

# Summary of the Public Consultation – FUNC issue “Greater flexibility to book firm capacity at IPs”

## Contents

1. Functionality Process.....	2
2. Introduction of the reported issue:.....	2
3. Public Consultation Results .....	3
<b>3.1. General information .....</b>	<b>3</b>
3.1.1. Structure of the consultation .....	3
3.1.2. Participants.....	4
<b>3.2. Section 1: Questions aimed at evaluating the key provisions of the NC CAM .....</b>	<b>6</b>
3.2.1. Auction algorithms (Articles 16-18 NC CAM) .....	6
3.2.2. Auction calendar (Article 11-15 NC CAM) .....	8
3.2.3. Current runtimes .....	11
3.2.4. Additional comments on the current capacity allocation rules .....	12
<b>3.3. Section 2: Questions aimed at collecting feedback on the EFET proposal .....</b>	<b>14</b>
3.3.1. Validation of the issue.....	14
3.3.2. Evaluation of the issue .....	14
3.3.3. Mandatory or voluntary changes .....	19
<b>3.4. Section 3: Questions aimed at exploring other options besides the EFET proposal .....</b>	<b>22</b>
This final section of the consultation aimed at exploring other options to increase flexibility in capacity bookings, besides the EFET proposal.....	22
3.4.1. Additional runtimes .....	22
3.4.2. Capacity offered further in advance of delivery .....	23
3.4.3. Implicit allocation methods.....	24
3.4.4. Alternative proposals.....	26

## 1. Functionality Process

The purpose of “The Functionality Process for Gas Network Codes” is to handle issues which are related to the way of working of the various Network Codes (NCs) and Guidelines (GLs) on gas transmission by involving stakeholders, National Regulatory Authorities and Transmission System Operators (TSOs). The process is aimed at reaching proposal(s) for issue solutions from the Agency of Cooperation of Energy Regulators (ACER) and the European Network of Transmission System Operators for Gas (ENTSO-G) on the cross-border, regional and European issues.

Within the Functionality Process, stakeholders are provided a possibility to raise and discuss issues related to the NCs and GLs as well as being involved in elaboration on the proposal(s) for issue solution. This voluntary Functionality Process is not a substitute for a formal network code amendment procedure. The prioritised/selected cross-border, regional and European issues are sent to the relevant ENTSOG Working Group and ACER Task Force for a joint development of the solutions.

## 2. Introduction of the reported issue:

The European Federation of Energy Traders (EFET) posted the following issue in the Gas Network Code Functionality Platform (<http://www.gasncfunc.eu/>).

Following the process described [here](#) the reported issue was validated by ACER and ENTSOG as an issue which falls under the scope of the FUNC process and categorised as an “European issue”.

Extract of the reported issue:

**Issue identification number:** [01/2020](#)

**Reporting party name:** EFET

**The issue:** Greater flexibility to book firm capacity at IPs

**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 launched a public consultation to collect stakeholder input on the issue reported by EFET as well as their proposal for its solution. The Public Consultation was launched on 18 December 2020 and was open for responses until 5 March 2021. The participants of this consultation had the choice to answer anonymously, not disclosing their company names for the publication of the results, if they wished to do so. For this reason, some quotes below do not include the participant’s name.

### 3. Public Consultation Results

This document contains a summary of the public consultation results. The complete responses of all public consultation participants can be found in Annex 1.

#### 3.1. General information

##### 3.1.1. Structure of the consultation

The public consultation was divided into three sections:

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

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, among other things, standard capacity products at interconnection points (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 reducing contractual congestion, narrowing spreads and more liquidity across EU gas markets.

This section of the consultation aimed at identifying the degree of satisfaction regarding current capacity allocation mechanisms. It also aimed at collecting the market need(s) for greater flexibility to book firm capacity at IPs, if any. The participants were asked to evaluate the existing capacity allocation rules in the NC CAM and elaborate on which areas they feel need improvement or which areas are currently satisfactory to meet their needs.

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

EFET argues that 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 via uniform price auctions (UPA) outside the NC CAM auction calendar dates. Supplementary UPA for yearly, quarterly, and monthly IP capacity would be held for any capacity remaining unsold after the first relevant NC CAM (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 NC CAM auctions first before any supplementary UPA took place. To the extent an adjustment of implementation is not sufficient to accommodate the proposal, EFET proposes that a change to the NC CAM legal text as part of the 2021 EU Gas Legislative Package could be pursued.

This section of the consultation aimed at collecting feedback on the proposal posted by EFET. The participants were asked to evaluate the EFET proposal based on the needs identified in the previous section of the consultation and to consider whether the proposal would meet those needs in a satisfactory way.

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

This section of the consultation aimed at exploring other options to increase flexibility in capacity bookings, besides the EFET proposal. The participants who previously indicated a need for change in the current capacity allocation rules, and identified problems with the EFET proposal, were able to propose alternative ways to meet their needs by answering the questions in this section.

### 3.1.2. Participants

<i>Name of participant</i>	<i>Country</i>
Anonymous participant 1	
Anonymous participant 2	
Anonymous participant 3	
Anonymous participant 4	
PRISMA European Capacity Platform GmbH	Germany
BDEW Bundesverband der Energie- und Wasserwirtschaft	Germany
Bord Gáis Energy Ltd	Ireland
EFET	Netherlands
EnBW	Germany
Eni	Italy
Equinor ASA	Norway
Europex	Belgium
Interconnector UK LTD	Belgium
National Grid	United Kingdom
NATURGY	Spain
OMV Gas Marketing & Trading GmbH	Austria
RWE Supply & Trading	Germany

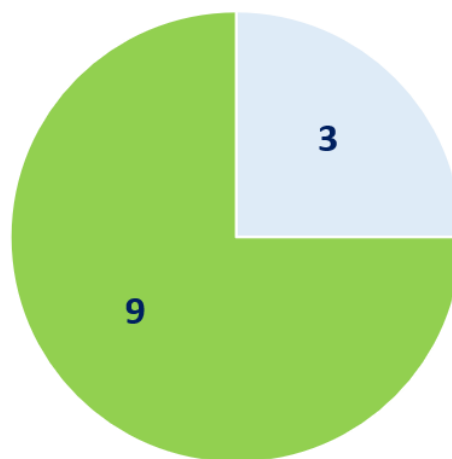
17 participants from 9 different countries responded to the public consultation. The top four countries where the participating parties are located are Germany (4), Belgium (2), Ireland (2) and the United Kingdom (2). 2 participants did not indicate their countries of location. Please note that due to the small number of responses per country of location, the opinions expressed cannot be considered representative for the respective market. Nevertheless, all responses will of course be taken into further consideration.

The market roles indicated by the parties were Network User (11), Capacity Booking Platform Operators (CBPO) (2), while four parties indicated “other” as their role such as “Business Association”, “Exchange Association”, and “UK TSO”. One participant indicated having multiple roles (Network User, CBPO, and “other”). They elaborated on this by stating that they responded to the consultation in their role as business association representing members who are engaged in both activities (Network User and CBPO). The remaining participants indicated having only one role. The full list of participants can be found in the table above. Among the 12 participants who responded as network users, 8 are EFET members and 2 are associate members of EFET.

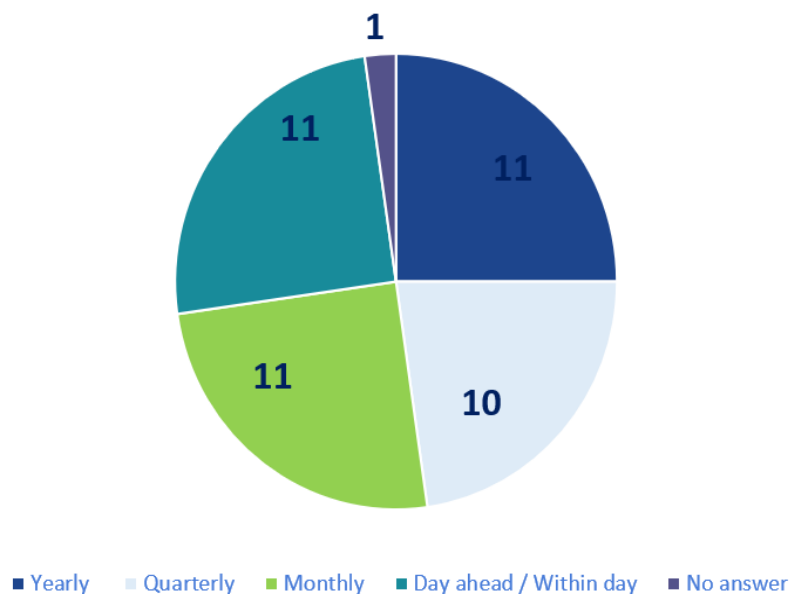
The ENTSOG member TSOs, as well as all NRAs, agreed not to participate in the public consultation, since they are associated with the organisations facilitating the public consultation.<sup>1</sup>

In order to have a better understanding of the diversity of Network Users, the participants who had indicated they were Network Users (12) were asked to indicate how many markets (entry/exit-systems) they were active on and have booked capacity in the last gas year and which standard capacity products they booked.

**How many markets (entry/exit-systems) are you active on  
and booked capacity in the last gas year?**



**Which standard capacity products did you book in the last gas year  
(multiple answers were possible)**



<sup>1</sup> Some UK TSOs participated in the public consultation since, at the point in time of the consultation, it was still unclear how Brexit would affect their membership in ENTSOG.

### 3.2. Section 1: Questions aimed at evaluating the key provisions of the NC CAM


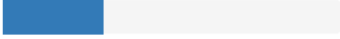
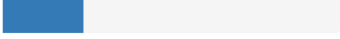
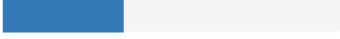
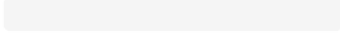
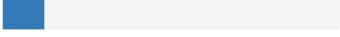
For all questions in section 1 of the consultation containing a scale from 1 to 5:

- 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'

#### 3.2.1. Auction algorithms (Articles 16-18 NC CAM)

The consultation participants were asked to evaluate the current rules for capacity allocation according to NC CAM regarding the design of the auction algorithms.

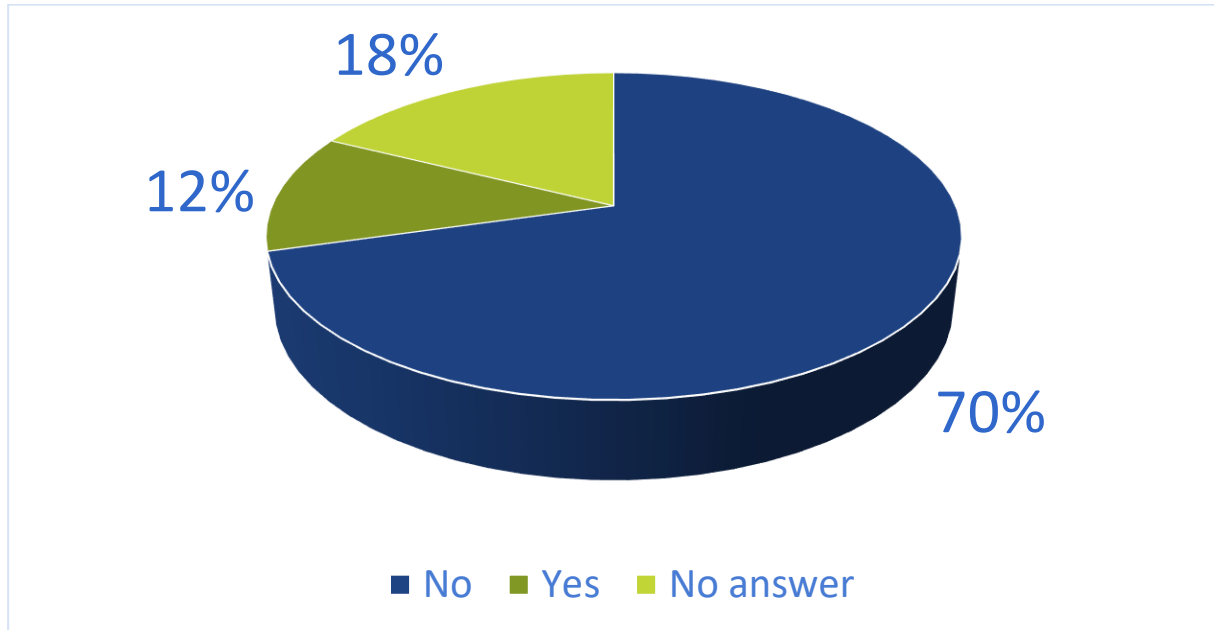
**● How do you generally evaluate the current rules for capacity allocation according to NC CAM regarding the design of the auction algorithms as defined in Articles 16-18 NC CAM?**

		Answers	Ratio
1 Not suitable to my current needs at all		0	0 %
2 Somewhat suitable for my current needs		5	29.41 %
3 Reasonably suitable for my current needs		4	23.53 %
4 Highly suitable for my current needs		6	35.29 %
5 Completely suitable for my current needs		0	0 %
No Answer		2	11.76 %

The participants have mixed opinions on the design of the current auction algorithms, 35% find them highly suitable to their current needs, followed by 29% who find them somewhat suitable to their needs.

The participants were also asked whether they are facing any specific problems with the current auction algorithms. The majority (70%) indicates not facing any specific problems with the design of the current auction algorithms.

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



We report some notable comments below:

- *'The current CAM auctions have successfully functioned since their implementation. There is no 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.'* (Anonymous participant 1)
- *'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.'* (PRISMA European Capacity Platform GmbH)
- *'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.'* (Bord Gáis Energy Ltd)



- *‘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.’ (National Grid)*

One of the participants who indicated they are facing problems with the design of the current auction algorithms gave the following explanations when asked to elaborate:

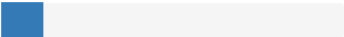
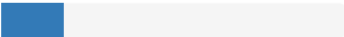
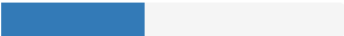
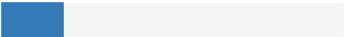
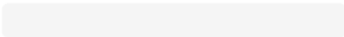
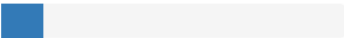
- *‘The ascending clock auctions (if oversubscribed) will likely always result in an undersell as participants drop out. As a consequence, TSOs cannot offer, and market participants cannot acquire, the remaining available capacity until a much later date, and potentially also only for shorter runtimes (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 over nomination (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/over nomination 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.’ (Interconnector UK LTD)*

### 3.2.2. Auction calendar (Article 11-15 NC CAM)

The consultation participants were asked to evaluate the current rules for capacity allocation according to NC CAM regarding the auction calendar.

#### ● 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?

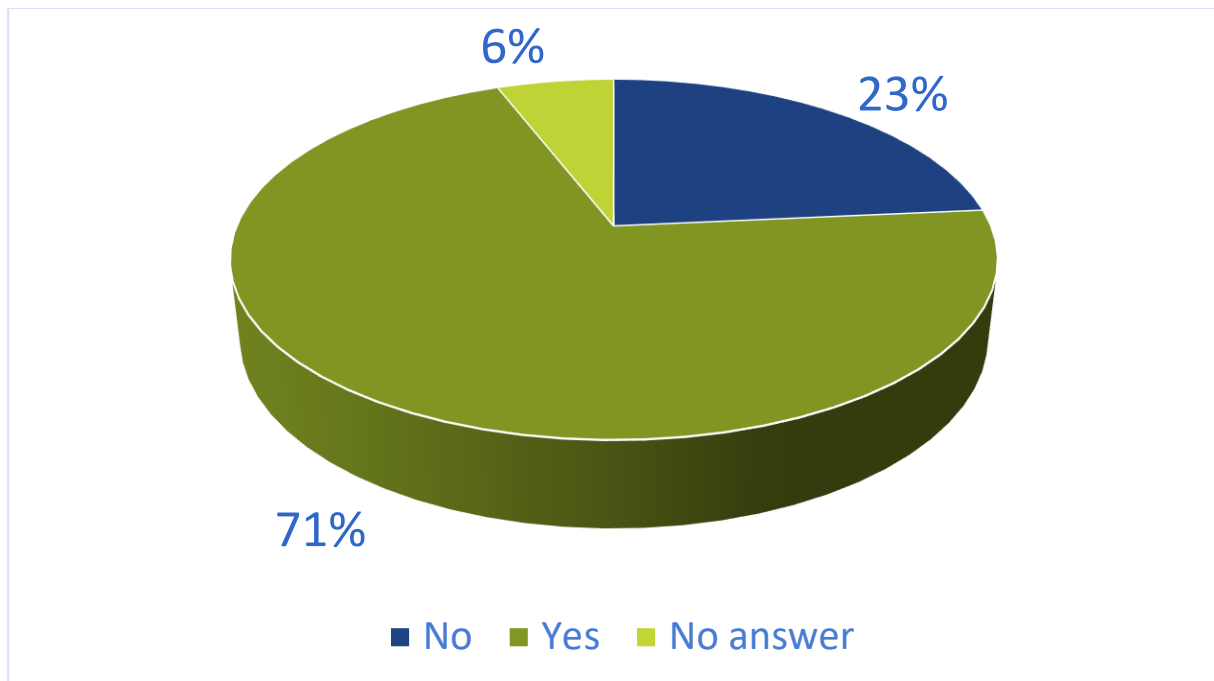
		Answers	Ratio
1 Not suitable to my current needs at all		2	11.76 %
2 Somewhat suitable for my current needs		3	17.65 %
3 Reasonably suitable for my current needs		7	41.18 %
4 Highly suitable for my current needs		3	17.65 %
5 Completely suitable for my current needs		0	0 %
No Answer		2	11.76 %

The participants were less satisfied with the auction calendar compared to with the auction algorithms. The most common answer was ‘reasonably suitable for my current needs’ (41%). At the specific



question, the majority (71%) of participants have indicated they are facing problems with the auction calendar, as shown in the following graph.

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



When asked to elaborate on their ratings, some notable comments were:

- *'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.'* (Anonymous participant 1)
- *'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.'* (Eni)
- *'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.'* (OMV Gas Marketing & Trading GmbH)

- *'There aren't enough auctions for monthly, quarterly or yearly products. The Day ahead auctions are too late during the day.'* (Anonymous participant 4)
- *'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 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).'* (EFET and RWE Supply & Trading)

Some notable comments from the participants who indicated they are facing problems with the current auction calendar were related to within-day auctions:

- *'In addition to implementing the EFET proposal we see room for improvement in the auction calendar for within 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.’ (RWE Supply & Trading)*

- *‘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. [We] have 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.’ (Anonymous participant 3)*

### 3.2.3. Current runtimes

The consultation participants were asked if they believe the current runtimes of the standard capacity products provide sufficient flexibility to transport gas across the European Union and if the current runtimes of the standard capacity products still reflect the commercial need to exchange on commodity markets.

From the comments received it can be concluded that the participants are in general satisfied with the current runtimes, however, a broader range of runtimes of products and/or an adaption of the current runtimes have been requested by the majority of the participants.

Some notable comments were:

- *‘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 spread prices are wide enough. 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.’ (Anonymous participant 1)*
- *‘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.’ (EFET and RWE Supply & Trading)*

- *'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.'* (Anonymous participant 4)
- *'The yearly basis 'gas year' 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.'* (EnBW and BDEW)
- *'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.'* (Anonymous participant 3)

#### 3.2.4. Additional comments on the current capacity allocation rules

The consultation participants had the option to provide additional comments on the current capacity allocation rules. We report some notable comments below:

- *'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.'* (EnBW)
- *'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.'* (BDEW)
- *'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.'* (Equinor ASA)
- *'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.'* (PRISMA European Capacity Platform GmbH)

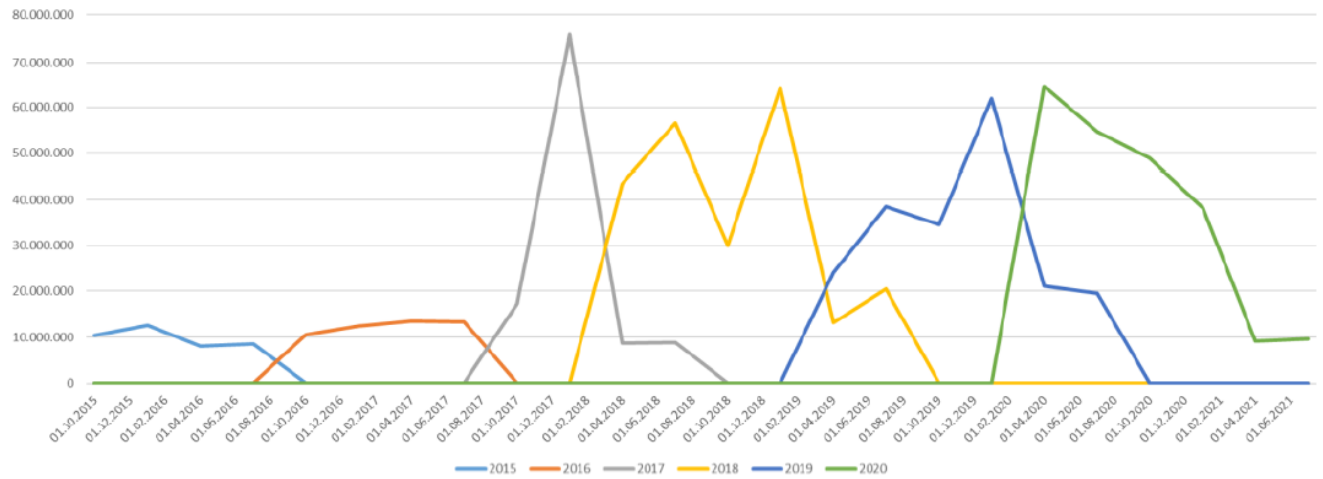


Figure 1: Allocated capacity with quarterly auctions in the different years [in kWh/h/Q]

### 3.3. Section 2: Questions aimed at collecting feedback on the EFET proposal

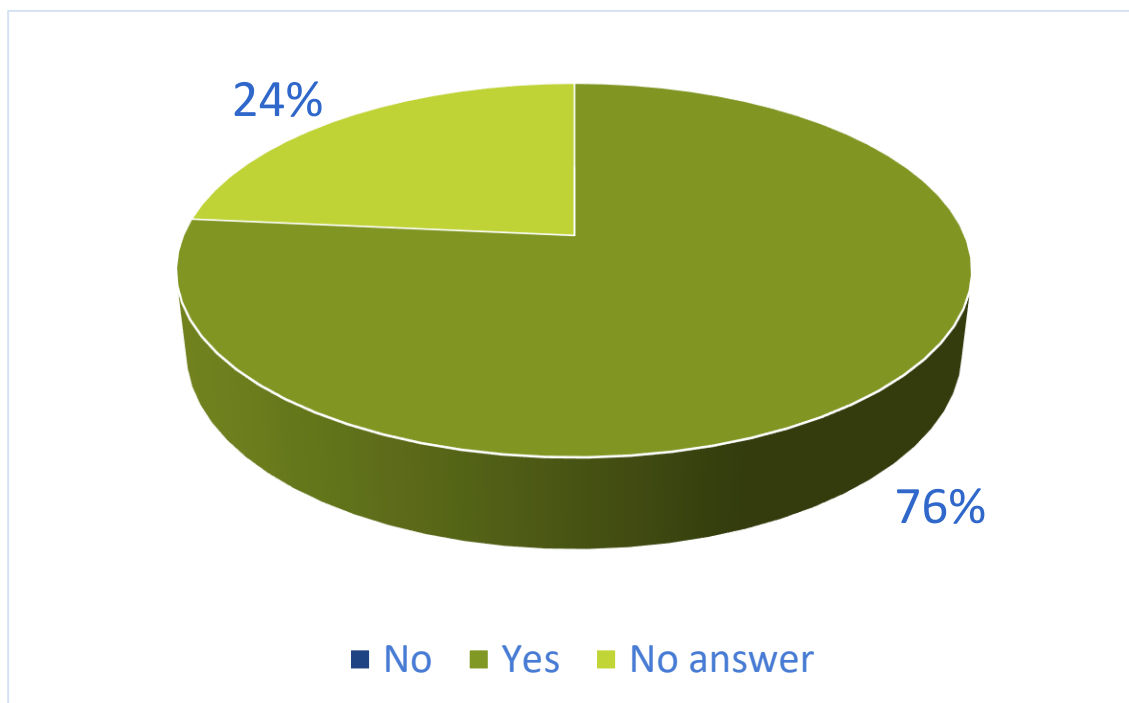
For all questions in section 2 of the consultation containing a scale from 1 to 5:

- 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'

#### 3.3.1. Validation of the issue

The consultation participants were asked if they agree with the problem EFET has described in the posted FUNC issue: 76% of the participants in the consultation replied that they agree with the problems identified by EFET.

#### ● Do you agree with the problem EFET has described in the posted FUNC issue?

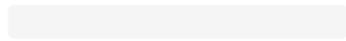
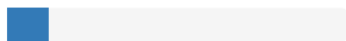
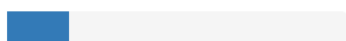
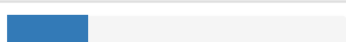
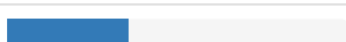
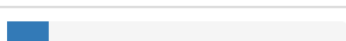


#### 3.3.2. Evaluation of the issue

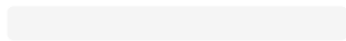
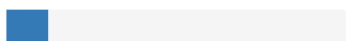
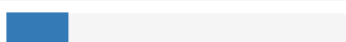
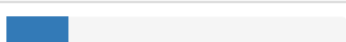


The consultation participants were asked if they consider the EFET proposal to introduce supplementary uniform price allocation (UPA) auctions, for yearly, quarterly and monthly products, to be an appropriate improvement to the current system of allocation of capacities according to the NC CAM. They were also asked to evaluate, for yearly, quarterly and monthly capacity individually, if the

EFET proposal to introduce more than one opportunity per month to book that capacity (via UPA) would be an appropriate improvement.

● **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?**

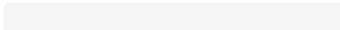
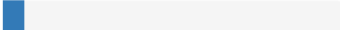
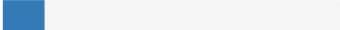
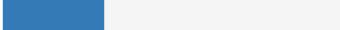
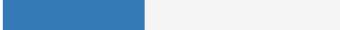
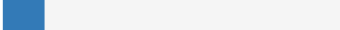
		Answers	Ratio
1 Not appropriate at all		0	0 %
2 Somewhat appropriate		2	11.76 %
3 Reasonably appropriate		3	17.65 %
4 Highly appropriate		4	23.53 %
5 Completely appropriate		6	35.29 %
No Answer		2	11.76 %

● **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?**

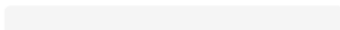
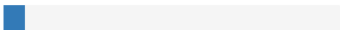
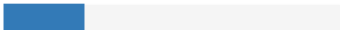
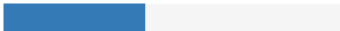
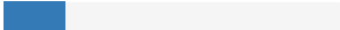
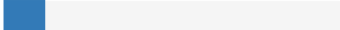
		Answers	Ratio
1 Not appropriate at all		0	0 %
2 Somewhat appropriate		2	11.76 %
3 Reasonably appropriate		3	17.65 %
4 Highly appropriate		3	17.65 %
5 Completely appropriate		8	47.06 %
No Answer		1	5.88 %



● **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?**

		Answers	Ratio
1 Not appropriate at all		0	0 %
2 Somewhat appropriate		1	5.88 %
3 Reasonably appropriate		2	11.76 %
4 Highly appropriate		5	29.41 %
5 Completely appropriate		7	41.18 %
No Answer		2	11.76 %

● **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?**

		Answers	Ratio
1 Not appropriate at all		0	0 %
2 Somewhat appropriate		1	5.88 %
3 Reasonably appropriate		4	23.53 %
4 Highly appropriate		7	41.18 %
5 Completely appropriate		3	17.65 %
No Answer		2	11.76 %

Most participants consider EFET's proposal to introduce a greater number of auctions for monthly, quarterly, and yearly capacity as an improvement to the current rules. More auctions for yearly capacity have a bit less support than monthly and quarterly. Monthly capacity seems to be the most appealing capacity for Network Users for arbitrage purposes.

We report some notable comments in favour of an increase in the number of auctions below:

- *'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 [...] leading to additional operational burden rather than focusing on optimizing booking capacity to capture arbitrage opportunities.'* (Anonymous participant 1)

- *‘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). [...] (The) 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.’ (BDEW)*
- *‘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.’ (EFET and RWE Supply & Trading)*
- *‘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.’ (OMV Gas Marketing & Trading GmbH)*
- *‘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.’ (Equinor ASA)*
- *‘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.’ (Interconnector UK LTD)*

### 3.3.2.1. Positive aspects of the proposal

The consultation participants were asked to describe the positive aspects they identified in the EFET proposal. We report some notable comments below:

- *'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.'* (Interconnector UK LTD)
- *'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.'* (EnBW)
- *'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.'* (EFET and RWE Supply & Trading)
- *'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.'* (Anonymous participant 2)
- *'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.'* (Europex)
- *'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.'* (Equinor)

### 3.3.2.2. Negative aspects of the proposal

The consultation participants were asked to describe the negative aspects they identified in the EFET proposal. We report some notable comments below:

- *'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.'* (Anonymous participant 1)
- *'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.’ (EFET and RWE Supply & Trading)*

- *‘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.’ (BDEW)*
- *‘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.’ (Eni)*
- *‘The proposal does not sufficiently or not at all cover the aspects of capacity conversion and capacity surrender issues. 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.’ (OMV Gas Marketing and Trading)*

### 3.3.3. Mandatory or voluntary changes

The consultation participants were asked whether they agreed with EFET that additional auctions should be a voluntary option for TSOs or not.

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



The participants have mixed opinions on whether the EFET proposal should be voluntary or mandatory.

Participants in favour of a voluntary approach point out that this would be a sensible, cost effective approach reflecting the fact that some European markets are more advanced than others.

Some participants express concerns that an adoption of additional auctions by some TSOs and not others could lead to competition impacts on cross-border flows. This argument is also used by the participants in favour of a mandatory approach, who also point out that the intended harmonisation through NC CAM should be safeguarded.

We report some notable comments below:

- *'[...] The basic NC 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.'* (Interconnector UK LTD)
- *'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.'* (National Grid)
- *'We deem important to have a common rule for all TSOs in order to maintain a 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.'* (Eni)
- *'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.’ (Anonymous participant 1)*

The participants were also asked how the bundling principle can be assured in case any additional auctions would be implemented on a voluntary basis. Some participants suggested the following:

- *‘An obligation to coordinate with adjacent TSOs could be foreseen, requiring agreement between relevant TSOs/NRAs before the introduction of additional auctions.’ (Europex)*
- *‘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 in any way undermined.’ (EFET and RWE Supply & Trading)*
- *‘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)).’ (OMV Gas Marketing and Trading)*



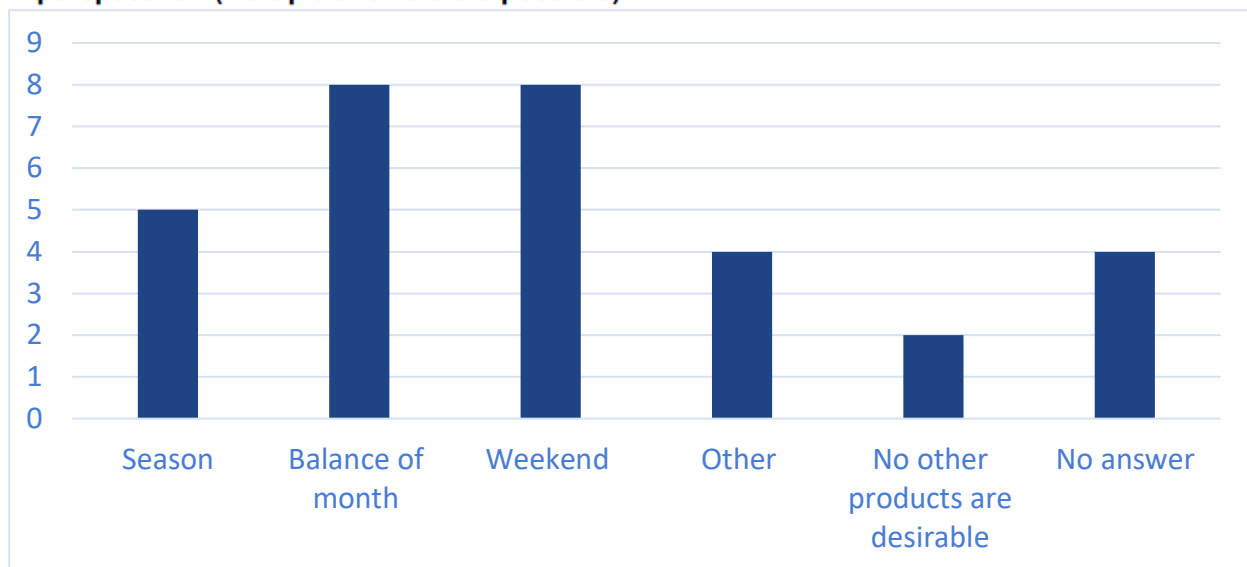
### 3.4. Section 3: Questions aimed at exploring other options besides the EFET proposal

This final section of the consultation aimed at exploring other options to increase flexibility in capacity bookings, besides the EFET proposal.

#### 3.4.1. Additional runtimes

The consultation participants were asked what other runtimes of the standard capacity products would be desirable from a market perspective. The question was multiple choice, and the participants could also suggest other products than the predefined “Season”, “Balance of month”, and “Weekend”.

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



Participants show more interest in the “Season”, “Balance of month”, and “Weekend” products. In addition, “Weekly” and “Working days” products were suggested as possible additional runtimes, as well as Monday daily capacity sold on Friday.

Furthermore, the participants have shown a strong interest for additional runtimes and products in line with commodity products, however, the way in which such runtimes could be introduced is up for debate. It is clear from the responses that the more runtimes, the more complex the capacity allocation would be.

We report some notable comments below:

- *‘The commercial needs can be fulfilled on the basis of the existing capacity products. The interlinkage between questions on the tariffication and multipliers according to NC TAR are more of relevance.’ (Equinor ASA).*

*‘All the runtimes suggested by ACER are suitable. Ultimately, they are all beneficial to the extent 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.’ (Anonymous participant 1).

- ‘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.’ (Interconnector UK LTD).
- ‘A specific assessment shall be done taking in consideration which commodity products are today offered in the most liquid European hubs.’ (PRISMA European Capacity Platform GmbH).

### 3.4.2. Capacity offered further in advance of delivery

● **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.**

		Answers	Ratio
Yes		5	29.41 %
No		6	35.29 %
No Answer		6	35.29 %

There is no strong majority in this question. We report some notable comments below:

- ‘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.’ (EnBW)
- ‘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.’ (Eni)
- ‘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 snap shot 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.’ (Interconnector UK LTD)*

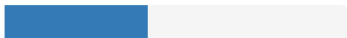
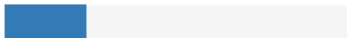
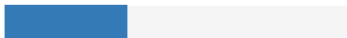
- *There could be merit in allowing quarterly products to be bookable up to two gas years out (rather one gas year out at present) and for monthly products to be bookable up to three months out (rather than one month out at present). However, whilst this would further enhance arbitrage opportunities 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.’ (EFET and RWE Supply & Trading)*

### 3.4.3. Implicit allocation methods

- **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?**

		Answers	Ratio
Yes		7	41.18 %
No		4	23.53 %
No Answer		6	35.29 %

There is no clear position on implicit allocation amongst the consultation participants. Some point out the benefits that have been experienced in the past but highlight that this method has worked on a small scale in special situations and would not necessarily mean an improvement across the whole EU market.

EFET itself provided the following comment:

*'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 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.'*

Some other notable comments were:

- *'We are in favour 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.'* (Anonymous participant 1)
- *'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.'* (EnBW)
- *'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).'* (Anonymous participant 2)

#### 3.4.4. Alternative proposals

The consultation participants were asked if they had any alternative proposals on how to improve the current offer of capacity products and the rules on capacity allocation. Participants were also given the opportunity to elaborate on what other concrete changes, within the scope of the current FUNC issue, they believed could improve the access to transmission capacity and contribute to better cross-border competition and market integration.

- *'We are of the view that booking capacity on a First Come First Serve basis would contribute to bring 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.'*

*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.'* (Anonymous participant 1)

- *'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.'* (Interconnector UK LTD)
- *'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).'* (BDEW)
- *'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, 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.’ (EFET and RWE Supply & Trading)*

- *‘Perhaps the possibility should be explored of interruptible capacity between two VTPs taking place as bundled auctions.’ (EnBW)*
- *‘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.’ (Eni)*