage at the point when auctions are actually held.
5. Do you consider the EFET proposal to introduce a supplementary uniform price allocation (UPA) auctions, for yearly, quarterly and monthly products, to be an appropriate improvement to the current system of allocation of capacities according to the CAM NC?

- 1
- 2
- 3
- 4
- 5

5.1 Please elaborate on your rating

The EFET proposal strikes an appropriate balance between maintaining the primacy and integrity of the now established NC CAM auction processes and calendar and allowing for IP capacity to be offered more flexibly. Capacity is purchased by shippers who have different risk appetites and motivations. The ASC auctions for yearly, quarterly and monthly capacity provide shippers with an efficient method of booking capacity to meet known supply and portfolio commitments. The UPA auctions for day-ahead and within day capacity allow shippers to dynamically book capacity to respond to spot market arbitrage opportunities and to adjust their imbalance positions. Extending UPA auctions to yearly, quarterly and monthly capacity bookings will bring this same dynamism to forward markets, but only after those shippers who buy capacity to meet known supply and portfolio commitments have first been able to acquire it in an ASC auction, in exactly the same way as they do now.

6. Do you consider the EFET proposal to introduce more than one opportunity per month to book monthly capacity products (via UPA) to be an appropriate improvement to the current system of allocation of capacities according to the CAM NC?

- 1
- 2
- 3
- 4
- 5

6.1 Please elaborate on your rating

Monthly IP capacity is perhaps the most appealing for arbitrage purposes, because the front month tends to be the most liquid tenor in commodity forward markets, even in those which are less developed. Monthly products also require less collateral to be posted vis-à-vis the commodity and capacity cost, so making it more readily available benefits small shippers as well as large ones.

7. Do you consider the EFET proposal to increase the opportunities to book quarterly capacity products (via UPA) to be an appropriate improvement to the current system of allocation of capacities according to the CAM NC?

- 1
- 2
- 3
- 4
- 5
7.1 Please elaborate on your rating

Quarterly IP capacity is also appealing for arbitrage purposes and can also be used to underpin seasonally related flows, e.g. for cross-border use of storage.

8. Do you consider the EFET proposal to increase the opportunities to book *yearly capacity products* (via UPA) to be an appropriate improvement to the current system of allocation of capacities according to the CAM NC?

- [ ] 1
- [ ] 2
- [ ] 3
- [x] 4
- [ ] 5

8.1 Please elaborate on your rating

Of all the IP capacity products EFET proposes to make available via supplementary UPA auctions yearly capacity is perhaps the least essential. This is because yearly arbitrage opportunities are less frequent and more costly in terms of collateral. Also, the period of time between front (gas) year capacity being first offered in July and it being available to purchase in supplementary UPA allocation auctions thereafter is relatively short compared to its duration. Nevertheless, affording shippers the opportunity to book front year capacity much closer to the point where it becomes usable may help shippers who have yearly supply and portfolio commitments over this period. These commitments may not be fully clear in July when the ASC auction takes place.

9. Would you agree with EFET that additional auctions should be a voluntary option for TSOs or not?

- [x] Voluntary
- [ ] Mandatory

9.1. Please explain your reasoning:

In an ideal world, additional UPA auctions should clearly be mandatory and applied at all EU IPs. However, when raising the proposal we anticipated there may be resistance to it from some less forward looking TSOs and booking platforms, along with negative criticism about the time and cost involved in implementing the proposal for “dubious” or unquantified benefits. As such, we suggested the proposal should be pursued on voluntary basis as we thought there would be many TSOs that realised the benefits of allowing shippers more opportunities to book IP capacity (as IUK and BBL have demonstrated). If the proposal could be implemented quickly (possibly even without having to change NC CAM) this would create the necessary momentum for others to follow suit. However, depending on the responses to this consultation we could be persuaded that a mandatory approach is preferable and able to deliver the same results more effectively and as quickly. This would be the optimal outcome, but adopting a mandatory approach should not become the basis for TSOs or booking platforms being able to water down the proposal or drag it out indefinitely if a voluntary approach could be delivered quickly and effectively.
10. In case any additional auctions would be implemented on a voluntary basis, how can we assure that the bundling principle is followed? Please elaborate:

The bundling principle applies to allocation only, as IP capacity bookings remain as separate entry and exit capacity contracts with the individual TSOs either side of an IP. As such, implementing the EFET proposal on a voluntary basis does not change this principle, as the capacity booking platforms will still take all the available capacity TSOs notify them about and match this at IPs (based on the “lesser of rule”) to auction bundled capacity products. Conceivably, implementing the proposal on a voluntary basis may mean more unbundled capacity is offered at certain IPs should some TSOs or booking platforms refuse to implement it. However, in time we expect all TSOs and booking platforms to see the benefits of the proposal, and unbundled capacity is unlikely to be bought if a shipper does not have, or cannot acquire, unbundled capacity at the other side of an IP. As any capacity offered by a TSO or booking platform not prepared to implement the EFET proposal will always be bundled to the maximum extent possible (as now), we do not think the bundling principle will realistically be undermined.

11. What are, from your point of view, the positive aspects of the supplementary uniform price allocation (UPA) auctions for yearly, quarterly, and monthly IP capacity proposed by EFET, as compared to the current CAM NC rules on capacity allocation? Please elaborate:

Supplementary UPA auctions for yearly, quarterly and monthly IP capacity will provide more opportunities for arbitrage trades to be executed along the gas forward curve, thereby narrowing price spreads between EU gas markets and reinforcing price correlation. This will also generate more capacity sales, which reduces the risk of TSOs under recovering their allowed revenues.

12. What are, from your point of view, the negative aspects with the supplementary uniform price allocation (UPA) auctions for yearly, quarterly, and monthly IP capacity proposed by EFET, as compared to the current CAM NC rules on capacity allocation? Please elaborate:

Adding supplementary UPA auctions for yearly, quarterly and monthly IP capacity will increase the complexity of the auction calendar and require shippers to adapt their booking operations. However, we see this as a necessary step to enable shippers to take advantage of the new opportunities afforded to them, not as a negative one. Going forward, ENTSOG is expected to change the common data exchange solutions table (CNOT) to require document-based exchange for IP capacity interactions between shippers and capacity booking platforms, as part of the solution to FUNC request 3/2019. This should facilitate more efficient capacity booking and make it easier for shippers to submit supplementary UPA auction bids within the relatively tight booking windows proposed by EFET each business day. Whilst supplementary UPA auctions may require ENTSOG and Edigas to make changes to the capacity booking business requirements specification (BRS) and Edigas file formats, we expect these to be minor and easily deliverable.

13. Which elements of the EFET proposal may be advantageous for your company and why? Please elaborate:

We cannot speak for any of our members, but EFET would not have raised the proposal without the support of its members, the majority of whom identify the significant advantages it will bring to their trading activities.
14. Which elements of the EFET proposal may be disadvantageous for your company and why? If you have any, please include suggestions to improvements of the proposal. Please elaborate:

The proposal was deliberately structured in such a way as to avoid any obvious disadvantages for EFETs’ members, or for EU gas markets in general.

Section 3

This section contains questions aimed at exploring other options to increase flexibility in capacity bookings, besides the EFET proposal. If you previously indicated a need for change in the current capacity allocation rules, and identified problems with the EFET proposal, this section would allow you to propose alternative ways to meet your needs.

15. What other runtimes of the standard capacity products would be desirable from a market perspective? (multiple answers are possible)

- [ ] Season
- [ ] Balance of month
- [x] Weekend
- [ ] Other
- [ ] No other products are desirable

15.1 Please specify, if other:

Balance of month (it was not possible to mark two options above)

15.2 Please elaborate on why these products are desirable or not desirable:

Whilst our proposal was based around the standard IP capacity products in NC CAM, we do see merit in introducing runtimes for new BOM and weekend IP capacity products, provided these can be readily integrated into the existing auction calendar in or treated as supplementary UPA auctions and providing they do not undermine day-ahead auctions, which are important for balancing.

To this extent it might be possible to hold a one-off UPA auction for weekend capacity on Friday at the same time as the current NC CAM day-ahead auction, with Saturday being treated as a competing auction. UPA auctions for a BOM product could also perhaps be held at the same time as monthly UPA auctions, for capacity from D+2 to the end of the month.

Notwithstanding the need to consider public holidays as well, this would better align actively traded commodity products with equivalent IP capacity bookings.
16. Would you see merit in offering capacity further in advance of delivery to provide more opportunities to book capacity products compared to the current auction calendar? For example, for the monthly products, instead of the current rule that each month, the monthly standard capacity product for the following calendar month shall be auctioned, this could be extended further into the future to cover multiple months ahead.

- Yes
- No

17. If yes, which products would you like to be able to book/offer further in advance?

- Monthly
- Quarterly
- Other

17.1 Please elaborate, if other:

17.2 Please elaborate on your answer and indicate how much further in advance each product would be desired to be booked/offered.

There could be merit in allowing quarterly products to be bookable up to two gas years out (rather one gas year out at present) and for monthly products to be bookable up to three months out (rather than one month out at present). However, whilst this would further enhance arbitrage opportunities along the forward curve it would conflict with the cascading principle enshrined within NC CAM. So, for example, in October it would be possible to buy January IP capacity which forms part of the Q1 capacity product first offered in November. Consequently, any unsold yearly capacity would not first be made available as quarterly capacity and unsold quarterly capacity would not first be made available as front month capacity. Also day-ahead and within day capacity could be less readily available if they have previously been reserved as part of further out quarterly and monthly capacity products. Allowing existing NC CAM products to be booked further out would also make implementing the EFET proposal far more complicated. So, on balance, we prefer the benefits arising from the EFET proposal over extending the forward booking capability of quarterly and monthly products.

18. Would you see a merit in exploring the potential for a wider use of implicit allocation methods (as defined in Article 3 NC CAM) for allocation of capacities?

- Yes
- No

18.1 Please elaborate on your answer and if possible, provide suggestions for how implicit allocation methods could be further developed.

Implicit allocation in electricity markets arose as consequence of cross-border physical congestion, TSOs unwillingness to embrace forward capacity allocation (which persists to this day) and because of the inability to achieve efficient price arbitrage between low and high priced interconnected markets in an instantaneous system balancing environment. As a dayahead and intraday capacity allocation method it has proved effective in eliminating price inefficient cross-border electricity flows and concentrating liquidity in the spot trading tenor.
However, gas flows at a far slower and controllable speed and can be stored in the system as linepack. So gas is explicitly scheduled to flow in the spot trading tenor and short, medium and long-term IP capacity is visible and readily offered, with any congestion typically being contractual rather than physical.

Moving towards, or even considering, widescale implicit allocation methods for short, medium or long-term IP capacity in EU gas markets would be a massive and unnecessary distraction at this stage, for little added benefit. Attempting to efficiently integrate the IP capacity currently offered by multiple TSOs, across three separate booking platforms, with the order books of multiple gas exchanges, trading platforms and brokers would take years to develop. And by the time it could likely be implemented gas usage is likely to be in decline, due to increasing decarbonisation.

IUK and BBL have been able to implement their own forms of implicit allocation with some success. But this is still only with a limited number of broker partners and the criteria for matching capacity with commodity trades is very wide. The challenge of replicating this across the EU for non-merchant TSOs’ IP capacity should not be underestimated and the additional complexity that comes with allocating available capacity to a number of implicit allocation partners makes their product offerings less straightforward and more fragmented, reducing accessibility and visibility for some market participants.

The benefits implicit allocation could theoretically deliver could be achieved far more effectively and quickly instead by adapting the current explicit allocation process, as described in EFET proposal.

19. Do you have any alternative proposals on how to improve the current offer of capacity products and the rules on capacity allocation? Please elaborate:

Consideration could be given to pushing back the timeslot of the day-ahead NC CAM auctions so that they close nearer the end of trading window, particularly if this alleviates any time pressures resulting from introducing new supplementary UPA auctions.

20. What other concrete changes, within the scope of the current FUNC issue, could improve the access to transmission capacity and contribute to better cross-border competition and market integration? Please elaborate:

If the EFET proposal is not acceptable to policymakers or regulators, steps should be taken to implement an approach which allows for quarterly products to be bookable up to two gas years out and monthly products to be bookable up to three months out. However, as stated in our response to question 17.2, whilst this could have benefits we do not think these will be as great as the benefits arising from the EFET proposal, and the implementation costs and resources are likely to be similar under both approaches.

Thank you!

Contact

support@gasncfunc.eu
Public Consultation – FUNC issue “Greater flexibility to book firm capacity at IPs”

Fields marked with * are mandatory.

Introduction

EFET posted the following issue on the Gas Network Code Functionality Platform https://www.gasncfunc.eu/gas-func/issues/01/2020/view

Extract of the reported issue

Abstract: The CAM NC has given shippers more flexibility to book capacity at IPs and made the process more efficient. This has contributed to reduced contractual congestion and narrowed spreads through efficient price arbitrage. However, the standard auction timetable still limits opportunities for arbitrage to be fully exploited, particularly across the forward curve. This is detrimental to market efficiency and reduces the amount of capacity TSOs sell. ACER’s latest gas market monitoring report (paragraph 36) suggested that consideration should be given to increasing the frequency of CAM auctions with a standardised timing to make them even more useful for network users.

- **Who should act:** ACER, ENTSOG, Involved TSO(s)
- **Suggested solution or action:** Adjustment of implementation
- **Other suggestions:** The proposal is consistent with the fundamental principles of the CAM NC but does not fully comply with the detailed obligations in a couple of aspects. To the extent an adjustment of implementation is not sufficient, a change to the CAM NC legal text as part of the 2021 EU Gas Legislative Package should be pursued.

In order to get a better understanding of the needs of the market, ACER and ENTSOG are launching this public consultation to collect stakeholder input.

Please note that the public consultation questionnaire is divided into three main sections, each with its own focus and aim.

**Section 1** – Questions aimed at evaluating the key provisions of the NC CAM
**Section 2** – Questions aimed at collecting feedback on the EFET proposal
**Section 3** – Questions aimed at exploring other options besides the EFET proposal

When evaluating the EFET proposal, or any change compared with the current auction procedures, it is important to consider both benefits and costs. We would therefore like to stress the importance of you
substantiating your answers, to allow us to better understand your needs, the scale of the issue, and all potential benefits or costs. We would also like to highlight that this is the first consultation for this FUNC issue and, based on the responses received, further consultations might be required in the future.

For your convenience please find below the links to the relevant websites hosting supporting documents for this public consultation. The terminology used in the public consultation corresponds to the definitions established in Article 3 of Commission Regulation (EU) 2017/459 (CAM Network Code).

Supporting Documents:
- CAM Network Code
- EFET Issue supporting documents
- ACER Congestion management report 7th edition

General information

Your name: [Redacted]

Email address: [Redacted]

Company name: EnBW

Country: Germany

If other country, not in the list above:

My answers:
- [ ] can be published with my organisation’s information
- [ ] can be published provided that my organisation remains anonymous

Please specify your role (multiple answers are possible):
- [ ] Capacity Booking Platform Operator
- [x] Network User
- [ ] Other

If other, please specify below
If you are a network user, please indicate on how many markets (entry/exit-systems) you are active on and have booked capacity in the last gas year:

- [ ] 1
- [ ] 2-4
- [ ] more than 4

If you are a network user, please indicate which standard capacity products you booked in the last gas year (multiple answers are possible)

- [ ] Yearly
- [ ] Quarterly
- [ ] Monthly
- [ ] Day ahead / Within day

I have read, understood and I accept the terms of the ACER and ENTSOG privacy policies and I consent, in particular, on ACER/ENTSOG processing my personal data (above-mentioned) for this public consultation.

Section 1

The first version of the NC CAM of 2013 had been in place until the amended NC CAM came into force in April 2017 and repealed it. The NC CAM was implemented to address barriers to moving gas between Member States due to differences in capacity allocation methods and contractual congestion. The NC CAM introduced standard capacity products at IPs, bundling obligations and a common auction timetable to allow shippers to secure capacity on both sides of an IP. The NC CAM code has contributed to reduced contractual congestion, narrowing spreads and more liquidity across EU gas market.

This section contains questions aimed at identifying the degree of satisfaction regarding current capacity allocation mechanisms. It also aims at collecting the market need(s) for greater flexibility to book firm capacity at IPs, if any. You will be asked to evaluate the existing capacity allocation rules in the NC CAM and elaborate on which areas you feel need improvement or which areas are currently satisfactory to meet your needs. Your answers will be used to analyze if the current NC CAM limits opportunities for optimizing capacity allocation and improving market functioning.

For questions containing a scale from 1 to 5:

1 is to be considered as ‘not suitable to my current needs at all’
2 is to be considered as ‘somewhat suitable for my current needs’
3 if to be considered as ‘reasonably suitable for my current needs’
4 is to be considered as ‘highly suitable for my current needs’
5 is to be considered as ‘completely suitable for my current needs’
1. How do you generally evaluate the current rules for capacity allocation according to NC CAM regarding the design of the **auction algorithms as defined in Articles 16-18 NC CAM**?

- 1
- 2
- 3
- 4
- 5

1.1 Please elaborate on your rating

The auction algorithms in NC CAM are generally fit for purpose and have led to improved efficiency of IP capacity booking within the EU.

1.2 Are you facing any specific problems with the current auction algorithms?

- Yes
- No

1.2.1 If yes, please elaborate on how this could be improved:

1.3 How do you generally evaluate the current rules for capacity allocation according to NC CAM regarding the **auction calendar as defined in Articles 11-15 NC CAM**?

- 1
- 2
- 3
- 4
- 5

1.3.1 Please elaborate on your rating

The auction calendar is generally well structured, but there is unrealised potential for capacity bookings after the first auction dates. Profitable arbitrage opportunities may not exist at times when capacity is auctioned, whereas they may well exist at times outside the NC CAM auction calendar.

1.4 Are you facing any specific problems with the current auction calendar?

- Yes
- No

1.4.1 If yes, please elaborate on how this could be improved:

By implementing the EFET proposal.
2. Do the current runtimes of the standard capacity products provide sufficient flexibility to transport gas across the European Union? Please elaborate:

Generally, yes.

2.1 Do the current runtimes of the standard capacity products still reflect the commercial need to exchange on commodity markets? Please elaborate:

Generally, yes. However, the yearly basis ‘gas year’ does not fit to the standard trading product ‘calendar year’ on the wholesale market.

3 Please provide any additional comments on the current capacity allocation rules and elaborate:

It might be useful to introduce more competitive auctions to ensure a level playing field between different bookable points that are in competition with each other.

Section 2

This section contains questions aimed at collecting feedback on the proposal posted by EFET. We ask you to evaluate the EFET proposal based on your previously identified needs and consider whether the proposal would meet those needs in a satisfactory way. This will help us assess if the EFET proposal is a suitable solution for meeting the overall market needs.

EFET argues the current standard auction timetable still limits opportunities for arbitrage to be fully exploited, particularly across the forward curve. At times when capacity is being auctioned in accordance with the NC CAM, profitable commodity arbitrage opportunities may not exist, whereas at times outside of the NC CAM auction timetable they may do. EFET considers this to be detrimental to market efficiency and reduces the amount of IP capacity TSOs can sell.

The EFET proposal aims at making firm IP capacity more readily available to shippers by enabling TSOs to offer it for sale in uniform price allocation (UPA) auctions outside the CAM NC auction timetable dates. Supplementary UPA auctions for yearly, quarterly, and monthly IP capacity would be held for any capacity remaining unsold after the first relevant CAM NC (ascending clock) auction, up to the point where it becomes usable. Shippers would always have the option to bid for yearly, quarterly, and monthly IP capacity in the relevant CAM NC auctions first before any supplementary UPA auctions took place. To the
extent an adjustment of implementation is not sufficient to accommodate the proposal, EFET proposes that a change to the CAM NC legal text as part of the 2021 EU Gas Legislative Package could be pursued.

For questions containing a scale from 1 to 5:
1 is to be considered as 'not appropriate at all'
2 is to be considered as ‘somewhat appropriate’
3 is to be considered as ‘reasonably appropriate’
4 is to be considered as ‘highly appropriate’
5 is to be considered as ‘completely appropriate’

4. Do you agree with the problem EFET has described in the posted FUNC issue?

☐ Yes
☐ No

4.1 Please elaborate on your answer:

Within periods outside the auction schedule, there were varying price ranges when there was no possibility to book the corresponding capacity.

5. Do you consider the EFET proposal to introduce a supplementary uniform price allocation (UPA) auctions, for yearly, quarterly and monthly products, to be an appropriate improvement to the current system of allocation of capacities according to the CAM NC?

☐ 1
☐ 2
☐ 3
☐ 4
☐ 5

5.1 Please elaborate on your rating

The EFET proposal provides an appropriate balance between maintaining the primacy and integrity of the now established NC CAM auction processes and allowing capacity to be offered more flexible.

6. Do you consider the EFET proposal to introduce more than one opportunity per month to book monthly capacity products (via UPA) to be an appropriate improvement to the current system of allocation of capacities according to the CAM NC?

☐ 1
☐ 2
☐ 3
☐ 4
☐ 5

6.1 Please elaborate on your rating
Monthly capacities are very attractive for arbitrage purposes, as the front month is usually the most liquid standard trading product in the forward market. Therefore, an earlier start date for the first auction and subsequent auctions is particularly necessary in this case.

7. Do you consider the EFET proposal to increase the opportunities to book **quarterly capacity products** (via UPA) to be an appropriate improvement to the current system of allocation of capacities according to the CAM NC?

- [ ] 1
- [ ] 2
- [ ] 3
- [ ] 4
- [x] 5

7.1 Please elaborate on your rating

- 

8. Do you consider the EFET proposal to increase the opportunities to book **yearly capacity products** (via UPA) to be an appropriate improvement to the current system of allocation of capacities according to the CAM NC?

- [ ] 1
- [ ] 2
- [ ] 3
- [x] 4
- [ ] 5

8.1 Please elaborate on your rating

- 

9. Would you agree with EFET that additional auctions **should be a voluntary option** for TSOs or not?

- [ ] Voluntary
- [x] Mandatory

9.1. Please explain your reasoning:

A mandatory implementation should be more practical for all market participants, to ensure a harmonised proceeding by all TSOs and thus across border points.
10. In case any additional auctions would be implemented on a voluntary basis, how can we assure that the bundling principle is followed? Please elaborate:

It is possible that the implementation of the proposal on a voluntary basis will lead to more unbundled capacity being offered. We would therefore prefer a mandatory implementation.

11. What are, from your point of view, the **positive aspects** of the supplementary uniform price allocation (UPA) auctions for yearly, quarterly, and monthly IP capacity proposed by EFET, as compared to the current CAM NC rules on capacity allocation? Please elaborate:

Additional ascending clock auctions after the initial one would not offer any advantages if the first auction has already shown no demand exceeding supply. UPA auctions are therefore the simpler and faster option here.

12. What are, from your point of view, the **negative aspects** with the supplementary uniform price allocation (UPA) auctions for yearly, quarterly, and monthly IP capacity proposed by EFET, as compared to the current CAM NC rules on capacity allocation? Please elaborate:

While the complexity of the auction calendar will be slightly increased, we see this as a necessary step for transport customers to take advantage of the new opportunities.

13. Which elements of the EFET proposal may be advantageous for your company and why? Please elaborate:

The whole proposal is well thought out. However, we would see the biggest advantage in the proposed adjustment of the monthly auctions.

14. Which elements of the EFET proposal may be disadvantageous for your company and why? If you have any, please include suggestions to improvements of the proposal. Please elaborate:

none

**Section 3**
This section contains questions aimed at exploring other options to increase flexibility in capacity bookings, besides the EFET proposal. If you previously indicated a need for change in the current capacity allocation rules, and identified problems with the EFET proposal, this section would allow you to propose alternative ways to meet your needs.

15. What other runtimes of the standard capacity products would be desirable from a market perspective? (multiple answers are possible)
   - Season
   - Balance of month
   - Weekend
   - Other
   - No other products are desirable

15.1 Please specify, if other:
   - none

15.2 Please elaborate on why these products are desirable or not desirable:

From our point of view it would be possible to have in parallel every day auctions for Day Ahead and Balance-of-month (BOM) and before Weekends to have in parallel auctions on Friday for Sa/Su/Mo/BOM. On Saturday then there would be again auctions for Su/Mo/BOM and on Sunday for Mo/BOM. Parallel running is thus possible, as the delivery periods do not overlap. BOM always starts after the Day-Ahead product which is the Mo before weekends.
Seasonal IP capacity products would complicate the auction calendar and would have little added value as seasonal capacity can be acquired through a combination of quarterly capacity products.

16. Would you see merit in offering capacity further in advance of delivery to provide more opportunities to book capacity products compared to the current auction calendar? For example, for the monthly products, instead of the current rule that each month, the monthly standard capacity product for the following calendar month shall be auctioned, this could be extended further into the future to cover multiple months ahead.
   - Yes
   - No

17. If yes, which products would you like to be able to book/offer further in advance?
   - Monthly
   - Quarterly
   - Other

17.1 Please elaborate, if other:
   -
17.2 Please elaborate on your answer and indicate how much further in advance each product would be desired to be booked/offered.

Apart from the earlier monthly auctions in EFET’s proposal, we see no need for further earlier auctions; on the contrary, these could contradict the cascading principle.

18. Would you see a merit in exploring the potential for a wider use of implicit allocation methods (as defined in Article 3 NC CAM) for allocation of capacities?

- Yes
- No

18.1 Please elaborate on your answer and if possible, provide suggestions for how implicit allocation methods could be further developed.

Basically, the explicit allocation methods work. But Implicit allocation could potentially contribute to a continuous allocation of capacities in the intraday and day-ahead area.

19. Do you have any alternative proposals on how to improve the current offer of capacity products and the rules on capacity allocation? Please elaborate:

- no

20. What other concrete changes, within the scope of the current FUNC issue, could improve the access to transmission capacity and contribute to better cross-border competition and market integration? Please elaborate:

Perhaps the possibility should be explored of interruptible capacity between two VTPs taking place as bundled auctions.

Thank you!

Contact

support@gasncfunc.eu
Public Consultation – FUNC issue “Greater flexibility to book firm capacity at IPs”

Fields marked with * are mandatory.

Introduction

EFET posted the following issue on the Gas Network Code Functionality Platform [https://www.gasncfunc.eu/gas-func/issues/01/2020/view](https://www.gasncfunc.eu/gas-func/issues/01/2020/view)

Extract of the reported issue

Abstract: The CAM NC has given shippers more flexibility to book capacity at IPs and made the process more efficient. This has contributed to reduced contractual congestion and narrowed spreads through efficient price arbitrage. However, the standard auction timetable still limits opportunities for arbitrage to be fully exploited, particularly across the forward curve. This is detrimental to market efficiency and reduces the amount of capacity TSOs sell. ACER’s latest gas market monitoring report (paragraph 36) suggested that consideration should be given to increasing the frequency of CAM auctions with a standardised timing to make them even more useful for network users.

- **Who should act**: ACER, ENTSOG, Involved TSO(s)
- **Suggested solution or action**: Adjustment of implementation
- **Other suggestions**: The proposal is consistent with the fundamental principles of the CAM NC but does not fully comply with the detailed obligations in a couple of aspects. To the extent an adjustment of implementation is not sufficient, a change to the CAM NC legal text as part of the 2021 EU Gas Legislative Package should be pursued.

In order to get a better understanding of the needs of the market, ACER and ENTSOG are launching this public consultation to collect stakeholder input.

Please note that the public consultation questionnaire is divided into three main sections, each with its own focus and aim.

**Section 1** – Questions aimed at evaluating the key provisions of the NC CAM
**Section 2** – Questions aimed at collecting feedback on the EFET proposal
**Section 3** – Questions aimed at exploring other options besides the EFET proposal

When evaluating the EFET proposal, or any change compared with the current auction procedures, it is important to consider both benefits and costs. We would therefore like to stress the importance of you
substantiating your answers, to allow us to better understand your needs, the scale of the issue, and all potential benefits or costs. We would also like to highlight that this is the first consultation for this FUNC issue and, based on the responses received, further consultations might be required in the future.

For your convenience please find below the links to the relevant websites hosting supporting documents for this public consultation. The terminology used in the public consultation corresponds to the definitions established in Article 3 of Commission Regulation (EU) 2017/459 (CAM Network Code).

Supporting Documents:
CAM Network Code
EFET Issue supporting documents
ACER Congestion management report 7th edition

General information

Your name:

Email address:

Company name:

Eni

Country:

Italy

If other country, not in the list above:

My answers:

- can be published with my organisation’s information
- can be published provided that my organisation remains anonymous

Please specify your role (multiple answers are possible):

- Capacity Booking Platform Operator
- Network User
- Other

If other, please specify below
If you are a network user, please indicate on how many markets (entry/exit-systems) you are active on and have booked capacity in the last gas year:

- 1
- 2-4
- more than 4

If you are a network user, please indicate which standard capacity products you booked in the last gas year (multiple answers are possible)

- Yearly
- Quarterly
- Monthly
- Day ahead / Within day

I have read, understood and I accept the terms of the ACER and ENTSOG privacy policies and I consent, in particular, on ACER/ENTSOG processing my personal data (above-mentioned) for this public consultation.

Section 1

The first version of the NC CAM of 2013 had been in place until the amended NC CAM came into force in April 2017 and repealed it. The NC CAM was implemented to address barriers to moving gas between Member States due to differences in capacity allocation methods and contractual congestion. The NC CAM introduced standard capacity products at IPs, bundling obligations and a common auction timetable to allow shippers to secure capacity on both sides of an IP. The NC CAM code has contributed to reduced contractual congestion, narrowing spreads and more liquidity across EU gas market.

This section contains questions aimed at identifying the degree of satisfaction regarding current capacity allocation mechanisms. It also aims at collecting the market need(s) for greater flexibility to book firm capacity at IPs, if any. You will be asked to evaluate the existing capacity allocation rules in the NC CAM and elaborate on which areas you feel need improvement or which areas are currently satisfactory to meet your needs. Your answers will be used to analyze if the current NC CAM limits opportunities for optimizing capacity allocation and improving market functioning.

For questions containing a scale from 1 to 5:
1 is to be considered as ‘not suitable to my current needs at all’
2 is to be considered as ‘somewhat suitable for my current needs’
3 if to be considered as ‘reasonably suitable for my current needs’
4 is to be considered as ‘highly suitable for my current needs’
5 is to be considered as ‘completely suitable for my current needs’
1. How do you generally evaluate the current rules for capacity allocation according to NC CAM regarding the design of the auction algorithms as defined in Articles 16-18 NC CAM?

- 1
- 2
- 3
- 4
- 5

1.1 Please elaborate on your rating

We are generally satisfied with the current rules for capacity allocation provided according to NC CAM regarding the design of the auction algorithms.

1.2 Are you facing any specific problems with the current auction algorithms?

- Yes
- No

1.2.1 If yes, please elaborate on how this could be improved:

1.3 How do you generally evaluate the current rules for capacity allocation according to NC CAM regarding the auction calendar as defined in Articles 11-15 NC CAM?

- 1
- 2
- 3
- 4
- 5

1.3.1 Please elaborate on your rating

We are satisfied with the current rules for capacity allocation rules according to NC CAM regarding the auction calendar. We would like to express our concern on the possibility to move earlier the monthly auctions compared to the present calendar. As shipper we would prefer the auctions for monthly capacity to take place in the second part of the month, in order to have a clearer view on our capacity needs.

1.4 Are you facing any specific problems with the current auction calendar?

- Yes
- No

1.4.1 If yes, please elaborate on how this could be improved:
2. Do the current runtimes of the standard capacity products provide sufficient flexibility to transport gas across the European Union? Please elaborate:

2.1 Do the current runtimes of the standard capacity products still reflect the commercial need to exchange on commodity markets? Please elaborate:

On one hand we would certainly welcome additional flexibility, to meet our commercial need as shipper, having the opportunity to book capacity more often and "closer" to the moment of the commodity purchase on the other hand we see a higher risk of congestion for capacity for some products. Pros and cons should be carefully analysed.

3 Please provide any additional comments on the current capacity allocation rules and elaborate:

Section 2

This section contains questions aimed at collecting feedback on the proposal posted by EFET. We ask you to evaluate the EFET proposal based on your previously identified needs and consider whether the proposal would meet those needs in a satisfactory way. This will help us assess if the EFET proposal is a suitable solution for meeting the overall market needs.

EFET argues the current standard auction timetable still limits opportunities for arbitrage to be fully exploited, particularly across the forward curve. At times when capacity is being auctioned in accordance with the NC CAM, profitable commodity arbitrage opportunities may not exist, whereas at times outside of the NC CAM auction timetable they may do. EFET considers this to be detrimental to market efficiency and reduces the amount of IP capacity TSOs can sell.

The EFET proposal aims at making firm IP capacity more readily available to shippers by enabling TSOs to offer it for sale in uniform price allocation (UPA) auctions outside the CAM NC auction timetable dates. Supplementary UPA auctions for yearly, quarterly, and monthly IP capacity would be held for any capacity remaining unsold after the first relevant CAM NC (ascending clock) auction, up to the point where it becomes usable. Shippers would always have the option to bid for yearly, quarterly, and monthly IP
capacity in the relevant CAM NC auctions first before any supplementary UPA auctions took place. To the extent an adjustment of implementation is not sufficient to accommodate the proposal, EFET proposes that a change to the CAM NC legal text as part of the 2021 EU Gas Legislative Package could be pursued.

For questions containing a scale from 1 to 5: 
1 is to be considered as ‘not appropriate at all’
2 is to be considered as ‘somewhat appropriate’
3 is to be considered as ‘reasonably appropriate’
4 is to be considered as ‘highly appropriate’
5 is to be considered as ‘completely appropriate’

4. Do you agree with the problem EFET has described in the posted FUNC issue?
   □ Yes
   □ No

4.1 Please elaborate on your answer:

5. Do you consider the EFET proposal to introduce a supplementary uniform price allocation (UPA) auctions, for yearly, quarterly and monthly products, to be an appropriate improvement to the current system of allocation of capacities according to the CAM NC?
   □ 1
   □ 2
   □ 3
   □ 4
   □ 5

5.1 Please elaborate on your rating

6. Do you consider the EFET proposal to introduce more than one opportunity per month to book monthly capacity products (via UPA) to be an appropriate improvement to the current system of allocation of capacities according to the CAM NC?
   □ 1
   □ 2
   □ 3
   □ 4
   □ 5
6.1 Please elaborate on your rating

We consider it an improvement as far as the present CAM NC calendar for monthly capacity auctions is not impacted.

7. Do you consider the EFET proposal to increase the opportunities to book *quarterly capacity products* (via UPA) to be an appropriate improvement to the current system of allocation of capacities according to the CAM NC?

- 1
- 2
- 3
- 4
- 5

7.1 Please elaborate on your rating

8. Do you consider the EFET proposal to increase the opportunities to book *yearly capacity products* (via UPA) to be an appropriate improvement to the current system of allocation of capacities according to the CAM NC?

- 1
- 2
- 3
- 4
- 5

8.1 Please elaborate on your rating

9. Would you agree with EFET that additional auctions *should be a voluntary option* for TSOs or not?

- Voluntary
- Mandatory

9.1. Please explain your reasoning:

We deem important to have a common rule for all TSOs in order to maintain an harmonized auction calendar across Europe.

In case the of confirmation of the voluntary option we would prefer TSOs offering the same products of ascending clock auctions even if one TSO on one side of the IP is going to offer the UPA and the TSO on the other side is not.
10. In case any additional auctions would be implemented on a voluntary basis, how can we assure that the bundling principle is followed? Please elaborate:

11. What are, from your point of view, the **positive aspects** of the supplementary uniform price allocation (UPA) auctions for yearly, quarterly, and monthly IP capacity proposed by EFET, as compared to the current CAM NC rules on capacity allocation? Please elaborate:

12. What are, from your point of view, the **negative aspects** with the supplementary uniform price allocation (UPA) auctions for yearly, quarterly, and monthly IP capacity proposed by EFET, as compared to the current CAM NC rules on capacity allocation? Please elaborate:

13. Which elements of the EFET proposal may be advantageous for your company and why? Please elaborate:

14. Which elements of the EFET proposal may be disadvantageous for your company and why? If you have any, please include suggestions to improvements of the proposal. Please elaborate:

   We agree with the principle stated by the proposal “UPA auctions would not take place if firm yearly, quarterly or monthly capacity at an IP was sold at an auction premium, was sold out, or was not offered. In such instances TSOs could offer interruptible yearly, quarterly or monthly IP capacity…”, but we think that this principle should be better specified and namely:
   a. UPA auctions would not take place if the related firm capacity was sold at an auction premium through the ascending clock auction.
   b. Interruptible capacity is offered only in case the related firm capacity is sold at an auction premium, is sold out, or is not offered. In fact, if other firm UPA auctions for the same capacity are held after the interruptible
product, there could be a different risk of interruption of the interruptible capacity, i.e. a different value. 
c. no other UPA auctions should be held after the interruptible auction if the allocation of such firm capacities 
could have an impact on the usability of the interruptible ones.

Section 3

This section contains questions aimed at exploring other options to increase flexibility in capacity bookings, 
besides the EFET proposal. If you previously indicated a need for change in the current capacity allocation 
rules, and identified problems with the EFET proposal, this section would allow you to propose alternative 
ways to meet your needs.

15. What other runtimes of the standard capacity products would be desirable from a market perspective? 
(multiple answers are possible)
  - Season
  - Balance of month
  - Weekend
  - Other
  - No other products are desirable

15.1 Please specify, if other:

- Weekly
- Weekend - working days

15.2 Please elaborate on why these products are desirable or not desirable:

We do not oppose to the introduction of new products provided that all the potential interactions with the 
existrent products 
are opportunely assessed

16. Would you see merit in offering capacity further in advance of delivery to provide more opportunities to 
book capacity products compared to the current auction calendar? For example, for the monthly products, 
instead of the current rule that each month, the monthly standard capacity product for the following 
calendar month shall be auctioned, this could be extended further into the future to cover multiple months 
ahead.
  - Yes
  - No

17. If yes, which products would you like to be able to book/offer further in advance?
  - Monthly
  - Quarterly
  - Other

17.1 Please elaborate, if other:
17.2 Please elaborate on your answer and indicate how much further in advance each product would be desired to be booked/offered.

We don't see merit in offering capacity further in advance of delivery, on the contrary to have the opportunity to book capacity more close to the moment of delivery would be preferable.

18. Would you see a merit in exploring the potential for a wider use of implicit allocation methods (as defined in Article 3 NC CAM) for allocation of capacities?

- Yes
- No

18.1 Please elaborate on your answer and if possible, provide suggestions for how implicit allocation methods could be further developed.

19. Do you have any alternative proposals on how to improve the current offer of capacity products and the rules on capacity allocation? Please elaborate:

20. What other concrete changes, within the scope of the current FUNC issue, could improve the access to transmission capacity and contribute to better cross-border competition and market integration? Please elaborate:

In our view there could be room for improvement in:
- Promoting the capacity conversion, also on a DA basis and giving more guidelines directly in the CAM Network Code;
- Further development of the secondary market, e.g. promoting to shorten the timings for assignments and simplifying the procedures.

Thank you!

Contact
support@gasncfunc.eu
Public Consultation – FUNC issue “Greater flexibility to book firm capacity at IPs”

Introduction

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**Section 3** – Questions aimed at exploring other options besides the EFET proposal

When evaluating the EFET proposal, or any change compared with the current auction procedures, it is important to consider both benefits and costs. We would therefore like to stress the importance of you
substantiating your answers, to allow us to better understand your needs, the scale of the issue, and all potential benefits or costs. We would also like to highlight that this is the first consultation for this FUNC issue and, based on the responses received, further consultations might be required in the future.

For your convenience please find below the links to the relevant websites hosting supporting documents for this public consultation. The terminology used in the public consultation corresponds to the definitions established in Article 3 of Commission Regulation (EU) 2017/459 (CAM Network Code).

Supporting Documents:
CAM Network Code
EFET Issue supporting documents
ACER Congestion management report 7th edition

General information

Your name:

Email address:

Company name:

Equinor ASA

Country:

- Austria
- Belgium
- Bulgaria
- Croatia
- Cyprus
- Czechia
- Denmark
- Estonia
- Finland
- France
- Germany
- Greece
- Hungary
- Ireland
- Italy
- Latvia
- Lithuania
- Luxembourg
If other country, not in the list above:

Norway

My answers:

- can be published with my organisation’s information
- can be published provided that my organisation remains anonymous

Please specify your role (multiple answers are possible):

- Capacity Booking Platform Operator
- Network User
- Other

If other, please specify below

If you are a network user, please indicate on how many markets (entry/exit-systems) you are active on and have booked capacity in the last gas year:

- 1
- 2-4
- more than 4

If you are a network user, please indicate which standard capacity products you booked in the last gas year (multiple answers are possible)

- Yearly
- Quarterly
- Monthly
- Day ahead / Within day

I have read, understood and I accept the terms of the ACER and ENTSOG privacy policies and I consent, in particular, on ACER/ENTSOG processing my personal data (above-mentioned) for this public consultation.

Section 1
The first version of the NC CAM of 2013 had been in place until the amended NC CAM came into force in April 2017 and repealed it. The NC CAM was implemented to address barriers to moving gas between Member States due to differences in capacity allocation methods and contractual congestion. The NC CAM introduced standard capacity products at IPs, bundling obligations and a common auction timetable to allow shippers to secure capacity on both sides of an IP. The NC CAM code has contributed to reduced contractual congestion, narrowing spreads and more liquidity across EU gas market.

This section contains questions aimed at identifying the degree of satisfaction regarding current capacity allocation mechanisms. It also aims at collecting the market need(s) for greater flexibility to book firm capacity at IPs, if any. You will be asked to evaluate the existing capacity allocation rules in the NC CAM and elaborate on which areas you feel need improvement or which areas are currently satisfactory to meet your needs. Your answers will be used to analyze if the current NC CAM limits opportunities for optimizing capacity allocation and improving market functioning.

For questions containing a scale from 1 to 5:
1 is to be considered as ‘not suitable to my current needs at all’
2 is to be considered as ‘somewhat suitable for my current needs’
3 if to be considered as ‘reasonably suitable for my current needs’
4 is to be considered as ‘highly suitable for my current needs’
5 is to be considered as ‘completely suitable for my current needs’

1. How do you generally evaluate the current rules for capacity allocation according to NC CAM regarding the design of the auction algorithms as defined in Articles 16-18 NC CAM?

   - [ ] 1
   - [ ] 2
   - [x] 3
   - [ ] 4
   - [ ] 5

1.1 Please elaborate on your rating

   We evaluate the current rules for capacity allocation reasonable suitable for our needs.

1.2 Are you facing any specific problems with the current auction algorithms?

   - [ ] Yes
   - [x] No

1.2.1 If yes, please elaborate on how this could be improved:
1.3 How do you generally evaluate the current rules for capacity allocation according to NC CAM regarding the auction calendar as defined in Articles 11-15 NC CAM?

- 1
- 2
- 3
- 4
- 5

1.3.1 Please elaborate on your rating

The current rules for capacity allocation are appropriate. The auction calendar is well organized. However, the auction calendar can be improved by offering additional capacity auctions for long-term products after the initial auction.

1.4 Are you facing any specific problems with the current auction calendar?

- Yes
- No

1.4.1 If yes, please elaborate on how this could be improved:

The current rules for capacity allocation are appropriate. The auction calendar is well organized. However, the auction calendar can be improved by offering additional capacity auctions for long-term products after the initial auction.

2. Do the current runtimes of the standard capacity products provide sufficient flexibility to transport gas across the European Union? Please elaborate:

The current runtimes of the standard capacity products provide sufficient flexibility.

2.1 Do the current runtimes of the standard capacity products still reflect the commercial need to exchange on commodity markets? Please elaborate:

see the response to 2

3 Please provide any additional comments on the current capacity allocation rules and elaborate:
NC CAM should be applied to all interconnection points. The exemption for LNG-terminals as provided in article 2(1) 2nd sentence of NC CAM should only be applicable for LNG-terminals which are not directly competing with capacity of interconnection points. Otherwise, this exemption creates an unequal level playing field, transfer the competition to the infrastructure access and not to the commodity price and may lead to an inefficient use of the infrastructure. A level playing field can be secured if all competing capacity take part in a competitive auction and capacity is allocated according to the price.

Section 2

This section contains questions aimed at collecting feedback on the proposal posted by EFET. We ask you to evaluate the EFET proposal based on your previously identified needs and consider whether the proposal would meet those needs in a satisfactory way. This will help us assess if the EFET proposal is a suitable solution for meeting the overall market needs.

EFET argues the current standard auction timetable still limits opportunities for arbitrage to be fully exploited, particularly across the forward curve. At times when capacity is being auctioned in accordance with the NC CAM, profitable commodity arbitrage opportunities may not exist, whereas at times outside of the NC CAM auction timetable they may do. EFET considers this to be detrimental to market efficiency and reduces the amount of IP capacity TSOs can sell.

The EFET proposal aims at making firm IP capacity more readily available to shippers by enabling TSOs to offer it for sale in uniform price allocation (UPA) auctions outside the CAM NC auction timetable dates. Supplementary UPA auctions for yearly, quarterly, and monthly IP capacity would be held for any capacity remaining unsold after the first relevant CAM NC (ascending clock) auction, up to the point where it becomes usable. Shippers would always have the option to bid for yearly, quarterly, and monthly IP capacity in the relevant CAM NC auctions first before any supplementary UPA auctions took place. To the extent an adjustment of implementation is not sufficient to accommodate the proposal, EFET proposes that a change to the CAM NC legal text as part of the 2021 EU Gas Legislative Package could be pursued.

For questions containing a scale from 1 to 5:
1 is to be considered as ‘not appropriate at all’
2 is to be considered as ‘somewhat appropriate’
3 is to be considered as ‘reasonably appropriate’
4 is to be considered as ‘highly appropriate’
5 is to be considered as ‘completely appropriate’

4. Do you agree with the problem EFET has described in the posted FUNC issue?
- [ ] Yes
- [ ] No

4.1 Please elaborate on your answer:
The EFET proposal provides more flexibility in the capacity booking. Deals after the initial auctions could easier be hedged with bookings and opportunities for arbitrage could be fully exploited. In particular in volatile markets like last year, additional capacity auctions allow more flexibility to react upon price signals.

5. Do you consider the EFET proposal to introduce a supplementary uniform price allocation (UPA) auctions, for yearly, quarterly and monthly products, to be an appropriate improvement to the current system of allocation of capacities according to the CAM NC?

- 1
- 2
- 3
- 4
- 5

5.1 Please elaborate on your rating

The EFET proposal to introduce supplementary auction is supported. In order to reduce complexity of additional auctions, FCFS mechanism may also be considered as an option. The original auction gave evidence of the absence of a congestion.

6. Do you consider the EFET proposal to introduce more than one opportunity per month to book monthly capacity products (via UPA) to be an appropriate improvement to the current system of allocation of capacities according to the CAM NC?

- 1
- 2
- 3
- 4
- 5

6.1 Please elaborate on your rating

Additional monthly auctions enable timely reactions upon price signals. But the auctions should be limited to avoid that the complexity is getting out of hand.

7. Do you consider the EFET proposal to increase the opportunities to book quarterly capacity products (via UPA) to be an appropriate improvement to the current system of allocation of capacities according to the CAM NC?

- 1
- 2
- 3
- 4
- 5

7.1 Please elaborate on your rating
8. Do you consider the EFET proposal to increase the opportunities to book *yearly capacity products* (via UPA) to be an appropriate improvement to the current system of allocation of capacities according to the CAM NC?

- 1
- 2
- 3
- 4 ✓
- 5

8.1 Please elaborate on your rating

Additional yearly auctions provide additional flexibility.

9. Would you agree with EFET that additional auctions should be a voluntary option for TSOs or not?

- Voluntary
- Mandatory ✓

9.1. Please explain your reasoning:

The mandatory implementation eases the provision of bundled products. It also reduces the complexity in comparison to a case-by-case approach.

10. In case any additional auctions would be implemented on a voluntary basis, how can we assure that the bundling principle is followed? Please elaborate:

11. What are, from your point of view, the positive aspects of the supplementary uniform price allocation (UPA) auctions for yearly, quarterly, and monthly IP capacity proposed by EFET, as compared to the current CAM NC rules on capacity allocation? Please elaborate:
A supplementary auction is only provided in the absence of a congestion in the initial auction. Therefore, additional UPA auctions enable a fast allocation of available infrastructure which is thereby efficiently be used and reduce the transport tariffs for all shippers.

12. What are, from your point of view, the **negative aspects** with the supplementary uniform price allocation (UPA) auctions for yearly, quarterly, and monthly IP capacity proposed by EFET, as compared to the current CAM NC rules on capacity allocation? Please elaborate:

The supplementary auctions for yearly, quarterly and monthly auction increase the complexity of the system. Therefore, the number of additional auctions should be limited and mandatory for all member states.

13. Which elements of the EFET proposal may be advantageous for your company and why? Please elaborate:

See the response to 4.1

14. Which elements of the EFET proposal may be disadvantageous for your company and why? If you have any, please include suggestions to improvements of the proposal. Please elaborate:

See the response to 12

**Section 3**

This section contains questions aimed at exploring other options to increase flexibility in capacity bookings, besides the EFET proposal. If you previously indicated a need for change in the current capacity allocation rules, and identified problems with the EFET proposal, this section would allow you to propose alternative ways to meet your needs.

15. What other runtimes of the standard capacity products would be desirable from a market perspective? (multiple answers are possible)

- Season
- Balance of month
- Weekend
- Other
15.1 Please specify, if other:

The commercial needs can be fulfilled on the basis of the existing provided capacity products. The interlinkage between questions on the tariffication and multiplier are according to NC TAR are more of relevance.

15.2 Please elaborate on why these products are desirable or not desirable:

16. Would you see merit in offering capacity further in advance of delivery to provide more opportunities to book capacity products compared to the current auction calendar? For example, for the monthly products, instead of the current rule that each month, the monthly standard capacity product for the following calendar month shall be auctioned, this could be extended further into the future to cover multiple months ahead.

☐ Yes
☐ No

17. If yes, which products would you like to be able to book/offer further in advance?

☐ Monthly
☐ Quarterly
☐ Other

17.1 Please elaborate, if other:

17.2 Please elaborate on your answer and indicate how much further in advance each product would be desired to be booked/offered.

18. Would you see a merit in exploring the potential for a wider use of implicit allocation methods (as defined in Article 3 NC CAM) for allocation of capacities?

☐ Yes
☐ No

18.1 Please elaborate on your answer and if possible, provide suggestions for how implicit allocation methods could be further developed.
Article 3 of the NC CAM understands under an implicit allocation method a capacity allocation method where both transmission capacity and a corresponding quantity of gas are allocated at the same time. The assessment on this suggestion depends on the specific approach. A common marketing of transport capacity and commodity towards shippers might ease the procurement for some. However, an implicit auction by exchanges or other third parties on a short-term basis would water-down the existing market roles. We do not see arguments or developments why market parties should not fully exploit price arbitrage between different markets by themselves. In case such structural cases occur further analysis on the reasons needs to be conducted first.

19. Do you have any alternative proposals on how to improve the current offer of capacity products and the rules on capacity allocation? Please elaborate:


20. What other concrete changes, within the scope of the current FUNC issue, could improve the access to transmission capacity and contribute to better cross-border competition and market integration? Please elaborate:


see response to 3.

Thank you!

Contact

support@gasncfunc.eu
Public Consultation – FUNC issue “Greater flexibility to book firm capacity at IPs”

Fields marked with * are mandatory.

Introduction

EFET posted the following issue on the Gas Network Code Functionality Platform https://www.gasncfunc.eu/gas-func/issues/01/2020/view

Extract of the reported issue

Abstract: The CAM NC has given shippers more flexibility to book capacity at IPs and made the process more efficient. This has contributed to reduced contractual congestion and narrowed spreads through efficient price arbitrage. However, the standard auction timetable still limits opportunities for arbitrage to be fully exploited, particularly across the forward curve. This is detrimental to market efficiency and reduces the amount of capacity TSOs sell. ACER’s latest gas market monitoring report (paragraph 36) suggested that consideration should be given to increasing the frequency of CAM auctions with a standardised timing to make them even more useful for network users.

- **Who should act:** ACER, ENTSOG, Involved TSO(s)
- **Suggested solution or action:** Adjustment of implementation
- **Other suggestions:** The proposal is consistent with the fundamental principles of the CAM NC but does not fully comply with the detailed obligations in a couple of aspects. To the extent an adjustment of implementation is not sufficient, a change to the CAM NC legal text as part of the 2021 EU Gas Legislative Package should be pursued.

In order to get a better understanding of the needs of the market, ACER and ENTSOG are launching this public consultation to collect stakeholder input.

Please note that the public consultation questionnaire is divided into three main sections, each with its own focus and aim.

**Section 1** – Questions aimed at evaluating the key provisions of the NC CAM

**Section 2** – Questions aimed at collecting feedback on the EFET proposal

**Section 3** – Questions aimed at exploring other options besides the EFET proposal

When evaluating the EFET proposal, or any change compared with the current auction procedures, it is important to consider both benefits and costs. We would therefore like to stress the importance of you
substantiating your answers, to allow us to better understand your needs, the scale of the issue, and all potential benefits or costs. We would also like to highlight that this is the first consultation for this FUNC issue and, based on the responses received, further consultations might be required in the future.

For your convenience please find below the links to the relevant websites hosting supporting documents for this public consultation. The terminology used in the public consultation corresponds to the definitions established in Article 3 of Commission Regulation (EU) 2017/459 (CAM Network Code).

Supporting Documents:
- CAM Network Code
- EFET Issue supporting documents
- ACER Congestion management report 7th edition

General information

Your name:

Email address:

Company name:

Europex

Country:

Belgium

If other country, not in the list above:

My answers:

- can be published with my organisation’s information
- can be published provided that my organisation remains anonymous

Please specify your role (multiple answers are possible):

- Capacity Booking Platform Operator
- Network User
- Other

If other, please specify below
Exchange association

If you are a network user, please indicate on how many markets (entry/exit-systems) you are active on and have booked capacity in the last gas year:

- 1
- 2-4
- more than 4

If you are a network user, please indicate which standard capacity products you booked in the last gas year (multiple answers are possible)

- Yearly
- Quarterly
- Monthly
- Day ahead / Within day

I have read, understood and I accept the terms of the ACER and ENTSOG privacy policies and I consent, in particular, on ACER/ENTSOG processing my personal data (above-mentioned) for this public consultation.

Section 1

The first version of the NC CAM of 2013 had been in place until the amended NC CAM came into force in April 2017 and repealed it. The NC CAM was implemented to address barriers to moving gas between Member States due to differences in capacity allocation methods and contractual congestion. The NC CAM introduced standard capacity products at IPs, bundling obligations and a common auction timetable to allow shippers to secure capacity on both sides of an IP. The NC CAM code has contributed to reduced contractual congestion, narrowing spreads and more liquidity across EU gas market.

This section contains questions aimed at identifying the degree of satisfaction regarding current capacity allocation mechanisms. It also aims at collecting the market need(s) for greater flexibility to book firm capacity at IPs, if any. You will be asked to evaluate the existing capacity allocation rules in the NC CAM and elaborate on which areas you feel need improvement or which areas are currently satisfactory to meet your needs. Your answers will be used to analyze if the current NC CAM limits opportunities for optimizing capacity allocation and improving market functioning.

For questions containing a scale from 1 to 5:
1 is to be considered as 'not suitable to my current needs at all'
2 is to be considered as 'somewhat suitable for my current needs'
3 if to be considered as 'reasonably suitable for my current needs'
4 is to be considered as 'highly suitable for my current needs'
5 is to be considered as 'completely suitable for my current needs'
1. How do you generally evaluate the current rules for capacity allocation according to NC CAM regarding the design of the auction algorithms as defined in Articles 16-18 NC CAM?

☐ 1
☐ 2
☐ 3
☐ 4
☐ 5

1.1 Please elaborate on your rating

☐ Yes
☐ No

1.2 Are you facing any specific problems with the current auction algorithms?

☐ Yes
☐ No

1.2.1 If yes, please elaborate on how this could be improved:

1.3 How do you generally evaluate the current rules for capacity allocation according to NC CAM regarding the auction calendar as defined in Articles 11-15 NC CAM?

☐ 1
☐ 2
☐ 3
☐ 4
☐ 5

1.3.1 Please elaborate on your rating

☐ Yes
☐ No

1.4 Are you facing any specific problems with the current auction calendar?

☐ Yes
☐ No

1.4.1 If yes, please elaborate on how this could be improved:
2. Do the current runtimes of the standard capacity products provide sufficient flexibility to transport gas across the European Union? Please elaborate:

2.1 Do the current runtimes of the standard capacity products still reflect the commercial need to exchange on commodity markets? Please elaborate:

3 Please provide any additional comments on the current capacity allocation rules and elaborate:

Section 2

This section contains questions aimed at collecting feedback on the proposal posted by EFET. We ask you to evaluate the EFET proposal based on your previously identified needs and consider whether the proposal would meet those needs in a satisfactory way. This will help us assess if the EFET proposal is a suitable solution for meeting the overall market needs.

EFET argues the current standard auction timetable still limits opportunities for arbitrage to be fully exploited, particularly across the forward curve. At times when capacity is being auctioned in accordance with the NC CAM, profitable commodity arbitrage opportunities may not exist, whereas at times outside of the NC CAM auction timetable they may do. EFET considers this to be detrimental to market efficiency and reduces the amount of IP capacity TSOs can sell.

The EFET proposal aims at making firm IP capacity more readily available to shippers by enabling TSOs to offer it for sale in uniform price allocation (UPA) auctions outside the CAM NC auction timetable dates. Supplementary UPA auctions for yearly, quarterly, and monthly IP capacity would be held for any capacity remaining unsold after the first relevant CAM NC (ascending clock) auction, up to the point where it becomes usable. Shippers would always have the option to bid for yearly, quarterly, and monthly IP capacity in the relevant CAM NC auctions first before any supplementary UPA auctions took place. To the
extent an adjustment of implementation is not sufficient to accommodate the proposal, EFET proposes that a change to the CAM NC legal text as part of the 2021 EU Gas Legislative Package could be pursued.

For questions containing a scale from 1 to 5:
1 is to be considered as ‘not appropriate at all’
2 is to be considered as ‘somewhat appropriate’
3 is to be considered as ‘reasonably appropriate’
4 is to be considered as ‘highly appropriate’
5 is to be considered as ‘completely appropriate’

4. Do you agree with the problem EFET has described in the posted FUNC issue?

☐ Yes
☐ No

4.1 Please elaborate on your answer:

Standardised capacity auctions in CAM NC have helped to allocate capacity more efficiently, reducing spreads and allowing shippers to respond to short-term price signals when managing their capacity. Whilst recognising the value of the standard auction timetable, we support the proposal to increase shippers’ access to capacity via supplementary auctions. Increasing commodity arbitrage opportunities will support the development of liquidity in spot and forward markets. The ACER gas MMR (2018) noted that CAM NC amendments introducing increased frequency of auctions (e.g. for quarterly products) immediately increased the bookings of the related products, which also suggests that there is demand for more flexibility in the auction timetable.

5. Do you consider the EFET proposal to introduce a supplementary uniform price allocation (UPA) auctions, for yearly, quarterly and monthly products, to be an appropriate improvement to the current system of allocation of capacities according to the CAM NC?

☐ 1
☐ 2
☐ 3
☐ 4
☒ 5

5.1 Please elaborate on your rating

Given that priority is maintained for the yearly, quarterly and monthly CAM NC auctions, increased opportunities to purchase (any unsold) capacity will help to increase access to capacity without adversely affecting the current system.

6. Do you consider the EFET proposal to introduce more than one opportunity per month to book monthly capacity products (via UPA) to be an appropriate improvement to the current system of allocation of capacities according to the CAM NC?

☐ 1
☐ 2
☐ 3
6.1 Please elaborate on your rating

Yes. UPA auctions will increase the opportunities for TSOs to sell capacity and will increase shipper access to any unsold capacity following the first relevant CAM NC ascending clock auction.

7. Do you consider the EFET proposal to increase the opportunities to book **quarterly capacity products** (via UPA) to be an appropriate improvement to the current system of allocation of capacities according to the CAM NC?

- 1
- 2
- 3
- 4
- 5

7.1 Please elaborate on your rating

Yes. See response to 6.1

8. Do you consider the EFET proposal to increase the opportunities to book **yearly capacity products** (via UPA) to be an appropriate improvement to the current system of allocation of capacities according to the CAM NC?

- 1
- 2
- 3
- 4
- 5

8.1 Please elaborate on your rating

Yes. See response to 6.1

9. Would you agree with EFET that additional auctions **should be a voluntary option** for TSOs or not?

- Voluntary
- Mandatory

9.1 Please explain your reasoning:
A level of discretion for TSOs to introduce these auctions based on their assessment will help to ensure cost-effective implementation (i.e. based on demand and TSO assessment of the market conditions). This approach will also allow learning and demonstration of results once it has initially been implemented.

10. In case any additional auctions would be implemented on a voluntary basis, how can we assure that the bundling principle is followed? Please elaborate:

An obligation to coordinate with adjacent TSOs could be foreseen, requiring agreement between relevant TSOs/NRAs before the introduction of additional auctions.

11. What are, from your point of view, the *positive aspects* of the supplementary uniform price allocation (UPA) auctions for yearly, quarterly, and monthly IP capacity proposed by EFET, as compared to the current CAM NC rules on capacity allocation? Please elaborate:

- Increased opportunities for shippers to access capacity and explicit arbitrage opportunities;
- Complementarity to the CAM NC auctions (UPA auctions would not take place if firm yearly, quarterly or monthly capacity at an IP was sold at an auction premium, was sold out, or was not offered);
- Simplicity of UPA auctions, only requiring a single round;

12. What are, from your point of view, the *negative aspects* with the supplementary uniform price allocation (UPA) auctions for yearly, quarterly, and monthly IP capacity proposed by EFET, as compared to the current CAM NC rules on capacity allocation? Please elaborate:

13. Which elements of the EFET proposal may be advantageous for your company and why? Please elaborate:

The ability to flexibly use the grid underpins fair competition between suppliers, increasing liquidity at trading hubs and contributing to efficient price discovery mechanisms. This is beneficial not only for exchanges but also for gas consumers, as they benefit from fair prices reflecting the demand and supply situation.

14. Which elements of the EFET proposal may be disadvantageous for your company and why? If you have any, please include suggestions to improvements of the proposal. Please elaborate:

None identified
Section 3

This section contains questions aimed at exploring other options to increase flexibility in capacity bookings, besides the EFET proposal. If you previously indicated a need for change in the current capacity allocation rules, and identified problems with the EFET proposal, this section would allow you to propose alternative ways to meet your needs.

15. What other runtimes of the standard capacity products would be desirable from a market perspective? (multiple answers are possible)
   - Season
   - Balance of month
   - Weekend
   - Other
   - No other products are desirable

15.1 Please specify, if other:

15.2 Please elaborate on why these products are desirable or not desirable:

16. Would you see merit in offering capacity further in advance of delivery to provide more opportunities to book capacity products compared to the current auction calendar? For example, for the monthly products, instead of the current rule that each month, the monthly standard capacity product for the following calendar month shall be auctioned, this could be extended further into the future to cover multiple months ahead.
   - Yes
   - No

17. If yes, which products would you like to be able to book/offer further in advance?
   - Monthly
   - Quarterly
   - Other

17.1 Please elaborate, if other:
17.2 Please elaborate on your answer and indicate how much further in advance each product would be desired to be booked/offered.

18. Would you see a merit in exploring the potential for a wider use of implicit allocation methods (as defined in Article 3 NC CAM) for allocation of capacities?
   - Yes
   - No

18.1 Please elaborate on your answer and if possible, provide suggestions for how implicit allocation methods could be further developed.

19. Do you have any alternative proposals on how to improve the current offer of capacity products and the rules on capacity allocation? Please elaborate:

20. What other concrete changes, within the scope of the current FUNC issue, could improve the access to transmission capacity and contribute to better cross-border competition and market integration? Please elaborate:

Thank you!

Contact
support@gasncfunc.eu
Introduction

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Extract of the reported issue

Abstract: The CAM NC has given shippers more flexibility to book capacity at IPs and made the process more efficient. This has contributed to reduced contractual congestion and narrowed spreads through efficient price arbitrage. However, the standard auction timetable still limits opportunities for arbitrage to be fully exploited, particularly across the forward curve. This is detrimental to market efficiency and reduces the amount of capacity TSOs sell. ACER’s latest gas market monitoring report (paragraph 36) suggested that consideration should be given to increasing the frequency of CAM auctions with a standardised timing to make them even more useful for network users.

- **Who should act:** ACER, ENTSOG, Involved TSO(s)
- **Suggested solution or action:** Adjustment of implementation
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Supporting Documents:
- CAM Network Code
- EFET Issue supporting documents
- ACER Congestion management report 7th edition

General information

Your name: [Redacted]

Email address: [Redacted]

Company name: Interconnector UK LTD

Country: Belgium

If other country, not in the list above:
Interconnector has 2 IPs - one in Belgium and one in the United Kingdom

My answers:
- can be published with my organisation's information
- can be published provided that my organisation remains anonymous

Please specify your role (multiple answers are possible):
- Capacity Booking Platform Operator
- Network User
- Other

If other, please specify below
If you are a network user, please indicate on how many markets (entry/exit-systems) you are active on and have booked capacity in the last gas year:

- 1
- 2-4
- more than 4

If you are a network user, please indicate which standard capacity products you booked in the last gas year (multiple answers are possible)

- Yearly
- Quarterly
- Monthly
- Day ahead / Within day

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Section 1

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This section contains questions aimed at identifying the degree of satisfaction regarding current capacity allocation mechanisms. It also aims at collecting the market need(s) for greater flexibility to book firm capacity at IPs, if any. You will be asked to evaluate the existing capacity allocation rules in the NC CAM and elaborate on which areas you feel need improvement or which areas are currently satisfactory to meet your needs. Your answers will be used to analyze if the current NC CAM limits opportunities for optimizing capacity allocation and improving market functioning.

For questions containing a scale from 1 to 5:
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4 is to be considered as ‘highly suitable for my current needs’
5 is to be considered as ‘completely suitable for my current needs’
1. How do you generally evaluate the current rules for capacity allocation according to NC CAM regarding the design of the auction algorithms as defined in Articles 16-18 NC CAM?

1.1 Please elaborate on your rating

- [ ] 1
- [ ] 2
- [ ] 3
- [ ] 4
- [ ] 5

1.2 Are you facing any specific problems with the current auction algorithms?

- [ ] Yes
- [ ] No

1.2.1 If yes, please elaborate on how this could be improved:

The ascending clock auctions (if oversubscribed) will likely always result in an undersell as participants drop out. As a consequence TSOs cannot offer, and market participants cannot acquire, the remaining available capacity until a much later date, and potentially also only for shorter runtimes (e.g. from a quarterly product to a monthly product). Due to this undersell feature, TSOs can also not proceed with offering interruptible capacity or overnomination (which can only be offered if firm is fully sold out). This limits the capacity offering by the TSO and uptake opportunities for Shippers, negatively affecting market efficiency.

An opportunity to re-enter the auction would ensure that the initial demand is better met. The opportunity to also offer interruptible capacity/ overnomination once a high level (e.g. 95%) of available capacity has been contracted would also improve market efficiency.

The ability to offer capacity more frequently would also help to overcome the issue.

1.3 How do you generally evaluate the current rules for capacity allocation according to NC CAM regarding the auction calendar as defined in Articles 11-15 NC CAM?

1.3.1 Please elaborate on your rating

- [ ] 1
- [ ] 2
- [ ] 3
- [ ] 4
- [ ] 5

The current auction calendar does not adequately serve the needs of the market, the consumers or TSOs. It unnecessarily closes the shop for CAM products despite shippers wishing to acquire this capacity; Market fundamentals and prices (spreads) change throughout the year and shippers wish to capture opportunities and/or adjust their portfolio accordingly.
Since the development of the CAM code, European markets have developed considerably and become more liquid. The trading of the gas commodity happens continuously, yet acquiring the IP capacity remains unduly rigid with booking limited to a few days a year and for a limited set of products. Is it appropriate to offer annual capacity only once a year? Quarterly 4 times and monthly 12 times a year in such a dynamic market? For instance monthly commodity products are traded actively and continuously from M+1 through M+6 (in the most advanced markets), while its capacity counterpart is only available at 1 single point in time (3rd Monday of the month before). The monthly capacity products (and the spreads between the connected markets) have a value that changes over time for as long as the commodity products are being traded yet shippers are not able to get all this value or to secure the capacity to link the lower priced to the higher priced market. Significant intrinsic and extrinsic value is lost to both Shipper and the TSO if Monthly capacity can only be sold on one day under the NC CAM timetable.

We also wish to note that interconnectors operate in the flexibility market with other operators like LNG and Storage. The other flexibility assets are not required to operate according to such a strict calendar – they can market their capacity first come first serve, any (business) day of the year. This difference in commercial (regulatory) regime affects the level playing field and competition in the flexibility market.

The current calendar does not therefore facilitate efficient cross border trade and may have implications for security of supply and price volatility in the future as long term legacy contracts expire (given shippers are increasingly meeting supply obligations through shorter term transactions). Inefficient markets for transport capacity are not in the best interest of consumers.

1.4 Are you facing any specific problems with the current auction calendar?

- [ ] Yes
- [x] No

1.4.1 If yes, please elaborate on how this could be improved:

Yes see the answer above.

2. Do the current runtimes of the standard capacity products provide sufficient flexibility to transport gas across the European Union? Please elaborate:

No. The standard capacity products have gone a long way in providing a logical and harmonized approach to the capacity market, however by restricting the offer to solely these products, the opportunities available to the market are limited. Access to a greater variety of product runtimes would allow Shippers to secure capacity to match their requirements without the risk of being required to pay for capacity not needed. This would enable more efficient use of existing assets and allow closer alignment of the commodity and capacity markets. Shippers would be able to optimise their bookings and would not be required to make sub-optimal bookings at a greater cost. Providing access to a greater range of product runtimes would ultimately benefit the end consumer.

Interconnector, for example, has successfully introduced a range of new product runtimes through its Implicit Allocation Mechanism allowing its capacity offering to fully align with the products regularly traded on the commodity market such as six monthly and seasonal products. These products have allowed Shippers to
secure capacity that matches their seasonal requirements and provides a cost effective solution for Shippers to access seasonal storage assets.

2.1 Do the current runtimes of the standard capacity products still reflect the commercial need to exchange on commodity markets? Please elaborate:

No. See answer above.

The extension of quarterly products sales within the gas year has demonstrated the benefit of additional opportunities to purchase capacity.

The market is currently unable to extract the maximum value of the capacity. For example if a Shipper could secure capacity further in advance, this would not only align with the commodity market but would increase the extrinsic value of the capacity. This would create more potential value for Shippers, and enable the capacity and gas commodity markets to operate more efficiently which would improve cross border trading and contribute to the consumer interest.

There are also advantages to being able to secure capacity which is longer in duration than the Day Ahead product after the close of the Monthly Auction. In particular, a Balance of Month product offers the market the opportunity to secure the remainder of the month. A product such as this BOM option provides the market with additional within month options which improve efficiency, price stability and security of supply. Shippers can secure capacity for the remainder of the month rather than relying on Day Ahead or Within Day capacity which, when there is high demand for capacity, may be heavily oversubscribed risking a shipper not securing capacity or attracting higher charges (which may then impact consumer bills).

3 Please provide any additional comments on the current capacity allocation rules and elaborate:

Section 2

This section contains questions aimed at collecting feedback on the proposal posted by EFET. We ask you to evaluate the EFET proposal based on your previously identified needs and consider whether the proposal would meet those needs in a satisfactory way. This will help us assess if the EFET proposal is a suitable solution for meeting the overall market needs.

EFET argues the current standard auction timetable still limits opportunities for arbitrage to be fully exploited, particularly across the forward curve. At times when capacity is being auctioned in accordance with the NC CAM, profitable commodity arbitrage opportunities may not exist, whereas at times outside of the NC CAM auction timetable they may do. EFET considers this to be detrimental to market efficiency and reduces the amount of IP capacity TSOs can sell.

The EFET proposal aims at making firm IP capacity more readily available to shippers by enabling TSOs to offer it for sale in uniform price allocation (UPA) auctions outside the CAM NC auction timetable dates.
Supplementary UPA auctions for yearly, quarterly, and monthly IP capacity would be held for any capacity remaining unsold after the first relevant CAM NC (ascending clock) auction, up to the point where it becomes usable. Shippers would always have the option to bid for yearly, quarterly, and monthly IP capacity in the relevant CAM NC auctions first before any supplementary UPA auctions took place. To the extent an adjustment of implementation is not sufficient to accommodate the proposal, EFET proposes that a change to the CAM NC legal text as part of the 2021 EU Gas Legislative Package could be pursued.

For questions containing a scale from 1 to 5:
1 is to be considered as 'not appropriate at all'
2 is to be considered as 'somewhat appropriate'
3 is to be considered as ‘reasonably appropriate’
4 is to be considered as ‘highly appropriate’
5 is to be considered as ‘completely appropriate’

4. Do you agree with the problem EFET has described in the posted FUNC issue?

☐ Yes
☐ No

4.1 Please elaborate on your answer:

Yes. The current auction timetable does unnecessarily limit opportunities for arbitrage to be fully exploited, particularly across the forward curve. The current timetable is therefore not enabling efficient cross border trade to the detriment of both shippers and TSOs. This results in a negative economic impact on the final consumer, who will not only bear some of the cost of the inefficiencies created by the current timetable but also face the risk of supply disruption where capacity may not have been procured until the last minute.

5. Do you consider the EFET proposal to introduce a supplementary uniform price allocation (UPA) auctions, for yearly, quarterly and monthly products, to be an appropriate improvement to the current system of allocation of capacities according to the CAM NC?

☐ 1
☐ 2
☐ 3
☐ 4
☐ 5

5.1 Please elaborate on your rating

The proposal is an improvement on the current allocation mechanism as it provides the market with more opportunities to purchase each standard product. We support the structure of the UPA auctions and see this as a pragmatic and efficient way to increase the opportunities available to the market.

The proposal however is only partially addressing the restrictive nature of the current timetable. A further enhancement would be to increase the lead time for such products being offered. This would increase the extrinsic value of the capacity by providing increased trading opportunities for Shippers. In turn, this would improve overall market functioning and liquidity.
We would consider that the capacity should still be made available via the UPA auctions even when the first CAM NC auction clears at a premium. The market has signaled a need for capacity – the design of the ascending clock auctions means that there is likely to be an under-sell if a premium is generated. It is not efficient nor reflective of market demand to then not re-offer this capacity.

6. Do you consider the EFET proposal to introduce more than one opportunity per month to book monthly capacity products (via UPA) to be an appropriate improvement to the current system of allocation of capacities according to the CAM NC?

   - 1
   - 2
   - 3
   - 4
   - 5

6.1 Please elaborate on your rating

Yes. Increasing the number of times a product is made available allows the market to react to arbitrage opportunities more frequently hence maximizing the ability of the TSO to successfully market capacity. This reduces the risk of gas supply shortages as Shippers can react promptly to market events and price changes, rather than source their needs from a more expensive sources.

We see that bringing the first CAM NC auction forward is positive. It will enable Shippers longer to establish capacity positions and will also enable the market to operate more efficiently as capacity commitments will be known earlier in the month, leading to clear signals on the supply/demand picture for the upcoming month.

7. Do you consider the EFET proposal to increase the opportunities to book quarterly capacity products (via UPA) to be an appropriate improvement to the current system of allocation of capacities according to the CAM NC?

   - 1
   - 2
   - 3
   - 4
   - 5

7.1 Please elaborate on your rating

Yes. As above, increasing the number of times a product is made available allows the market to react to arbitrage opportunities more frequently maximizes the ability of the TSO to successfully market capacity. It would provide Shippers the ability to react almost instantaneously to opportunities arising outside the standard timetable. This allows the Shipper to better manage their portfolio as they have increased optionality on when to secure capacity and ability to react to market signals. This would help Shippers in securing longer term capacity more efficiently and reduce the likelihood of supply shortages caused by waiting for Daily or Within Day opportunities.
8. Do you consider the EFET proposal to increase the opportunities to book yearly capacity products (via UPA) to be an appropriate improvement to the current system of allocation of capacities according to the CAM NC?
   - 1
   - 2
   - 3
   - 4
   - 5

8.1 Please elaborate on your rating

Yes. As above, the current timetable is unduly restrictive and limits trading opportunities for Shippers. Whilst we see a shift to shorter term bookings, the restriction on annual capacity bookings to once a year seems unnecessary and creates a barrier for those market participants who have portfolio or baseload flow requirements.

9. Would you agree with EFET that additional auctions should be a voluntary option for TSOs or not?
   - Voluntary
   - Mandatory

9.1. Please explain your reasoning:

Yes this is a sensible, cost effective approach reflecting the fact the some European market are more advanced than others. The basic CAM rules can continue to provide a harmonized approach at all IPs and additional auctions can occur only where there is a market need/benefit to do so. A requirement could be considered on TSOs/NRAs to undertake a bi-annual market consultation jointly across an IP to examine this issue to enable a consistent approach across IPs.

10. In case any additional auctions would be implemented on a voluntary basis, how can we assure that the bundling principle is followed? Please elaborate:

It should be noted that the proposal is offering additional capacity sale options and the current offering requirements are not reduced. Available capacity offered on either side of an IP would continue to be bundled in the harmonized auctions. It is also highly probable that if there was voluntary adoption of additional capacity offerings at an IP due to positive demand for this serve, that TSOs on both sides of the IP would implement this and thus this capacity could also be bundled. As mentioned in answering Q9, a requirement could be considered on TSOs/NRAs to undertake a joint bi-annual market consultation to examine this issue. If positive then both TSOs can consider a coordinated approach across the IP.

11. What are, from your point of view, the positive aspects of the supplementary uniform price allocation (UPA) auctions for yearly, quarterly, and monthly IP capacity proposed by EFET, as compared to the current CAM NC rules on capacity allocation? Please elaborate:

The obvious benefit is that the additional auctions, where offered, will provide Shippers with additional opportunities to purchase capacity which should lead to more efficient market functioning, increased liquidity and ultimately positive economic benefits for the end consumer.

The fixed duration format of the UPA auctions is also a positive as this will enable them to be easily
replicated and also form an efficient and pragmatic method for offering the capacity i.e. no risk that the auction will roll over to another round.

12. What are, from your point of view, the negative aspects with the supplementary uniform price allocation (UPA) auctions for yearly, quarterly, and monthly IP capacity proposed by EFET, as compared to the current CAM NC rules on capacity allocation? Please elaborate:

We would consider that the capacity should still be made available via the UPA auctions even when the first CAM NC auction clears at a premium. The market has signaled a need for capacity – the design of the ascending clock auctions means that there is likely to be an under-sell if a premium is generated. It is not efficient nor reflective of market demand to then not re-offer this capacity.

Additionally, whilst the UPA auctions go a long way in creating extra opportunities to book capacity, the products on offer are still restricted to the current Gas Year. For example, a Shipper still has no opportunity to purchase capacity for Q4 (Oct-Nov) of the current Calendar Year before the first CAM NC Quarterly Auction in August.

13. Which elements of the EFET proposal may be advantageous for your company and why? Please elaborate:

As a cross border interconnector without captive demand, the ability to market our capacity effectively is crucial for our continued operations. The ability for Shippers to access capacity more frequently increases the likelihood that this capacity will be successfully marketed, as there will be more arbitrage opportunities that the Shipper can actually act upon. If Shippers could act upon more opportunities to purchase capacity, the security of supply and flexibility benefits that interconnector provides to the market would be furthered.

14. Which elements of the EFET proposal may be disadvantageous for your company and why? If you have any, please include suggestions to improvements of the proposal. Please elaborate:

None. The EFET proposal is suggesting a voluntary approach which we agree is sensible. It then is up to the stakeholders, TSOs and Regulatory Authorities involved at each IP to consider the merits of additional services/opportunities.

Section 3

This section contains questions aimed at exploring other options to increase flexibility in capacity bookings, besides the EFET proposal. If you previously indicated a need for change in the current capacity allocation rules, and identified problems with the EFET proposal, this section would allow you to propose alternative ways to meet your needs.

15. What other runtimes of the standard capacity products would be desirable from a market perspective? (multiple answers are possible)

- [ ] Season
- [x] Balance of month
15.1 Please specify, if other:

Please note multiple answers could not be populated. We wished to click Season, Balance of Month, Weekend

15.2 Please elaborate on why these products are desirable or not desirable:

All of these capacity run times can be desirable given they enable better alignment with commodity trading. However we believe it is unwise to seek to define in the CAM code every product the market needs and could need in the future. We would support the CAM code defining the standard CAM products as a minimum set of products that TSOs must offer and then allow additional products to be developed at IPs on a voluntary basis with the market if they are merited.

16. Would you see merit in offering capacity further in advance of delivery to provide more opportunities to book capacity products compared to the current auction calendar? For example, for the monthly products, instead of the current rule that each month, the monthly standard capacity product for the following calendar month shall be auctioned, this could be extended further into the future to cover multiple months ahead.

- Yes
- No

17. If yes, which products would you like to be able to book/offer further in advance?

- Monthly
- Quarterly
- Other

17.1 Please elaborate, if other:

Please note multiple answers could not be populated. We wished to click Quarterly and Monthly

17.2 Please elaborate on your answer and indicate how much further in advance each product would be desired to be booked/offered.

Products should be allowed to be offered much further in advance to help shippers align with commodity transactions. This is relevant for both quarterly and monthly products. As mentioned earlier, monthly products as an example are traded actively and continuously from M+1 through M+6 (in the most advanced markets), while its capacity counterpart is only available at 1 single point in time (3rd Monday of the month before). The monthly capacity product has a value that changes over time for as long as the commodity product is being traded yet shippers are not able to get all this value. The willingness to pay during the auction only captures a snapshot in time of the market value of the product.

With products offered further in advance, Shippers are able to arrange their portfolios earlier and not only generate a greater extrinsic value from that position than if they had to contract capacity closer to delivery,
but also build in added protection and insurances for potential market events.

Knowing the capacity positions further in advance is beneficial to the supply/demand balance of the market, and will reduce the likelihood of supply shortages caused by waiting for Daily or Within Day opportunities. This is particularly key during the Winter period where short term shocks in the market can result in large economic impacts for both the Shipper and the consumer. If supplies were secured earlier, this would be of benefit to the final consumer, as well as improving the overall security of supply picture.

18. Would you see a merit in exploring the potential for a wider use of implicit allocation methods (as defined in Article 3 NC CAM) for allocation of capacities?

- Yes
- No

18.1 Please elaborate on your answer and if possible, provide suggestions for how implicit allocation methods could be further developed.

Some TSOs like Interconnector have adopted implicit allocation as an additional way to offer capacity and better align with commodity transactions. Where implemented this method has been highly appreciated by shippers and provides more choice to them. The additional flexibility plays a key role in ensuring the capacity offered by the TSO matches the requirement of the market, both in relation to the product duration and the ability to purchase it when there is a market opportunity. Article 3 of the CAM code already enables other TSOs/NRAs to consider this additional option.

19. Do you have any alternative proposals on how to improve the current offer of capacity products and the rules on capacity allocation? Please elaborate:

Whilst the CAM code has been a success in furthering cross border trade, the market has evolved. Contractual congestion is an issue only at some IPs now. In addition to the CAM rules we believe it would be pragmatic, simple and efficient to allow capacity to be offered outside the auction timetable on a First Come First Serve basis. Allowing access to capacity on a First Come First Serve basis would better serve the market considering the current shift away from long term bookings and congested networks to shorter term optimization, with capacity bookings increasingly being made as and when market opportunities arise.

20. What other concrete changes, within the scope of the current FUNC issue, could improve the access to transmission capacity and contribute to better cross-border competition and market integration? Please elaborate:

See answer to Q19.

Thank you!

Contact
support@gasncfunc.eu
Public Consultation – FUNC issue “Greater flexibility to book firm capacity at IPs”

Fields marked with * are mandatory.

Introduction

EFET posted the following issue on the Gas Network Code Functionality Platform [https://www.gasncfunc.eu/gas-func/issues/01/2020/view](https://www.gasncfunc.eu/gas-func/issues/01/2020/view)

Extract of the reported issue

**Abstract:** The CAM NC has given shippers more flexibility to book capacity at IPs and made the process more efficient. This has contributed to reduced contractual congestion and narrowed spreads through efficient price arbitrage. However, the standard auction timetable still limits opportunities for arbitrage to be fully exploited, particularly across the forward curve. This is detrimental to market efficiency and reduces the amount of capacity TSOs sell. ACER’s latest gas market monitoring report (paragraph 36) suggested that consideration should be given to increasing the frequency of CAM auctions with a standardised timing to make them even more useful for network users.

- **Who should act:** ACER, ENTSOG, Involved TSO(s)
- **Suggested solution or action:** Adjustment of implementation
- **Other suggestions:** The proposal is consistent with the fundamental principles of the CAM NC but does not fully comply with the detailed obligations in a couple of aspects. To the extent an adjustment of implementation is not sufficient, a change to the CAM NC legal text as part of the 2021 EU Gas Legislative Package should be pursued.

In order to get a better understanding of the needs of the market, ACER and ENTSOG are launching this public consultation to collect stakeholder input.

Please note that the public consultation questionnaire is divided into three main sections, each with its own focus and aim.

**Section 1** – Questions aimed at evaluating the key provisions of the NC CAM

**Section 2** – Questions aimed at collecting feedback on the EFET proposal

**Section 3** – Questions aimed at exploring other options besides the EFET proposal

When evaluating the EFET proposal, or any change compared with the current auction procedures, it is important to consider both benefits and costs. We would therefore like to stress the importance of you
substantiating your answers, to allow us to better understand your needs, the scale of the issue, and all potential benefits or costs. We would also like to highlight that this is the first consultation for this FUNC issue and, based on the responses received, further consultations might be required in the future.

For your convenience please find below the links to the relevant websites hosting supporting documents for this public consultation. The terminology used in the public consultation corresponds to the definitions established in Article 3 of Commission Regulation (EU) 2017/459 (CAM Network Code).

Supporting Documents:
CAM Network Code
EFET Issue supporting documents
ACER Congestion management report 7th edition

General information

Your name:

Email address:

Company name:
National Grid

Country:
- Austria
- Belgium
- Bulgaria
- Croatia
- Cyprus
- Czechia
- Denmark
- Estonia
- Finland
- France
- Germany
- Greece
- Hungary
- Ireland
- Italy
- Latvia
- Lithuania
- Luxembourg
Malta
Netherlands
Poland
Portugal
Romania
Slovak Republic
Slovenia
Spain
Sweden

If other country, not in the list above:

United Kingdom

My answers:

- can be published with my organisation's information
- can be published provided that my organisation remains anonymous

Please specify your role (multiple answers are possible):

☐ Capacity Booking Platform Operator
☐ Network User
☑ Other

If other, please specify below

GB TSO

If you are a network user, please indicate on how many markets (entry/exit-systems) you are active on and have booked capacity in the last gas year:

- 1
- 2-4
- more than 4

If you are a network user, please indicate which standard capacity products you booked in the last gas year (multiple answers are possible)

☐ Yearly
☐ Quarterly
☐ Monthly
☐ Day ahead / Within day

☑ I have read, understood and I accept the terms of the ACER and ENTSOG privacy policies and I consent, in particular, on ACER/ENTSOG processing my personal data (above-mentioned) for this public consultation.

Section 1
The first version of the NC CAM of 2013 had been in place until the amended NC CAM came into force in April 2017 and repealed it. The NC CAM was implemented to address barriers to moving gas between Member States due to differences in capacity allocation methods and contractual congestion. The NC CAM introduced standard capacity products at IPs, bundling obligations and a common auction timetable to allow shippers to secure capacity on both sides of an IP. The NC CAM code has contributed to reduced contractual congestion, narrowing spreads and more liquidity across EU gas market.

This section contains questions aimed at identifying the degree of satisfaction regarding current capacity allocation mechanisms. It also aims at collecting the market need(s) for greater flexibility to book firm capacity at IPs, if any. You will be asked to evaluate the existing capacity allocation rules in the NC CAM and elaborate on which areas you feel need improvement or which areas are currently satisfactory to meet your needs. Your answers will be used to analyze if the current NC CAM limits opportunities for optimizing capacity allocation and improving market functioning.

For questions containing a scale from 1 to 5:
1 is to be considered as ‘not suitable to my current needs at all’
2 is to be considered as ‘somewhat suitable for my current needs’
3 is to be considered as ‘reasonably suitable for my current needs’
4 is to be considered as ‘highly suitable for my current needs’
5 is to be considered as ‘completely suitable for my current needs’

1. How do you generally evaluate the current rules for capacity allocation according to NC CAM regarding the design of the auction algorithms as defined in Articles 16-18 NC CAM?

1.1 Please elaborate on your rating

There is a theoretical risk whereby the ascending clock algorithm may mean, in certain circumstances where demand is high, that the monthly auction may have to close without allocating capacity. That capacity then gets rolled over to be offered in the next relevant auction. However, this creates a commercial risk to shippers if they are unable to secure monthly capacity rights.

Currently in the UK, this is a hypothetical problem rather than having experienced any specific examples. However, we are aware of this situation having occurred in other settings.

1.2 Are you facing any specific problems with the current auction algorithms?

Yes
No

1.2.1 If yes, please elaborate on how this could be improved:
1.3 How do you generally evaluate the current rules for capacity allocation according to NC CAM regarding the auction calendar as defined in Articles 11-15 NC CAM?

- 1
- 2
- 3
- 4
- 5

1.3.1 Please elaborate on your rating

The current rules for capacity allocation through the products offered are suitable for our needs as TSO.

1.4 Are you facing any specific problems with the current auction calendar?

- Yes
- No

1.4.1 If yes, please elaborate on how this could be improved:

2. Do the current runtimes of the standard capacity products provide sufficient flexibility to transport gas across the European Union? Please elaborate:

National Grid believes this is a question more appropriately answered by network users experience.

2.1 Do the current runtimes of the standard capacity products still reflect the commercial need to exchange on commodity markets? Please elaborate:

National Grid believes this is a question more appropriately answered by network users experience.
3 Please provide any additional comments on the current capacity allocation rules and elaborate:

No additional comments

Section 2

This section contains questions aimed at collecting feedback on the proposal posted by EFET. We ask you to evaluate the EFET proposal based on your previously identified needs and consider whether the proposal would meet those needs in a satisfactory way. This will help us assess if the EFET proposal is a suitable solution for meeting the overall market needs.

EFET argues the current standard auction timetable still limits opportunities for arbitrage to be fully exploited, particularly across the forward curve. At times when capacity is being auctioned in accordance with the NC CAM, profitable commodity arbitrage opportunities may not exist, whereas at times outside of the NC CAM auction timetable they may do. EFET considers this to be detrimental to market efficiency and reduces the amount of IP capacity TSOs can sell.

The EFET proposal aims at making firm IP capacity more readily available to shippers by enabling TSOs to offer it for sale in uniform price allocation (UPA) auctions outside the CAM NC auction timetable dates. Supplementary UPA auctions for yearly, quarterly, and monthly IP capacity would be held for any capacity remaining unsold after the first relevant CAM NC (ascending clock) auction, up to the point where it becomes usable. Shippers would always have the option to bid for yearly, quarterly, and monthly IP capacity in the relevant CAM NC auctions first before any supplementary UPA auctions took place. To the extent an adjustment of implementation is not sufficient to accommodate the proposal, EFET proposes that a change to the CAM NC legal text as part of the 2021 EU Gas Legislative Package could be pursued.

For questions containing a scale from 1 to 5:
1 is to be considered as ‘not appropriate at all’
2 is to be considered as ‘somewhat appropriate’
3 is to be considered as ‘reasonably appropriate’
4 is to be considered as ‘highly appropriate’
5 is to be considered as ‘completely appropriate’

4. Do you agree with the problem EFET has described in the posted FUNC issue?

☐ Yes
☐ No

4.1 Please elaborate on your answer:
National Grid agrees that the current CAM NC auction timetable may create the problem that EFET have outlined in their proposal.

5. Do you consider the EFET proposal to introduce a supplementary uniform price allocation (UPA) auctions, for yearly, quarterly and monthly products, to be an appropriate improvement to the current system of allocation of capacities according to the CAM NC?

   - 1
   - 2
   - 3
   - 4
   - 5

5.1 Please elaborate on your rating

   Although National Grid agrees with the problem, we expect the proposed solution would be costly to implement and so would welcome an assessment of the pan-EU costs to TSOs to implement vs the benefits to enable a proper evaluation of the proposed changes.

6. Do you consider the EFET proposal to introduce more than one opportunity per month to book monthly capacity products (via UPA) to be an appropriate improvement to the current system of allocation of capacities according to the CAM NC?

   - 1
   - 2
   - 3
   - 4
   - 5

6.1 Please elaborate on your rating

   National Grid believes that although the EFET proposal would undoubtedly enable market participants more ability to purchase the capacity and help the issue identified by EFET, we do think the frequency of the additional auctions and the expected costs to implement make the solution of limited appropriateness.

7. Do you consider the EFET proposal to increase the opportunities to book quarterly capacity products (via UPA) to be an appropriate improvement to the current system of allocation of capacities according to the CAM NC?

   - 1
   - 2
   - 3
   - 4
   - 5

7.1 Please elaborate on your rating
8. Do you consider the EFET proposal to increase the opportunities to book **yearly capacity products** (via UPA) to be an appropriate improvement to the current system of allocation of capacities according to the CAM NC?

- 1
- 2
- 3
- 4
- 5

8.1 Please elaborate on your rating

Please see response to question 6.1

9. Would you agree with EFET that additional auctions **should be a voluntary option** for TSOs or not?

- Voluntary
- Mandatory

9.1. Please explain your reasoning:

The current obligations of the CAM NC are the minimum mandatory requirements. Additional opportunities to purchase capacity could be allowed if agreed by the National Regulatory Authorities if thought to ensure the effective functioning of the specific markets.

10. In case any additional auctions would be implemented on a voluntary basis, how can we assure that the bundling principle is followed? Please elaborate:

Any voluntary participation would be required to be agreed upon by the adjacent TSO for bundling to be possible. If the adjacent TSO does not participate then only unbundled capacity could be offered.

11. What are, from your point of view, the **positive aspects** of the supplementary uniform price allocation (UPA) auctions for yearly, quarterly, and monthly IP capacity proposed by EFET, as compared to the current CAM NC rules on capacity allocation? Please elaborate:
Greater opportunities to purchase IP firm capacity would allow for increased advantage to be taken of a price arbitrage.

12. What are, from your point of view, the negative aspects with the supplementary uniform price allocation (UPA) auctions for yearly, quarterly, and monthly IP capacity proposed by EFET, as compared to the current CAM NC rules on capacity allocation? Please elaborate:

As per the previous responses, the potential costs of implementation of the proposed solution

13. Which elements of the EFET proposal may be advantageous for your company and why? Please elaborate:

No comment

14. Which elements of the EFET proposal may be disadvantageous for your company and why? If you have any, please include suggestions to improvements of the proposal. Please elaborate:

No comment

Section 3

This section contains questions aimed at exploring other options to increase flexibility in capacity bookings, besides the EFET proposal. If you previously indicated a need for change in the current capacity allocation rules, and identified problems with the EFET proposal, this section would allow you to propose alternative ways to meet your needs.

15. What other runtimes of the standard capacity products would be desirable from a market perspective? (multiple answers are possible)

- Season
- Balance of month
- Weekend
- Other
No other products are desirable

15.1 Please specify, if other:

National Grid believes this questions 15, 16 and 17 are more appropriately answered by network users

15.2 Please elaborate on why these products are desirable or not desirable:

16. Would you see merit in offering capacity further in advance of delivery to provide more opportunities to book capacity products compared to the current auction calendar? For example, for the monthly products, instead of the current rule that each month, the monthly standard capacity product for the following calendar month shall be auctioned, this could be extended further into the future to cover multiple months ahead.

- Yes
- No

17. If yes, which products would you like to be able to book/offfer further in advance?

- Monthly
- Quarterly
- Other

17.1 Please elaborate, if other:

17.2 Please elaborate on your answer and indicate how much further in advance each product would be desired to be booked/offered.

18. Would you see a merit in exploring the potential for a wider use of implicit allocation methods (as defined in Article 3 NC CAM) for allocation of capacities?

- Yes
- No

18.1 Please elaborate on your answer and if possible, provide suggestions for how implicit allocation methods could be further developed.
It would be useful to explore the benefits of implicit capacity allocation and at which point it become more appropriate for a market to utilise implicit capacity allocation methods.

19. Do you have any alternative proposals on how to improve the current offer of capacity products and the rules on capacity allocation? Please elaborate:

Greater flexibility of offering bundled/unbundled capacity would allow greater capacity utilisation.

20. What other concrete changes, within the scope of the current FUNC issue, could improve the access to transmission capacity and contribute to better cross-border competition and market integration? Please elaborate:

No comment

Thank you!

Contact

support@gasncfunc.eu
Public Consultation – FUNC issue “Greater flexibility to book firm capacity at IPs”

Fields marked with * are mandatory.

Introduction

EFET posted the following issue on the Gas Network Code Functionality Platform https://www.gasncfunc.eu/gas-func/issues/01/2020/view

Extract of the reported issue

Abstract: The CAM NC has given shippers more flexibility to book capacity at IPs and made the process more efficient. This has contributed to reduced contractual congestion and narrowed spreads through efficient price arbitrage. However, the standard auction timetable still limits opportunities for arbitrage to be fully exploited, particularly across the forward curve. This is detrimental to market efficiency and reduces the amount of capacity TSOs sell. ACER’s latest gas market monitoring report (paragraph 36) suggested that consideration should be given to increasing the frequency of CAM auctions with a standardised timing to make them even more useful for network users.

- **Who should act:** ACER, ENTSOG, Involved TSO(s)
- **Suggested solution or action:** Adjustment of implementation
- **Other suggestions:** The proposal is consistent with the fundamental principles of the CAM NC but does not fully comply with the detailed obligations in a couple of aspects. To the extent an adjustment of implementation is not sufficient, a change to the CAM NC legal text as part of the 2021 EU Gas Legislative Package should be pursued.

In order to get a better understanding of the needs of the market, ACER and ENTSOG are launching this public consultation to collect stakeholder input.

Please note that the public consultation questionnaire is divided into three main sections, each with its own focus and aim.

**Section 1** – Questions aimed at evaluating the key provisions of the NC CAM
**Section 2** – Questions aimed at collecting feedback on the EFET proposal
**Section 3** – Questions aimed at exploring other options besides the EFET proposal

When evaluating the EFET proposal, or any change compared with the current auction procedures, it is important to consider both benefits and costs. We would therefore like to stress the importance of you
substantiating your answers, to allow us to better understand your needs, the scale of the issue, and all potential benefits or costs. We would also like to highlight that this is the first consultation for this FUNC issue and, based on the responses received, further consultations might be required in the future.

For your convenience please find below the links to the relevant websites hosting supporting documents for this public consultation. The terminology used in the public consultation corresponds to the definitions established in Article 3 of Commission Regulation (EU) 2017/459 (CAM Network Code).

Supporting Documents:
- CAM Network Code
- EFET Issue supporting documents
- ACER Congestion management report 7th edition

General information

Your name:

Email address:

Company name:

NATURGY

Country:

Spain

If other country, not in the list above:

My answers:

- [ ] can be published with my organisation’s information
- [ ] can be published provided that my organisation remains anonymous

Please specify your role (multiple answers are possible):

- [ ] Capacity Booking Platform Operator
- [x] Network User
- [ ] Other

If other, please specify below
If you are a network user, please indicate on how many markets (entry/exit-systems) you are active on and have booked capacity in the last gas year:

- 1
- 2-4
- more than 4

If you are a network user, please indicate which standard capacity products you booked in the last gas year (multiple answers are possible)

- Yearly
- Quarterly
- Monthly
- Day ahead / Within day

I have read, understood and I accept the terms of the ACER and ENTSOG privacy policies and I consent, in particular, on ACER/ENTSOG processing my personal data (above-mentioned) for this public consultation.

Section 1

The first version of the NC CAM of 2013 had been in place until the amended NC CAM came into force in April 2017 and repealed it. The NC CAM was implemented to address barriers to moving gas between Member States due to differences in capacity allocation methods and contractual congestion. The NC CAM introduced standard capacity products at IPs, bundling obligations and a common auction timetable to allow shippers to secure capacity on both sides of an IP. The NC CAM code has contributed to reduced contractual congestion, narrowing spreads and more liquidity across EU gas market.

This section contains questions aimed at identifying the degree of satisfaction regarding current capacity allocation mechanisms. It also aims at collecting the market need(s) for greater flexibility to book firm capacity at IPs, if any. You will be asked to evaluate the existing capacity allocation rules in the NC CAM and elaborate on which areas you feel need improvement or which areas are currently satisfactory to meet your needs. Your answers will be used to analyze if the current NC CAM limits opportunities for optimizing capacity allocation and improving market functioning.

For questions containing a scale from 1 to 5:
1 is to be considered as 'not suitable to my current needs at all'
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1. How do you generally evaluate the current rules for capacity allocation according to NC CAM regarding the design of the auction algorithms as defined in Articles 16-18 NC CAM?

- 1
- 2
- 3
- 4
- 5

1.1 Please elaborate on your rating

1.2 Are you facing any specific problems with the current auction algorithms?

- Yes
- No

1.2.1 If yes, please elaborate on how this could be improved:

1.3 How do you generally evaluate the current rules for capacity allocation according to NC CAM regarding the auction calendar as defined in Articles 11-15 NC CAM?

- 1
- 2
- 3
- 4
- 5

1.3.1 Please elaborate on your rating

1.4 Are you facing any specific problems with the current auction calendar?

- Yes
- No

1.4.1 If yes, please elaborate on how this could be improved:
Quarterly IP capacity auctions should be scheduled closer to the start of delivery.

2. Do the current runtimes of the standard capacity products provide sufficient flexibility to transport gas across the European Union? Please elaborate:

2.1 Do the current runtimes of the standard capacity products still reflect the commercial need to exchange on commodity markets? Please elaborate:

3 Please provide any additional comments on the current capacity allocation rules and elaborate:

Section 2

This section contains questions aimed at collecting feedback on the proposal posted by EFET. We ask you to evaluate the EFET proposal based on your previously identified needs and consider whether the proposal would meet those needs in a satisfactory way. This will help us assess if the EFET proposal is a suitable solution for meeting the overall market needs.

EFET argues the current standard auction timetable still limits opportunities for arbitrage to be fully exploited, particularly across the forward curve. At times when capacity is being auctioned in accordance with the NC CAM, profitable commodity arbitrage opportunities may not exist, whereas at times outside of the NC CAM auction timetable they may do. EFET considers this to be detrimental to market efficiency and reduces the amount of IP capacity TSOs can sell.

The EFET proposal aims at making firm IP capacity more readily available to shippers by enabling TSOs to offer it for sale in uniform price allocation (UPA) auctions outside the CAM NC auction timetable dates. Supplementary UPA auctions for yearly, quarterly, and monthly IP capacity would be held for any capacity remaining unsold after the first relevant CAM NC (ascending clock) auction, up to the point where it
becomes usable. Shippers would always have the option to bid for yearly, quarterly, and monthly IP capacity in the relevant CAM NC auctions first before any supplementary UPA auctions took place. To the extent an adjustment of implementation is not sufficient to accommodate the proposal, EFET proposes that a change to the CAM NC legal text as part of the 2021 EU Gas Legislative Package could be pursued.

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3 is to be considered as 'reasonably appropriate'
4 is to be considered as 'highly appropriate'
5 is to be considered as 'completely appropriate'

4. Do you agree with the problem EFET has described in the posted FUNC issue?
   - Yes
   - No

4.1 Please elaborate on your answer:

5. Do you consider the EFET proposal to introduce a supplementary uniform price allocation (UPA) auctions, for yearly, quarterly and monthly products, to be an appropriate improvement to the current system of allocation of capacities according to the CAM NC?
   - 1
   - 2
   - 3
   - 4
   - 5

5.1 Please elaborate on your rating

   We see the introduction of uniform price auctions as appropriate, provided that capacity is reserved for shorter-term products, otherwise, the flexibility in the short term will be reduced.

6. Do you consider the EFET proposal to introduce more than one opportunity per month to book *monthly capacity products* (via UPA) to be an appropriate improvement to the current system of allocation of capacities according to the CAM NC?
   - 1
   - 2
   - 3
   - 4
   - 5
6.1 Please elaborate on your rating

We don’t agree with the fact of bringing forward the dates of the CAM NC rolling monthly capacity auctions from the third to the first Monday of each month. It will increase the risk of our booking decision.

7. Do you consider the EFET proposal to increase the opportunities to book **quarterly capacity products** (via UPA) to be an appropriate improvement to the current system of allocation of capacities according to the CAM NC?

- 1
- 2
- 3
- 4
- 5

7.1 Please elaborate on your rating

8. Do you consider the EFET proposal to increase the opportunities to book **yearly capacity products** (via UPA) to be an appropriate improvement to the current system of allocation of capacities according to the CAM NC?

- 1
- 2
- 3
- 4
- 5

8.1 Please elaborate on your rating

9. Would you agree with EFET that additional auctions **should be a voluntary option** for TSOs or not?

- Voluntary
- Mandatory

9.1. Please explain your reasoning:
10. In case any additional auctions would be implemented on a voluntary basis, how can we assure that the bundling principle is followed? Please elaborate:

11. What are, from your point of view, the positive aspects of the supplementary uniform price allocation (UPA) auctions for yearly, quarterly, and monthly IP capacity proposed by EFET, as compared to the current CAM NC rules on capacity allocation? Please elaborate:

12. What are, from your point of view, the negative aspects with the supplementary uniform price allocation (UPA) auctions for yearly, quarterly, and monthly IP capacity proposed by EFET, as compared to the current CAM NC rules on capacity allocation? Please elaborate:

As we have already said we don’t like to move forward the dates of the monthly ascending clock auction. We prefer the current scheduled.

13. Which elements of the EFET proposal may be advantageous for your company and why? Please elaborate:

14. Which elements of the EFET proposal may be disadvantageous for your company and why? If you have any, please include suggestions to improvements of the proposal. Please elaborate:

Section 3
This section contains questions aimed at exploring other options to increase flexibility in capacity bookings, besides the EFET proposal. If you previously indicated a need for change in the current capacity allocation rules, and identified problems with the EFET proposal, this section would allow you to propose alternative ways to meet your needs.

15. What other runtimes of the standard capacity products would be desirable from a market perspective? (multiple answers are possible)
   - Season
   - Balance of month
   - Weekend
   - Other
   - No other products are desirable

15.1 Please specify, if other:

15.2 Please elaborate on why these products are desirable or not desirable:

16. Would you see merit in offering capacity further in advance of delivery to provide more opportunities to book capacity products compared to the current auction calendar? For example, for the monthly products, instead of the current rule that each month, the monthly standard capacity product for the following calendar month shall be auctioned, this could be extended further into the future to cover multiple months ahead.
   - Yes
   - No

17. If yes, which products would you like to be able to book/offer further in advance?
   - Monthly
   - Quarterly
   - Other

17.1 Please elaborate, if other:

17.2 Please elaborate on your answer and indicate how much further in advance each product would be desired to be booked/offered.
18. Would you see a merit in exploring the potential for a wider use of implicit allocation methods (as defined in Article 3 NC CAM) for allocation of capacities?

- Yes
- No

18.1 Please elaborate on your answer and if possible, provide suggestions for how implicit allocation methods could be further developed.

19. Do you have any alternative proposals on how to improve the current offer of capacity products and the rules on capacity allocation? Please elaborate:

20. What other concrete changes, within the scope of the current FUNC issue, could improve the access to transmission capacity and contribute to better cross-border competition and market integration? Please elaborate:

Thank you!

Contact

support@gasncfunc.eu
Public Consultation – FUNC issue “Greater flexibility to book firm capacity at IPs”

Fields marked with * are mandatory.

Introduction

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Extract of the reported issue

Abstract: The CAM NC has given shippers more flexibility to book capacity at IPs and made the process more efficient. This has contributed to reduced contractual congestion and narrowed spreads through efficient price arbitrage. However, the standard auction timetable still limits opportunities for arbitrage to be fully exploited, particularly across the forward curve. This is detrimental to market efficiency and reduces the amount of capacity TSOs sell. ACER’s latest gas market monitoring report (paragraph 36) suggested that consideration should be given to increasing the frequency of CAM auctions with a standardised timing to make them even more useful for network users.

- **Who should act:** ACER, ENTSOG, Involved TSO(s)
- **Suggested solution or action:** Adjustment of implementation
- **Other suggestions:** The proposal is consistent with the fundamental principles of the CAM NC but does not fully comply with the detailed obligations in a couple of aspects. To the extent an adjustment of implementation is not sufficient, a change to the CAM NC legal text as part of the 2021 EU Gas Legislative Package should be pursued.

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**Section 3** – Questions aimed at exploring other options besides the EFET proposal

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- EFET Issue supporting documents
- ACER Congestion management report 7th edition

General information

Your name:

Email address:

Company name:
OMV Gas Marketing & Trading GmbH

Country:
Austria

If other country, not in the list above:

My answers:
- can be published with my organisation's information
- can be published provided that my organisation remains anonymous

Please specify your role (multiple answers are possible):
- Capacity Booking Platform Operator
- Network User
- Other

If other, please specify below
If you are a network user, please indicate on how many markets (entry/exit-systems) you are active on and have booked capacity in the last gas year:

- 🌟 1
- 🌟 2-4
- 🌟 more than 4

If you are a network user, please indicate which standard capacity products you booked in the last gas year (multiple answers are possible)

- 🌟 Yearly
- 🌟 Quarterly
- 🌟 Monthly
- 🌟 Day ahead / Within day

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**Section 1**

The first version of the NC CAM of 2013 had been in place until the amended NC CAM came into force in April 2017 and repealed it. The NC CAM was implemented to address barriers to moving gas between Member States due to differences in capacity allocation methods and contractual congestion. The NC CAM introduced standard capacity products at IPs, bundling obligations and a common auction timetable to allow shippers to secure capacity on both sides of an IP. The NC CAM code has contributed to reduced contractual congestion, narrowing spreads and more liquidity across EU gas market.

This section contains questions aimed at identifying the degree of satisfaction regarding current capacity allocation mechanisms. It also aims at collecting the market need(s) for greater flexibility to book firm capacity at IPs, if any. You will be asked to evaluate the existing capacity allocation rules in the NC CAM and elaborate on which areas you feel need improvement or which areas are currently satisfactory to meet your needs. Your answers will be used to analyze if the current NC CAM limits opportunities for optimizing capacity allocation and improving market functioning.

For questions containing a scale from 1 to 5:
1 is to be considered as 'not suitable to my current needs at all'
2 is to be considered as 'somewhat suitable for my current needs'
3 is to be considered as ‘reasonably suitable for my current needs’
4 is to be considered as ‘highly suitable for my current needs’
5 is to be considered as 'completely suitable for my current needs'
1. How do you generally evaluate the current rules for capacity allocation according to NC CAM regarding the design of the auction algorithms as defined in Articles 16-18 NC CAM?

- 1
- 2
- 3
- 4
- 5

1.1 Please elaborate on your rating

more flexibility in the marketing of capacity products is strongly desired

1.2 Are you facing any specific problems with the current auction algorithms?
- Yes
- No

1.2.1 If yes, please elaborate on how this could be improved:

capacity auctions should be held on a more frequent basis

1.3 How do you generally evaluate the current rules for capacity allocation according to NC CAM regarding the auction calendar as defined in Articles 11-15 NC CAM?

- 1
- 2
- 3
- 4
- 5

1.3.1 Please elaborate on your rating

the reservation quota on capacity to be held back should not apply on surrendered capacity. Surrendered capacity mitigates contractual capacity congestion. Under the current setting, especially congested points where no capacity can be set aside (i.e. fully booked points) face the problem that surrendered capacity would automatically end up as set aside capacity and thus not be offered

1.4 Are you facing any specific problems with the current auction calendar?
- Yes
- No

1.4.1 If yes, please elaborate on how this could be improved:
more frequent auctions for A/Q/M capacity are strongly desired

2. Do the current runtimes of the standard capacity products provide sufficient flexibility to transport gas across the European Union? Please elaborate:
   somewhat sufficient; a broader range of products may create more benefit and efficiency for the entire market

2.1 Do the current runtimes of the standard capacity products still reflect the commercial need to exchange on commodity markets? Please elaborate:
   a broader range of products may create more benefit and efficiency for the entire market

3 Please provide any additional comments on the current capacity allocation rules and elaborate:
   no comment

Section 2

This section contains questions aimed at collecting feedback on the proposal posted by EFET. We ask you to evaluate the EFET proposal based on your previously identified needs and consider whether the proposal would meet those needs in a satisfactory way. This will help us assess if the EFET proposal is a suitable solution for meeting the overall market needs.

EFET argues the current standard auction timetable still limits opportunities for arbitrage to be fully exploited, particularly across the forward curve. At times when capacity is being auctioned in accordance with the NC CAM, profitable commodity arbitrage opportunities may not exist, whereas at times outside of the NC CAM auction timetable they may do. EFET considers this to be detrimental to market efficiency and reduces the amount of IP capacity TSOs can sell.

The EFET proposal aims at making firm IP capacity more readily available to shippers by enabling TSOs to offer it for sale in uniform price allocation (UPA) auctions outside the CAM NC auction timetable dates. Supplementary UPA auctions for yearly, quarterly, and monthly IP capacity would be held for any capacity remaining unsold after the first relevant CAM NC (ascending clock) auction, up to the point where it becomes usable. Shippers would always have the option to bid for yearly, quarterly, and monthly IP
capacity in the relevant CAM NC auctions first before any supplementary UPA auctions took place. To the extent an adjustment of implementation is not sufficient to accommodate the proposal, EFET proposes that a change to the CAM NC legal text as part of the 2021 EU Gas Legislative Package could be pursued.

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2 is to be considered as 'somewhat appropriate'
3 is to be considered as 'reasonably appropriate'
4 is to be considered as 'highly appropriate'
5 is to be considered as 'completely appropriate'

4. Do you agree with the problem EFET has described in the posted FUNC issue?

☐ Yes  ☐ No

4.1 Please elaborate on your answer:

5. Do you consider the EFET proposal to introduce a supplementary uniform price allocation (UPA) auctions, for yearly, quarterly and monthly products, to be an appropriate improvement to the current system of allocation of capacities according to the CAM NC?

☐ 1  ☐ 2  ☐ 3  ☐ 4  ☐ 5

5.1 Please elaborate on your rating

We support the proposal as it creates more opportunities to book capacity. However we believe that additional auctions must enable shippers to use the conversion mechanism (in case of bundles). In addition, capacity surrenders need to be reflected more accurately. Network users must be granted maximum flexibility to offer surrender capacity to regular NC CAM and supplementary UPA auctions. This also includes the necessity to decide for which auctions capacity is surrendered, and vice versa the flexible and full re-allocation of unsold surrendered capacity back to the network users when they request such re-allocation.

6. Do you consider the EFET proposal to introduce more than one opportunity per month to book **monthly capacity products** (via UPA) to be an appropriate improvement to the current system of allocation of capacities according to the CAM NC?

☐ 1  ☐ 2  ☐
6.1 Please elaborate on your rating

7. Do you consider the EFET proposal to increase the opportunities to book *quarterly capacity products* (via UPA) to be an appropriate improvement to the current system of allocation of capacities according to the CAM NC?

1.  
2.  
3.  
4.  
5.  

7.1 Please elaborate on your rating

8. Do you consider the EFET proposal to increase the opportunities to book *yearly capacity products* (via UPA) to be an appropriate improvement to the current system of allocation of capacities according to the CAM NC?

1.  
2.  
3.  
4.  
5.  

8.1 Please elaborate on your rating

9. Would you agree with EFET that additional auctions *should be a voluntary option* for TSOs or not?

- Voluntary
- Mandatory

9.1. Please explain your reasoning:
We believe the possibility to sell more capacity should be incentivizing enough for TSOs. However it needs to be considered that participation by TSOs needs to be plannable, predictable and reliable.

10. In case any additional auctions would be implemented on a voluntary basis, how can we assure that the bundling principle is followed? Please elaborate:

   Regardless of the fact whether TSOs participate on a mandatory or voluntary basis, it needs to be maintained that shippers are not forced to pay twice for capacity. This means that whatever mechanism applied, it needs to be warranted that all bundled capacity offered has to qualify for the capacity conversion mechanism (Article 21 3)

11. What are, from your point of view, the positive aspects of the supplementary uniform price allocation (UPA) auctions for yearly, quarterly, and monthly IP capacity proposed by EFET, as compared to the current CAM NC rules on capacity allocation? Please elaborate:

   We support the increased number of auction possibilities provided in the EFET proposal

12. What are, from your point of view, the negative aspects with the supplementary uniform price allocation (UPA) auctions for yearly, quarterly, and monthly IP capacity proposed by EFET, as compared to the current CAM NC rules on capacity allocation? Please elaborate:

   Substantial improvement to the proposal needs to be made related to the surrender possibility (and the re-allocation of surrendered capacity) and capacity conversion mechanism. This has been outlined in 5.1 already and both are substantial components of our support of the proposal

13. Which elements of the EFET proposal may be advantageous for your company and why? Please elaborate:

   We support any mechanism which enables to book capacity on a more frequent basis than under NC CAM

14. Which elements of the EFET proposal may be disadvantageous for your company and why? If you have any, please include suggestions to improvements of the proposal. Please elaborate:

   The proposal does not sufficiently or not at all cover the aspects of capacity conversion and capacity surrender issues (see 5.1)

   In addition, we believe the daily auction windows proposed by EFET may be expanded. Prisma is fully
operating 24/7 and the majority of product uploads is automated, therefore we do not see the need to limit the UPA windows to timeslots between 10-15h.

Section 3

This section contains questions aimed at exploring other options to increase flexibility in capacity bookings, besides the EFET proposal. If you previously indicated a need for change in the current capacity allocation rules, and identified problems with the EFET proposal, this section would allow you to propose alternative ways to meet your needs.

15. What other runtimes of the standard capacity products would be desirable from a market perspective? (multiple answers are possible)
   - Season
   - Balance of month
   - Weekend
   - Other
   - No other products are desirable

15.1 Please specify, if other:

   We support all of the alternative products listed above (multiple choice mode did not work in the survey)

15.2 Please elaborate on why these products are desirable or not desirable:

   More flexible capacity products may create better alignment with products traded on gas exchanges

16. Would you see merit in offering capacity further in advance of delivery to provide more opportunities to book capacity products compared to the current auction calendar? For example, for the monthly products, instead of the current rule that each month, the monthly standard capacity product for the following calendar month shall be auctioned, this could be extended further into the future to cover multiple months ahead.

   - Yes
   - No

17. If yes, which products would you like to be able to book/offer further in advance?

   - Monthly
   - Quarterly
   - Other

17.1 Please elaborate, if other:
all of them (multiple choice mode did not work in the survey)

17.2 Please elaborate on your answer and indicate how much further in advance each product would be desired to be booked/offered.

no comment

18. Would you see a merit in exploring the potential for a wider use of implicit allocation methods (as defined in Article 3 NC CAM) for allocation of capacities?

- Yes
- No

18.1 Please elaborate on your answer and if possible, provide suggestions for how implicit allocation methods could be further developed.

no comment

19. Do you have any alternative proposals on how to improve the current offer of capacity products and the rules on capacity allocation? Please elaborate:

no comment

20. What other concrete changes, within the scope of the current FUNC issue, could improve the access to transmission capacity and contribute to better cross-border competition and market integration? Please elaborate:

no comment

Thank you!

Contact
support@gasncfunc.eu
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General information

Your name:

Email address:

Company name:
RWE Supply & Trading

Country:
Germany

If other country, not in the list above:

My answers:
- ○ can be published with my organisation's information
- ○ can be published provided that my organisation remains anonymous

Please specify your role (multiple answers are possible):
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2 is to be considered as ‘somewhat suitable for my current needs’
3 is to be considered as ‘reasonably suitable for my current needs’
4 is to be considered as ‘highly suitable for my current needs’
5 is to be considered as ‘completely suitable for my current needs’
1. How do you generally evaluate the current rules for capacity allocation according to NC CAM regarding the design of the auction algorithms as defined in Articles 16-18 NC CAM?

1.1 Please elaborate on your rating

The auction algorithms in NC CAM are generally fit for purpose and have led to an improved efficiency of IP capacity booking within the EU. The ascending clock auction algorithm (ASC) successfully enables shippers to easily buy forward capacity to satisfy their supply obligations at the reserve price, and to effectively adjust their bid prices in light of any congestion. The uniform price auction algorithm (UPA) allows shippers to place spot capacity bids commensurate with their imbalance price risks, and to exploit spot arbitrage opportunities.

In the case of ASC auctions there have been cases where auctions have failed to close at congested IPs prior to, or very close to, the point where capacity becomes usable. There have also been cases where multiple bidding rounds occurred over a number of days but then collapsed, failing to allocate much capacity, as the spreads changed suddenly making further bidding uneconomic. Fortunately, such instances are rare, but it reinforces the need for TSOs to anticipate congestion and set large enough price steps between ASC auction rounds to minimise overly extended bidding periods.

1.2 Are you facing any specific problems with the current auction algorithms?

Yes

No

1.2.1 If yes, please elaborate on how this could be improved:

1.3 How do you generally evaluate the current rules for capacity allocation according to NC CAM regarding the auction calendar as defined in Articles 11-15 NC CAM?

1.3.1 Please elaborate on your rating

The auction calendar, as defined in NC CAM and determined by ENTSOG, limits opportunities for arbitrage between EU gas markets to be fully exploited across the forward curve. At times when IP capacity is being auctioned profitable commodity arbitrage opportunities may not exist, whereas at times outside of NC CAM auction calendar they may do. Whilst arbitrage trades can be executed financially and unwound before,
delivery making physical IP capacity unnecessary, and whilst some shippers may be willing to take the risk of executing commodity trades and booking capacity as an when available, arbitrage opportunities are still being missed, particularly in less liquid markets. Clearly we cannot go back to a “click and book” process, so an auction process and calendar are necessary to ensure transparency and consistency in capacity booking. However, the current rigidity of these is detrimental to market efficiency and reduces the opportunities for TSOs to sell capacity, potentially contributing to under recovery of TSOs’ allowed revenues.

The restrictions imposed by the auction calendar prevent shippers from fully capturing the intrinsic and extrinsic value of IP capacity. It was for this reason that the two merchant TSOs that operate gas pipelines between the UK and the continent (IUK and BBL) chose to implement an implicit capacity allocation mechanism. This affords shippers more opportunities to exploit arbitrage (similar to what the EFET proposal is seeking achieve) and has been perceived to be quite successful, with significant quantities of capacity being sold when spreads are profitable (for example during this winter).

1.4 Are you facing any specific problems with the current auction calendar?

- Yes
- No

1.4.1 If yes, please elaborate on how this could be improved:

In addition to implementing the EFET proposal we see room for improvement in the auction calendar for withing day IP capacity products.

Firstly, instead of the first bidding round opening on the next hour bar following publication of the results of the last day-ahead (interruptible) auction (i.e. 19:00 CET) and closing at 02.30 CET on the preceding gas day, eight separate 30 minute bidding rounds could be opened on each hour from 19:00 to 02:00 the preceding day, with results published 30 minutes after close and with booked capacity becoming “effective from” 06:00 CET. This avoids shippers not knowing whether they have secured capacity until the middle of the night and having to try and settle open day-ahead positions in illiquid out-of-hours commodity markets if they have been unsuccessful. Also, TSOs would have a clearer picture of the next gas day physical positions of their systems earlier in the evening, as there would be less pending nominations.

Secondly, during the gas day 30 minute within day bidding rounds commence on each hour bar up to 01:00, with booked capacity becoming "effective from" hour + 4 to the end of the gas day. Gas traded on exchanges typically follows the same “effective from” period, meaning that you can only trade assets where IP capacity is necessary for the first 25-30 mins of each hour. However, if the “effective from” period were reduced to hour + 3 this would increase trading opportunities for market participants, as they would still have time to book IP capacities in the next hourly bidding round should they have traded gas in the last half of the preceding hour. It would also be in the interest of market area managers as well, since it has the potential to create more offers for balancing energy.

2. Do the current runtimes of the standard capacity products provide sufficient flexibility to transport gas across the European Union? Please elaborate:

Yes, provided TSOs are able to anticipate congestion and set large enough price steps between ASC auction rounds, thereby avoid monthly auctions extending to the point where the first day-ahead UPA auction is due to take place for the month in question.
Also, booking platforms failures which result in NC CAM auctions being cancelled (particularly for day-ahead and within day IP capacity products) need to be kept to an absolute minimum, which has not always been the case.

2.1 Do the current runtimes of the standard capacity products still reflect the commercial need to exchange on commodity markets? Please elaborate:

Yes. Standard IP capacity products generally reflect the most liquid tenors in commodity markets.

3 Please provide any additional comments on the current capacity allocation rules and elaborate:

None

Section 2

This section contains questions aimed at collecting feedback on the proposal posted by EFET. We ask you to evaluate the EFET proposal based on your previously identified needs and consider whether the proposal would meet those needs in a satisfactory way. This will help us assess if the EFET proposal is a suitable solution for meeting the overall market needs.

EFET argues the current standard auction timetable still limits opportunities for arbitrage to be fully exploited, particularly across the forward curve. At times when capacity is being auctioned in accordance with the NC CAM, profitable commodity arbitrage opportunities may not exist, whereas at times outside of the NC CAM auction timetable they may do. EFET considers this to be detrimental to market efficiency and reduces the amount of IP capacity TSOs can sell.

The EFET proposal aims at making firm IP capacity more readily available to shippers by enabling TSOs to offer it for sale in uniform price allocation (UPA) auctions outside the CAM NC auction timetable dates. Supplementary UPA auctions for yearly, quarterly, and monthly IP capacity would be held for any capacity remaining unsold after the first relevant CAM NC (ascending clock) auction, up to the point where it becomes usable. Shippers would always have the option to bid for yearly, quarterly, and monthly IP capacity in the relevant CAM NC auctions first before any supplementary UPA auctions took place. To the extent an adjustment of implementation is not sufficient to accommodate the proposal, EFET proposes that a change to the CAM NC legal text as part of the 2021 EU Gas Legislative Package could be pursued.

For questions containing a scale from 1 to 5:
1 is to be considered as ‘not appropriate at all’
2 is to be considered as ‘somewhat appropriate’
3 is to be considered as ‘reasonably appropriate’
4 is to be considered as 'highly appropriate'
5 is to be considered as 'completely appropriate'

4. Do you agree with the problem EFET has described in the posted FUNC issue?

- Yes
- No

4.1 Please elaborate on your answer:

There are plenty of examples of profitable price spreads existing between EU markets both before and after the point where it is currently possible to acquire IP capacity under NC CAM, and where price spreads do not support arbitrage at the point when auctions are actually held.

5. Do you consider the EFET proposal to introduce a supplementary uniform price allocation (UPA) auctions, for yearly, quarterly and monthly products, to be an appropriate improvement to the current system of allocation of capacities according to the CAM NC?

- 1
- 2
- 3
- 4
- 5

5.1 Please elaborate on your rating

The EFET proposal strikes an appropriate balance between maintaining the primacy and integrity of the now established NC CAM auction processes and calendar and allowing for IP capacity to be offered more flexibly. Capacity is purchased by shippers who have different risk appetites and motivations. The ASC auctions for yearly, quarterly and monthly capacity provide shippers with an efficient method of booking capacity to meet known supply and portfolio commitments. The UPA auctions for day-ahead and within day capacity allow shippers to dynamically book capacity to respond to spot market arbitrage opportunities and to adjust their imbalance positions. Extending UPA auctions to yearly, quarterly and monthly capacity bookings will bring this same dynamism to forward markets, but only after those who shippers buy capacity to meet known supply and portfolio commitments have first been able to acquire it in an ASC auction, in exactly the same way as they do now.

6. Do you consider the EFET proposal to introduce more than one opportunity per month to book monthly capacity products (via UPA) to be an appropriate improvement to the current system of allocation of capacities according to the CAM NC?

- 1
- 2
- 3
- 4
- 5

6.1 Please elaborate on your rating
Monthly IP capacity is, perhaps, the most appealing for arbitrage purposes because the front month tends to be the most liquid tenor in commodity forward markets, even in those which are less developed. Monthly products also require less collateral to be posted vis-à-vis the commodity and capacity cost, so making it more readily available benefits small shippers as well as large ones.

7. Do you consider the EFET proposal to increase the opportunities to book *quarterly capacity products* (via UPA) to be an appropriate improvement to the current system of allocation of capacities according to the CAM NC?
   - 1
   - 2
   - 3
   - 4
   - 5

7.1 Please elaborate on your rating

Quarterly IP capacity is also appealing for arbitrage purposes and can also be used to underpin seasonally related flows, e.g. for cross-border use of storage.

8. Do you consider the EFET proposal to increase the opportunities to book *yearly capacity products* (via UPA) to be an appropriate improvement to the current system of allocation of capacities according to the CAM NC?
   - 1
   - 2
   - 3
   - 4
   - 5

8.1 Please elaborate on your rating

Of all the IP capacity products EFET proposes to make available via supplementary UPA auctions yearly capacity is, perhaps, the least essential. This is because yearly arbitrage opportunities are less frequent and more costly in terms of collateral. Also, the period of time between front (gas) year capacity being first offered in July and it being available to purchase in supplementary UPA allocation auctions thereafter, is relatively short compared to its duration. Nevertheless, affording shippers the opportunity to book front year capacity much closer to the point where it becomes usable may help shippers who have yearly supply and portfolio commitments over this period. These commitments may not be fully clear in July when the ASC auction takes place.

9. Would you agree with EFET that additional auctions *should be a voluntary option* for TSOs or not?
   - Voluntary
   - Mandatory

9.1. Please explain your reasoning:
In an ideal world, additional UPA auctions should be mandatory and applied at all EU IPs. However, as there may be resistance to this from some less forward looking TSOs and booking platforms, along with negative criticism about the time and cost involved in implementing the proposal for “dubious” or unquantified benefits, a voluntary approach would overcome these potential barriers. We think there will be many TSOs that realise the benefits that come from allowing shippers more opportunities to book IP capacity (as IUK and BBL have demonstrated). If the proposal can be implemented quickly (possibly even without having to change NC CAM) this will create the necessary momentum for others to follow suit.

10. In case any additional auctions would be implemented on a voluntary basis, how can we assure that the bundling principle is followed? Please elaborate:

The bundling principle applies to allocation only, as IP capacity bookings remain as separate entry and exit capacity contracts with the individual TSOs either side of an IP. As such, implementing the EFET proposal on a voluntary basis does not change this principle, as the capacity booking platforms will still take all the available capacity TSOs notify them about and match this at IPs, based on the “lesser of rule”, to auction bundled capacity products.

Conceivably, implementing the proposal on a voluntary basis may mean more unbundled capacity is offered at certain IPs should some TSOs or booking platforms refuse to implement it. However, in time we expect all TSOs and booking platforms to see the benefits of the proposal, and unbundled capacity is unlikely to be bought if a shipper does not have, or cannot acquire, unbundled capacity at the other side of an IP. As any capacity offered by a TSO or booking platform not prepared to implement the EFET proposal will always be bundled to the maximum extent possible (as now), we do not think the bundling principle will realistically be undermined.

11. What are, from your point of view, the **positive aspects** of the supplementary uniform price allocation (UPA) auctions for yearly, quarterly, and monthly IP capacity proposed by EFET, as compared to the current CAM NC rules on capacity allocation? Please elaborate:

Supplementary UPA auctions for yearly, quarterly and monthly IP capacity will provide more opportunities for arbitrage trades to be executed along the gas forward curve, thereby narrowing price spreads between EU gas markets and reinforcing price correlation. This will also generate more capacity sales, which reduces the risk of TSOs under recovering their allowed revenues.

12. What are, from your point of view, the **negative aspects** with the supplementary uniform price allocation (UPA) auctions for yearly, quarterly, and monthly IP capacity proposed by EFET, as compared to the current CAM NC rules on capacity allocation? Please elaborate:

Adding supplementary UPA auctions for yearly, quarterly and monthly IP capacity will increase the complexity of the auction calendar and require shippers to adapt their booking operations. However, we see this as a necessary step to enable shippers to take advantage of the new opportunities afforded to them, not as a negative one.

Going forward, ENTSOG is expected to change the common data exchange solutions table (CNOT) to require document-based exchange for IP capacity interactions between shippers and capacity booking platforms, as part of the solution to FUNC request 3/2019. This should facilitate more efficient capacity booking and make it easier for shippers to submit supplementary UPA auction bids within the relatively tight booking windows proposed by EFET each business day. Whilst supplementary UPA auctions may require
ENTSOG and Edigas to make changes to the capacity booking business requirements specification (BRS) and Edigas file formats, we expect these to be minor and easily deliverable.

13. Which elements of the EFET proposal may be advantageous for your company and why? Please elaborate:

The opportunity of bidding for front month IP capacity earlier in the preceding month (by bringing forward the date of the ASC auction) combined with the ability of bidding for whatever remains until the end of the preceding month (via supplementary UPA auctions) will create more opportunities for us to undertake efficient price arbitrage via spread trades. This is particularly the case in less developed markets, where low levels of liquidity make it harder to unwind spread trades and so IP capacity is needed to physical deliver gas.

Similarly, being able to bid for quarterly and yearly capacity outside of the set ASC auction windows (via supplementary UPA auctions) will also create more arbitrage opportunities, but not as many as for monthly capacity.

14. Which elements of the EFET proposal may be disadvantageous for your company and why? If you have any, please include suggestions to improvements of the proposal. Please elaborate:

We do not see any disadvantages arising from the EFET proposal.

Section 3

This section contains questions aimed at exploring other options to increase flexibility in capacity bookings, besides the EFET proposal. If you previously indicated a need for change in the current capacity allocation rules, and identified problems with the EFET proposal, this section would allow you to propose alternative ways to meet your needs.

15. What other runtimes of the standard capacity products would be desirable from a market perspective? (multiple answers are possible)
   - Season
   - Balance of month
   - Weekend
   - Other
   - No other products are desirable

15.1 Please specify, if other:

Balance of the month, Weekend, Working days next week and Monday capacity sold on Friday
15.2 Please elaborate on why these products are desirable or not desirable:

Other short term standard IP capacity products could be offered that directly align with products traded in commodity markets provided they can be integrated into the existing auction calendar and do not risk undermining day-ahead auctions, which are important for balancing.

Balance of the month, working days next week, weekend and Monday capacity (sold on Friday) would all have benefits if they could be accommodated alongside the supplementary UPA auctions envisaged in EFET’s proposal.

Seasonal IP capacity products have little added value, as seasonal capacity can often be acquired by a combination of quarterly capacity products. If quarterly capacity products were offered more regularly through supplementary UPA auctions, this increases opportunities for seasonal capacity booking as well.

16. Would you see merit in offering capacity further in advance of delivery to provide more opportunities to book capacity products compared to the current auction calendar? For example, for the monthly products, instead of the current rule that each month, the monthly standard capacity product for the following calendar month shall be auctioned, this could be extended further into the future to cover multiple months ahead.

- Yes
- No

17. If yes, which products would you like to be able to book/offer further in advance?

- Monthly
- Quarterly
- Other

17.1 Please elaborate, if other:

17.2 Please elaborate on your answer and indicate how much further in advance each product would be desired to be booked/offered.

There could be merit in allowing quarterly products to be bookable up to two gas years out (rather one gas year out at present) and for monthly products to be bookable up to three months out (rather than one month out at present). However, whilst this would further enhance arbitrage opportunities along the forward curve it would conflict with the cascading principle enshrined within NC CAM. So, for example, in October it would be possible to buy January IP capacity which forms part of the Q1 capacity product first offered in November.

Consequently, any unsold yearly capacity would not first be made available as quarterly capacity and unsold quarterly capacity would not first be made available as front month capacity. Also, day-ahead and within day capacity could be less readily available if they have previously been reserved as part of further out quarterly and monthly capacity products.

Allowing existing NC CAM products to be booked further out would also make implementing the EFET proposal far more complicated. So, on balance, we prefer the benefits arising from the EFET proposal over extending the forward booking capability of quarterly and monthly products.
18. Would you see a merit in exploring the potential for a wider use of implicit allocation methods (as defined in Article 3 NC CAM) for allocation of capacities?

- Yes
- No

18.1 Please elaborate on your answer and if possible, provide suggestions for how implicit allocation methods could be further developed.

Implicit allocation in electricity markets arose as consequence of cross-border physical congestion, TSOs unwillingness to embrace forward capacity allocation (which persists to this day) and because of the inability to achieve efficient price arbitrage between low and high priced interconnected markets in an instantaneous system balancing environment. As a day-ahead and intraday capacity allocation method it has proved effective in eliminating price inefficient cross-border electricity flows and concentrating liquidity in the spot trading tenor.

However, gas flows at a far slower and controllable speed and can be stored in the system as linepack. So gas is explicitly scheduled to flow in the spot trading tenor and short, medium and long-term IP capacity is visible and readily offered, with any congestion typically being contractual rather than physical.

Moving towards, or even considering, widescale implicit allocation methods for shot, medium or long-term IP capacity in EU gas markets would be a massive and unnecessary distraction at this stage, for little added benefit. Attempting to efficiently integrate the IP capacity currently offered by multiple TSOs, across three separate booking platforms, with the order books of multiple gas exchanges, trading platforms and brokers would take years to develop. And by the time it could likely be implemented gas usage is likely to be in decline due to increasing decarbonisation.

IUK and BBL have been able to implement their own forms of implicit allocation, with some success. But this is still only with a limited number of broker partners and the criteria for matching capacity with commodity trades is very wide. So the challenge of replicating this across the EU for non-merchant IP capacity should not be underestimated and the additional complexity that comes with allocating available capacity to a number of implicit allocation partners makes their product offerings less straightforward and more fragmented, reducing accessibility and visibility for some market participants.

Implicit allocation of IP capacity in EU gas markets represents a solution looking for a problem. The theoretical benefits it is claimed to deliver could be achieved far more effectively and quickly instead, by adapting the current explicit allocation process, as described in EFET’s proposal.

19. Do you have any alternative proposals on how to improve the current offer of capacity products and the rules on capacity allocation? Please elaborate:

See our response to question 1.4.1.

20. What other concrete changes, within the scope of the current FUNC issue, could improve the access to transmission capacity and contribute to better cross-border competition and market integration? Please elaborate:

If the EFET proposal is not acceptable to policymakers or regulators, steps should be taken to implement an approach which allows for quarterly products to be bookable up to two gas years out and monthly products to be bookable up to three months out. However, as stated in our response to question 17.2, whilst this could
have benefits we do not think these will be as great as the benefits arising from the EFET proposal, and the implementation costs and resources are likely to be similar under both approaches.

Thank you!

Contact

support@gasncfunc.eu
Public Consultation – FUNC issue “Greater flexibility to book firm capacity at IPs”

Introduction

EFET posted the following issue on the Gas Network Code Functionality Platform [https://www.gasncfunc.eu/gas-func/issues/01/2020/view](https://www.gasncfunc.eu/gas-func/issues/01/2020/view)

Extract of the reported issue

**Abstract:** The CAM NC has given shippers more flexibility to book capacity at IPs and made the process more efficient. This has contributed to reduced contractual congestion and narrowed spreads through efficient price arbitrage. However, the standard auction timetable still limits opportunities for arbitrage to be fully exploited, particularly across the forward curve. This is detrimental to market efficiency and reduces the amount of capacity TSOs sell. ACER’s latest gas market monitoring report (paragraph 36) suggested that consideration should be given to increasing the frequency of CAM auctions with a standardised timing to make them even more useful for network users.

- **Who should act:** ACER, ENTSOG, Involved TSO(s)
- **Suggested solution or action:** Adjustment of implementation
- **Other suggestions:** The proposal is consistent with the fundamental principles of the CAM NC but does not fully comply with the detailed obligations in a couple of aspects. To the extent an adjustment of implementation is not sufficient, a change to the CAM NC legal text as part of the 2021 EU Gas Legislative Package should be pursued.

In order to get a better understanding of the needs of the market, ACER and ENTSOG are launching this public consultation to collect stakeholder input.

Please note that the public consultation questionnaire is divided into three main sections, each with its own focus and aim.

**Section 1** – Questions aimed at evaluating the key provisions of the NC CAM

**Section 2** – Questions aimed at collecting feedback on the EFET proposal

**Section 3** – Questions aimed at exploring other options besides the EFET proposal

When evaluating the EFET proposal, or any change compared with the current auction procedures, it is important to consider both benefits and costs. We would therefore like to stress the importance of you
substantiating your answers, to allow us to better understand your needs, the scale of the issue, and all potential benefits or costs. We would also like to highlight that this is the first consultation for this FUNC issue and, based on the responses received, further consultations might be required in the future.

For your convenience please find below the links to the relevant websites hosting supporting documents for this public consultation. The terminology used in the public consultation corresponds to the definitions established in Article 3 of Commission Regulation (EU) 2017/459 (CAM Network Code).

Supporting Documents:
CAM Network Code
EFET Issue supporting documents
ACER Congestion management report 7th edition

General information

Your name:  

Email address:  

Company name:  

PRISMA European Capacity Platform GmbH

Country:  

Germany

If other country, not in the list above:  

My answers:  

- can be published with my organisation’s information
- can be published provided that my organisation remains anonymous

Please specify your role (multiple answers are possible):  

- Capacity Booking Platform Operator
- Network User
- Other

If other, please specify below
If you are a network user, please indicate on how many markets (entry/exit-systems) you are active on and have booked capacity in the last gas year:

- 1
- 2-4
- more than 4

If you are a network user, please indicate which standard capacity products you booked in the last gas year (multiple answers are possible)

- Yearly
- Quarterly
- Monthly
- Day ahead / Within day

I have read, understood and I accept the terms of the ACER and ENTSOG privacy policies and I consent, in particular, on ACER/ENTSOG processing my personal data (above-mentioned) for this public consultation.

Section 1

The first version of the NC CAM of 2013 had been in place until the amended NC CAM came into force in April 2017 and repealed it. The NC CAM was implemented to address barriers to moving gas between Member States due to differences in capacity allocation methods and contractual congestion. The NC CAM introduced standard capacity products at IPs, bundling obligations and a common auction timetable to allow shippers to secure capacity on both sides of an IP. The NC CAM code has contributed to reduced contractual congestion, narrowing spreads and more liquidity across EU gas market.

This section contains questions aimed at identifying the degree of satisfaction regarding current capacity allocation mechanisms. It also aims at collecting the market need(s) for greater flexibility to book firm capacity at IPs, if any. You will be asked to evaluate the existing capacity allocation rules in the NC CAM and elaborate on which areas you feel need improvement or which areas are currently satisfactory to meet your needs. Your answers will be used to analyze if the current NC CAM limits opportunities for optimizing capacity allocation and improving market functioning.

For questions containing a scale from 1 to 5:
1 is to be considered as 'not suitable to my current needs at all'
2 is to be considered as 'somewhat suitable for my current needs'
3 if to be considered as ‘reasonably suitable for my current needs’
4 is to be considered as 'highly suitable for my current needs’
5 is to be considered as 'completely suitable for my current needs'
1. How do you generally evaluate the current rules for capacity allocation according to NC CAM regarding the design of the auction algorithms as defined in Articles 16-18 NC CAM?

- 1
- 2
- 3
- 4
- 5

1.1 Please elaborate on your rating

The NC was drafted in a moment in time when the market conditions were significantly different from the current situation: diffuse contractual congestions affecting the development on well-functioning national gas markets and outlooks that would have confirmed this situation for several years.

The current situation is, in the majority of the cases, significantly different with capacity available for all the market participants for all the different capacity products, also within day products.

Having different market conditions could justify the request to assess if the current requirements and obligations are the most appropriate ones or if there is the need to upgrade them.

1.2 Are you facing any specific problems with the current auction algorithms?

- Yes
- No

1.2.1 If yes, please elaborate on how this could be improved:

PRISMA European Capacity Platform is not directly facing problems with the current obligations and requirements of NC CAM, but some critical situations for monthly auctions could be object of a specific analysis.

The ascending clock algorithm can cause unexpected results during monthly auctions in some specific cases auctions, due to initial high levels of demand, go on for several days. It happened that after several days in which a monthly auction was running, the market conditions changed and all, or the majority of, the shippers decided to step-out of the auction without buying gas transmission capacity.

It also happened that due to an extremely high demand the monthly auctions ran until the delivery period started and it had to be cancelled. The unsold capacity was offered in the subsequent daily auctions.

1.3 How do you generally evaluate the current rules for capacity allocation according to NC CAM regarding the auction calendar as defined in Articles 11-15 NC CAM?

- 1
- 2
- 3
- 4
- 5

1.3.1 Please elaborate on your rating
With regard to the products defined by NC CAM, stakeholders voluntarily mentioned to PRISMA European Capacity Platform that they would have been interested in buying additional kind of products as: end of the month, end of the week or weekend since similar products are available, as commodity products, on gas exchanges.

1.4 Are you facing any specific problems with the current auction calendar?

☐ Yes
☐ No

1.4.1 If yes, please elaborate on how this could be improved:

PRISMA European Capacity Platform is not directly facing problems with the current obligations and requirements of NC CAM, but stakeholders voluntarily expressed opinions that the auction calendar of NC CAM could be improved.

Stakeholders commented that in some situation they would have liked, or even needed, to buy - in the case of market participants - or to sell - in case of Transmission System Operators - but the obligations introduced by the NC CAM would not have allowed it, due to the fixed calendar. This is relevant for the allocation of Yearly, Quarterly and Monthly products that have limited occasions, defined by the calendar defined in the regulation, in which capacity will be offered to the market. Changes could be done to increase flexibility for market participants.

2. Do the current runtimes of the standard capacity products provide sufficient flexibility to transport gas across the European Union? Please elaborate:

PRISMA European Capacity Platform doesn’t have enough information to answer this question.

2.1 Do the current runtimes of the standard capacity products still reflect the commercial need to exchange on commodity markets? Please elaborate:

The gas commodity products and the gas transmission capacity products are not completely in line. For duration under the Gas Year, more commodity products are traded on gas exchanges.

3 Please provide any additional comments on the current capacity allocation rules and elaborate:

The European markets had already experienced the effect of increasing the possibilities for market participants to buy gas transmission capacity; this happened with the changes in the auction calendar in 2017.

Before 03.2017 quarterly products were offered to the market only once in a year and the demand for this product was extremely limited. After March 2017 Transmission System Operators were allowed to market quarterly products 4 times in a year. In the chart below the positive implications of having more auctions
Section 2

This section contains questions aimed at collecting feedback on the proposal posted by EFET. We ask you to evaluate the EFET proposal based on your previously identified needs and consider whether the proposal would meet those needs in a satisfactory way. This will help us assess if the EFET proposal is a suitable solution for meeting the overall market needs.

EFET argues the current standard auction timetable still limits opportunities for arbitrage to be fully exploited, particularly across the forward curve. At times when capacity is being auctioned in accordance with the NC CAM, profitable commodity arbitrage opportunities may not exist, whereas at times outside of the NC CAM auction timetable they may do. EFET considers this to be detrimental to market efficiency and reduces the amount of IP capacity TSOs can sell.

The EFET proposal aims at making firm IP capacity more readily available to shippers by enabling TSOs to offer it for sale in uniform price allocation (UPA) auctions outside the CAM NC auction timetable dates. Supplementary UPA auctions for yearly, quarterly, and monthly IP capacity would be held for any capacity remaining unsold after the first relevant CAM NC (ascending clock) auction, up to the point where it becomes usable. Shippers would always have the option to bid for yearly, quarterly, and monthly IP capacity in the relevant CAM NC auctions first before any supplementary UPA auctions took place. To the extent an adjustment of implementation is not sufficient to accommodate the proposal, EFET proposes that a change to the CAM NC legal text as part of the 2021 EU Gas Legislative Package could be pursued.

For questions containing a scale from 1 to 5:
1 is to be considered as ‘not appropriate at all’
2 is to be considered as ‘somewhat appropriate’
3 is to be considered as ‘reasonably appropriate’
4 is to be considered as ‘highly appropriate’
5 is to be considered as ‘completely appropriate’

4. Do you agree with the problem EFET has described in the posted FUNC issue?
   
   ☐ Yes
   ☐ No

4.1 Please elaborate on your answer:

In specific situation, as mentioned in the answer to question 1.4, stakeholders commented that they were looking for buying/selling gas transmission capacity but the calendar would not have allowed it.
5. Do you consider the EFET proposal to introduce a supplementary uniform price allocation (UPA) auctions, for yearly, quarterly and monthly products, to be an appropriate improvement to the current system of allocation of capacities according to the CAM NC?

   - 1
   - 2
   - 3
   - 4
   - 5

5.1 Please elaborate on your rating

6. Do you consider the EFET proposal to introduce more than one opportunity per month to book *monthly capacity products* (via UPA) to be an appropriate improvement to the current system of allocation of capacities according to the CAM NC?

   - 1
   - 2
   - 3
   - 4
   - 5

6.1 Please elaborate on your rating

As mentioned in the previous answer to question 3, the experience with the quarterly auctions indicates that having more moment in time during the year in which capacity is offered increase the interest in the related capacity products. The methodology for marketing this product shall be agreed between all the interested stakeholders.

7. Do you consider the EFET proposal to increase the opportunities to book *quarterly capacity products* (via UPA) to be an appropriate improvement to the current system of allocation of capacities according to the CAM NC?

   - 1
   - 2
   - 3
   - 4
   - 5

7.1 Please elaborate on your rating

Please refer to answer to question 6.1
8. Do you consider the EFET proposal to increase the opportunities to book **yearly capacity products** (via UPA) to be an appropriate improvement to the current system of allocation of capacities according to the CAM NC?

- 1
- 2
- 3
- 4
- 5

8.1 Please elaborate on your rating

Please refer to answer to question 6.1

9. Would you agree with EFET that additional auctions **should be a voluntary option** for TSOs or not?

- Voluntary
- Mandatory

9.1. Please explain your reasoning:

Additional solutions could be implemented if previously approved by the relevant National Authorities. The current obligations of the NC CAM could be considered as minimum mandatory requirements. Additional marketing processes, that don’t conflict with the mandatory requirements, could be allowed if previously approved by the relevant National Regulatory Authorities.

10. In case any additional auctions would be implemented on a voluntary basis, how can we assure that the bundling principle is followed? Please elaborate:

Any additional process shall be approved by the relevant National Regulatory Authority(ies).

11. What are, from your point of view, the **positive aspects** of the supplementary uniform price allocation (UPA) auctions for yearly, quarterly, and monthly IP capacity proposed by EFET, as compared to the current CAM NC rules on capacity allocation? Please elaborate:

No specific position
12. What are, from your point of view, the **negative aspects** with the supplementary uniform price allocation (UPA) auctions for yearly, quarterly, and monthly IP capacity proposed by EFET, as compared to the current CAM NC rules on capacity allocation? Please elaborate:

No specific position

13. Which elements of the EFET proposal may be advantageous for your company and why? Please elaborate:

No specific position

14. Which elements of the EFET proposal may be disadvantageous for your company and why? If you have any, please include suggestions to improvements of the proposal. Please elaborate:

No specific position

**Section 3**

This section contains questions aimed at exploring other options to increase flexibility in capacity bookings, besides the EFET proposal. If you previously indicated a need for change in the current capacity allocation rules, and identified problems with the EFET proposal, this section would allow you to propose alternative ways to meet your needs.

15. What other runtimes of the standard capacity products would be desirable from a market perspective? (multiple answers are possible)

- [ ] Season
- [ ] Balance of month
- [ ] Weekend
- [x] Other
- [ ] No other products are desirable

15.1 Please specify, if other:

A specific assessment shall be done taking in consideration which commodity products are today offered in the most liquid European hubs.
15.2 Please elaborate on why these products are desirable or not desirable:

No specific position

16. Would you see merit in offering capacity further in advance of delivery to provide more opportunities to book capacity products compared to the current auction calendar? For example, for the monthly products, instead of the current rule that each month, the monthly standard capacity product for the following calendar month shall be auctioned, this could be extended further into the future to cover multiple months ahead.

☐ Yes
☐ No

17. If yes, which products would you like to be able to book/offer further in advance?

☐ Monthly
☐ Quarterly
☐ Other

17.1 Please elaborate, if other:

No specific position

17.2 Please elaborate on your answer and indicate how much further in advance each product would be desired to be booked/offered.

No specific position

18. Would you see a merit in exploring the potential for a wider use of implicit allocation methods (as defined in Article 3 NC CAM) for allocation of capacities?

☐ Yes
☐ No

18.1 Please elaborate on your answer and if possible, provide suggestions for how implicit allocation methods could be further developed.

PRISMA European Capacity Platform analyzed a new algorithm that can allocate gas transmission capacity at the same time implicitly and explicitly; activities done in the past showed that this algorithm could be implemented.

19. Do you have any alternative proposals on how to improve the current offer of capacity products and the rules on capacity allocation? Please elaborate:

No specific position.
20. What other concrete changes, within the scope of the current FUNC issue, could improve the access to transmission capacity and contribute to better cross-border competition and market integration? Please elaborate:

No specific position.

Thank you!

Contact
support@gasncfunc.eu