



Picture courtesy of Gas Connect Austria

# Proposals for more flexible capacity allocation

ACER/ENTSOG joint workshop 27 June 2022

# Analysis of EFET Proposal

Supplementary UPA (Uniform Price Algorithm) auctions for yearly, quarterly, and monthly products would be held for any capacity remaining unsold after the first relevant CAM NC (ascending clock) auction, up to the point where the capacity becomes usable

Monthly ACA auctions are scheduled earlier, on the 1<sup>st</sup> Monday of the month

## Issues

- **Does not respect current cascading rules for some products\***
- The issue of the initial ACA lasting too long would remain
- Increased number of auctions could potentially lead to changed booking patterns (increased volatile market)

## Benefits

- **Increase the opportunity for shippers and for TSOs to sell capacity**
- Better timing (reduced time between auction and runtime and frequencies more in line with commodity market)
- Increase the opportunity for shippers and for TSOs to sell capacity
- Increased market liquidity and hence economic allocation optimality

## Costs & complexity

- **Structural changes in NC due to change in cascading rules**
- IT cost and resources

\*for example the same period for month of October could be offered on the same day both as a quarterly product auction and a monthly product auction.

## EFET request + PC responses + TSO feedback = options for greater flexibility

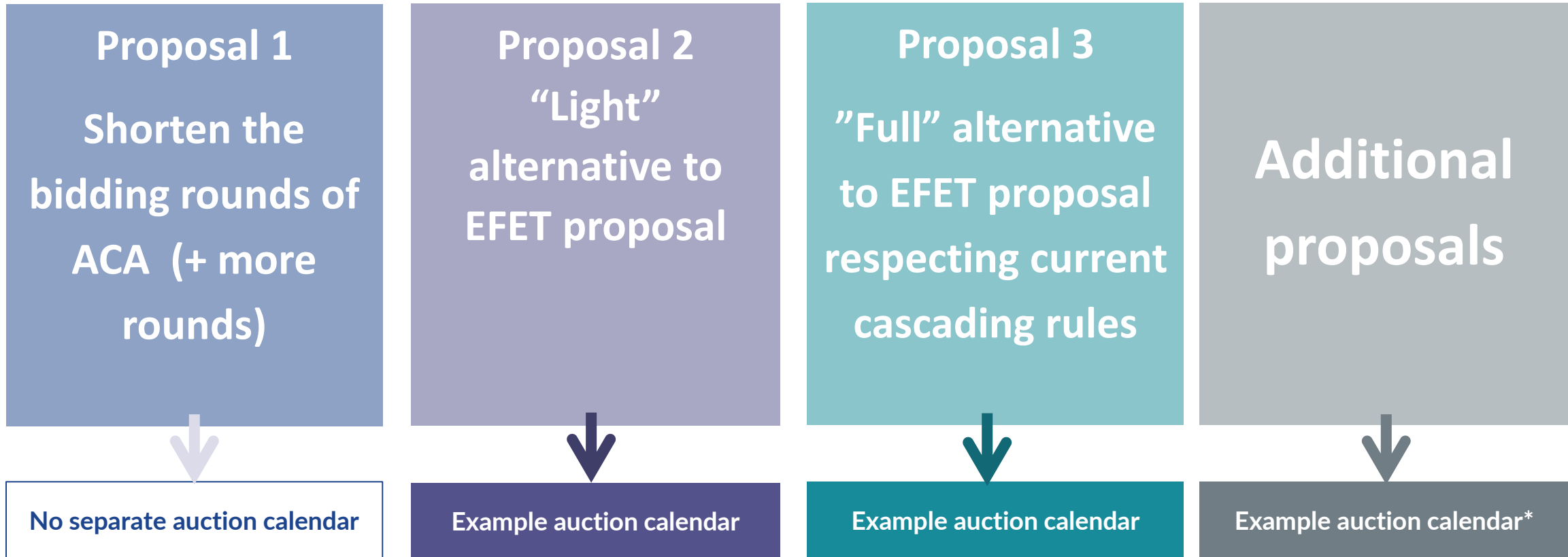
### Aim and scope:

- Identify and answer key questions for market players
- Strike a balance between flexibility and foreseeability
- Uphold core principles of capacity allocation
- Offer variety of options and combinations with different levels of complexity for the future discussions

### Missing:

- Evaluation of each options compatibility with current CAM NC rules and/or required amendments
- Further market input to go further with some options
- Detailed cost / benefit analysis

# Options for greater flexibility



**No preferred option at this stage!**

Options can also be considered as building blocks to be combined with each other in different ways

\*not all additional proposals have example auction calendars and the existing ones are still under assessment

# Proposal 1 - Shorten the bidding rounds of ACA

With **shorter bidding rounds\***, more bidding rounds could be held within the same timeframe.

The concrete runtimes of bidding times might not have to be defined in the code; NC CAM could state they have to be published in connection to when the auction calendar is produced, for example. This would make NC CAM more flexible, and we could more easily/faster react to changed market conditions.



## Issues

- Does not fully address the request from EFET
- Timing feasibility for shippers and booking platforms must be assessed



## Benefits

- More bidding rounds could be held during the same timeframe.
- The transport customers would know earlier if they got the capacity or not and can act accordingly (possible increased liquidity on wholesale/commodity market).



## Costs & complexity

- NC amendment required to change the bidding rounds (implementation time would be long)
- Compared to EFET proposal costs would be smaller but might be IT costs involved in changing the bidding rounds.
- Feasibility for Booking Platforms

\*for example 30 min instead of 1 hour between bidding rounds and/or reduce the time of the first bidding round from 3 to 1 hour, and the subsequent ones from 1h to 30 min

# Proposal 2 - “Light” alternative to EFET proposal



- Postpone the annual yearly auction by ACA closer to the start of the yearly product
- More flexible deadlines for quarterly/monthly auctions by ACA closer to the start of the product

Can be combined with:

- Add additional monthly auctions → Subsequent to ACA or by using UPA in substitution of ACA  
*If ACA stays, shortening rounds could also be considered (see proposal 1)*



## Issues

- Does not fully address the request from EFET: No additional auctions (except for monthly products) as initially requested by EFET.
- Does not provide earlier auctions



## Benefits

- Greater flexibility: book capacity at moment with higher visibility of market conditions (closer to the product start) + additional opportunities to book monthly products



## Costs & complexity

- Changing auction dates costless but changing algorithms/add auctions could cost. Per the preliminary assessment, some changes could be achieved within the current legal framework of CAM NC, however, impact on NC must be assessed
- Feasibility for Booking Platforms must be assessed
- Lower costs compared to the development of the EFET proposal/proposal 3 are anticipated

# Proposal 3 - "Full" alternative to EFET proposal (respecting current cascading rules)



Follow the current CAM NC calendar for yearly, quarterly and monthly products but **introduce additional UPA auctions.**

**Maintain auctioning through ACA of the annual yearly auction, then offer yearly products on a continuous\* basis through UPA till the auction date of the next shortest product (quarterly capacities) starts.**

Monthly\*\* and quarterly products would be offered through **UPA from the start** and then also be offered on a continuous basis.

DA and WD auctions remain the same. No changes to set-aside rules.

Interruptible could also still be offered if firm capacity is not offered at all, sold out or sold with auction premium.



## Issues

- Increased number of auctions could potentially lead to changed booking patterns (increased volatile market)
- IT stability/availability: additional auctions could strain systems
- Operational process could be challenging for shippers and booking platforms



## Benefits

- Greater flexibility: Covers most of shipper's requests for greater flexibility (EFET and public consultation)
- Better timing (reduced time between auction and runtime and frequencies more in line with commodity market)
- Increase the opportunity for shippers and for TSOs to sell capacity
- Increased market liquidity and hence economic allocation optimality



## Costs & complexity

- IT cost to be analysed (TSOs, BPs, shippers).
- Impact on operational processes which may have to be adapted
- Impact on NC and CMP rules must be assessed, however, less structural changes compared to EFET proposal because it respects the cascading principle.

\*Continuous auctions = while there is still available capacity, sell in successive sessions – continually – after the initial ACA.

\*\*The auctions for the monthly products covers the period of the previous longer-term product, e.g. after end of offer of Q4, M10, M11, M12 would be offered at the same time (at 'original' offer date of M10).

# Additional proposals

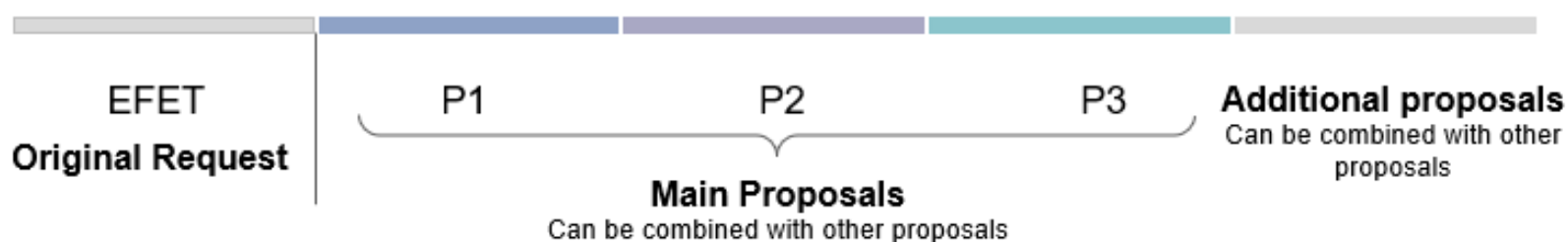
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- ❑ UPA for all products from the beginning (replacing ACA), but no additional auctions
- ❑ For ACA with long duration, step out from the ACA, opening a UPA
- ❑ UPA rules: replace pay-as-clear (UPA) with single round pay-as-bid or pay-as-clear UPA with one bid
- ❑ WD auctions: first round of WD auction for 24h products to finish earlier and introduce additional WD24 after
- ❑ Options addressing request for seasonal products and additional runtimes
  - Add auctions for remaining days of the month on a day-ahead basis
  - Auctions spanning 2 gas years



# EFET/PC requests

AUCTIONS OVER 2 GAS YEARS	Adding runtimes					This proposal needs more assessment
ADD AUCTIONS FOR REMAINING DAYS OF MONTH ON A DAY-AHEAD BASIS*						
CONTINUOUS** UPA AUCTIONS OVER 1 GAS YEAR	Adding auctions				UPAs respect cascading rules	
ADDING 24H WD AUCTIONS BEFORE GAS DAY						Possible if first WD24 closes earlier
WD24 AUCTIONS FIRST CLOSING TIME SHORTEN						
ADDING UPA AUCTION Y, Q, M		UPAs not respecting current cascading rules				UPAs respect cascading rules
ADDING UPA AUCTION (M only)		Covered by UPA Y, Q, M			Covered by UPA Y, Q, M	
REPLACE ACA BY UPA	Shorten auction			Monthly UPA	Monthly and Quarterly UPA	UPA PAY AS BID UPA PAY AS CLEAR
SHORTEN ACA BIDDING ROUNDS				Can be added	Can be added for Yearly if needed	Alternative step out of ACA with UPA
AUCTIONS ANTICIPATED (BOOK EARLIER)	Auction dates / runtime	UPAs not respecting current cascading rules				
POSTPONE AUCTIONS (CLOSER TO PRODUCT START)						Covered by continuous auctioning



## PROPOSALS

\* Equivalent to 'balance of month' products  
 \*\*Continuous = offering auctions on a continuous basis as long as capacity is available

# Additional considerations

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## Items identified by TSOs to be further investigated, together with NRAs and market:

- ❑ Possibility to amend the CAM NC in a way that would allow for future changes without the need to further adapt the NC rules. E.g. **introducing a possibility to modify auction frequency/dates/form without amending the CAM NC again.**
  
- ❑ **The frequency of additional UPA:**
  - Holding UPA every day or specific windows where UPA could be run (e.g. a few UPA opportunities after the ACA). Having too many UPA auctions or within a short timeframe could become burdensome in terms of checking publication terms, etc. especially for small shippers. The process of holding the auctions (ACA or UPA) is quite automated, it should however be discussed with the Booking Platform Operators.
  - As a consequence of offering additional UPA auctions e.g. on a weekly basis, the duration of the UPA auction could need to be opened longer (e.g. 1h longer) to avoid first-come-first-served situations.
  - How many auctions go beyond the first round (yearly/quarterly), should also be considered while proposing changes (maybe some changes are only relevant for monthly products).
  
- ❑ Method of pricing for UPA auctions to be further assessed (pay-as-bid vs pay-as-clear).
  - Current pay-as-clear method could pose a potential risk for manipulation of the clearing price. Pay-as-bid could be used to value capacity according to shippers' availability and interest. Pro-rata (or other) rules might be needed to allocate bids having the same price. Capacity would be remunerated according to market value.

# Questions for market participants

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## Proposal 1

- What is the ideal length of the bidding rounds according to you? (currently first bidding round is 3h, subsequent rounds 1 h w. 1h between rounds). How do you feel about not having the times defined in the code itself?

## Proposal 2

- What are your thoughts about the proposals that suggest replacing the initial ACA and use UPA from the start?

## Proposal 3

- What are your thoughts on the frequency of additional UPAs for Y, Q and M products? Should all products have the same frequency?

## General questions

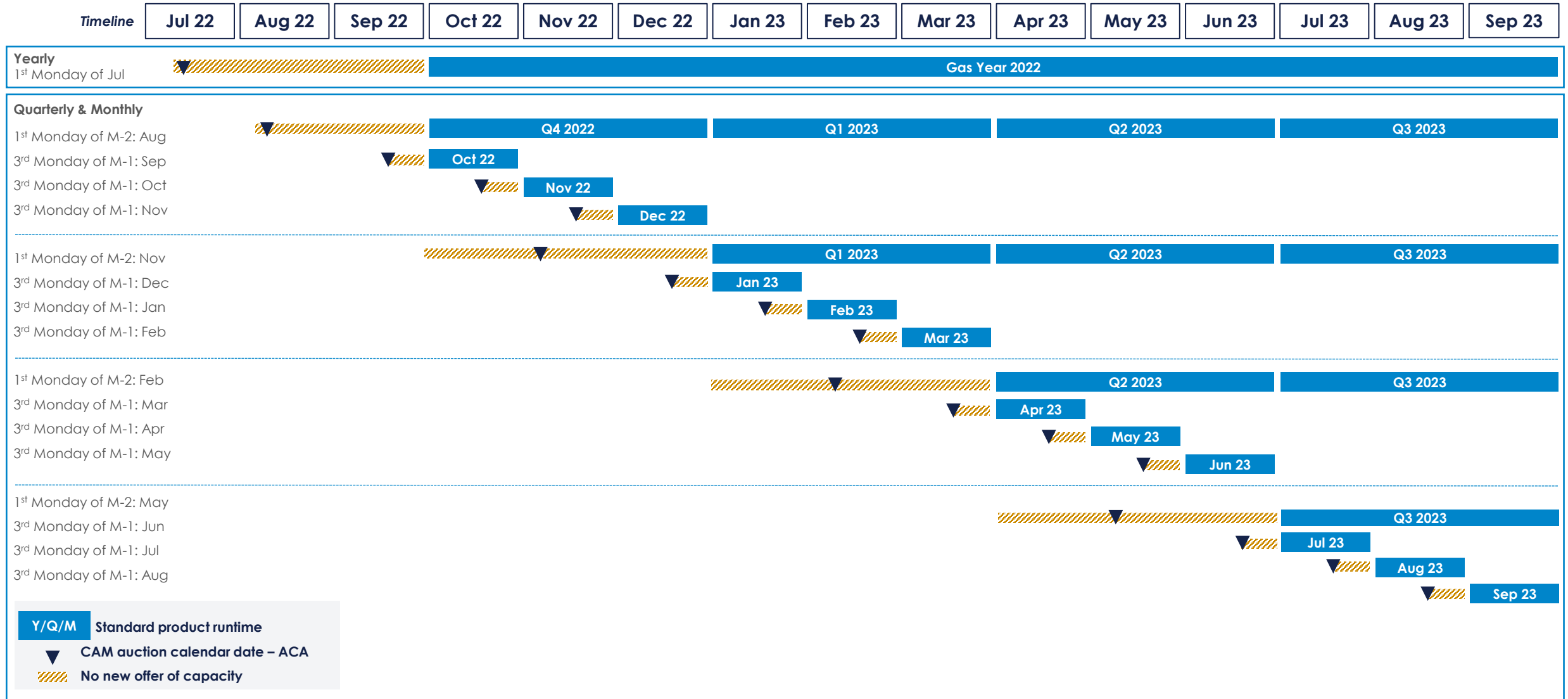
- Which aspects of capacity allocation should be kept as detailed rules in the CAM NC and what could be left to be decided separately. What could the separate process look like?

**To be discussed after the break**

# ANNEXES – Example auction calendars

# Current CAM auction calendar

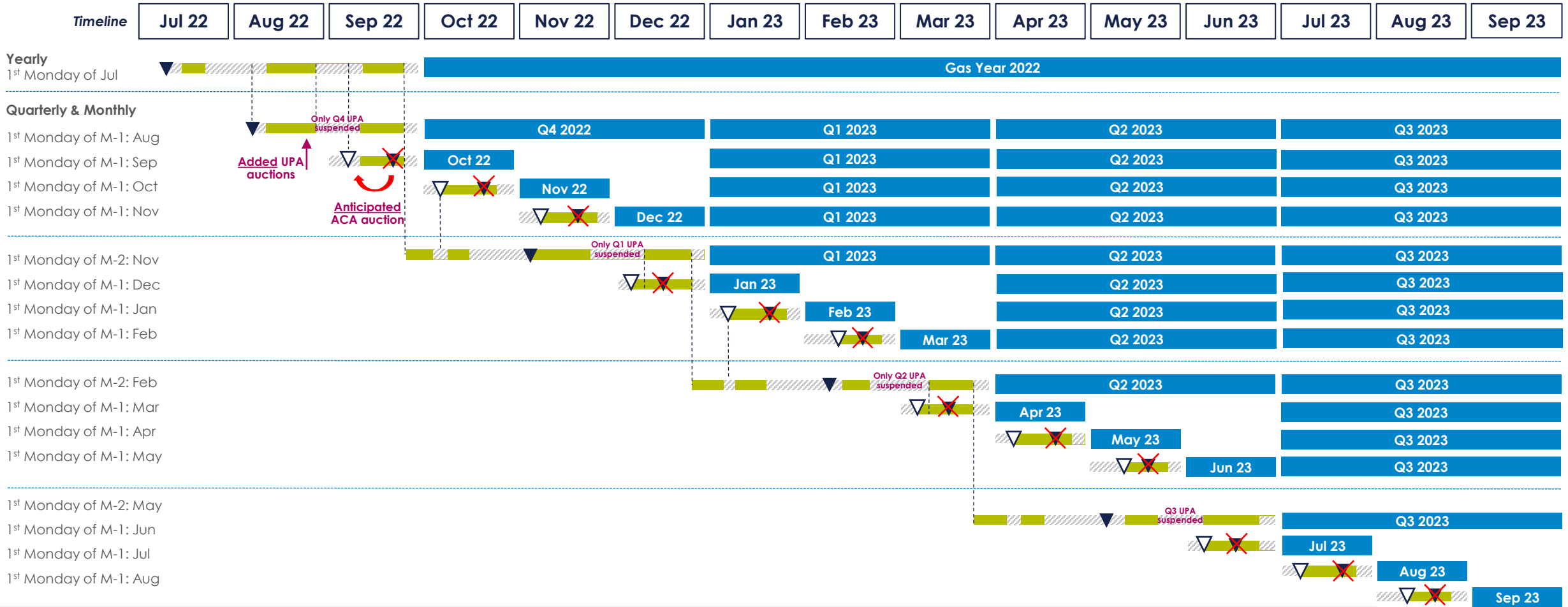
## Firm Y/Q/M standard products for 1 gas year



General description as in CAM NC – final auction calendar might result in marginal adaptations not reflected in this view, mainly depending on public holidays

# EFET proposal<sup>1)</sup> compared to current CAM auction calendar

Increase auction frequency of Firm Y/Q/M standard products using UPA, modified cascading rules



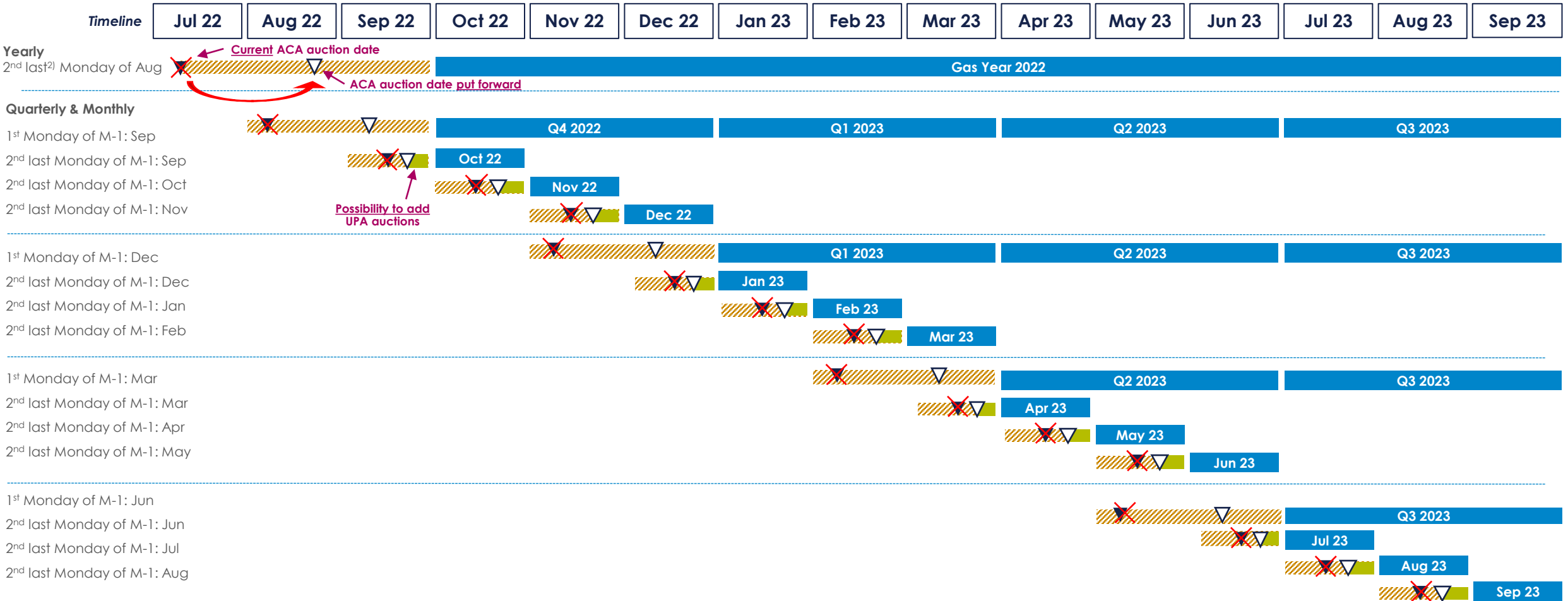
**Y/Q/M** Standard product runtime  
**Yellow bar** Supplementary daily auctions - UPA  
**White bar** No supplementary UPA auctions<sup>2)</sup>  
**Downward triangle** CAM auction calendar date – ACA  
**Downward triangle with red X** Changed CAM date – ACA

<sup>1)</sup> Not exhaustive – only firm capacity auctions shown for 1 gas year period

<sup>2)</sup> Proposal stipulates 2 business days between ACA and additional UPA auctions, including if ACAs extend in time; UPAs would be suspended at the corresponding IP(s) until the 3rd business day after end of the CAM ACA auction. Y and Q auctions have additional suspension periods during which capacity for lower runtimes are set aside

# ENTSOG P2<sup>1)</sup> compared to current CAM auction calendar

"Light" alternative to EFET proposal, respecting current cascading rules

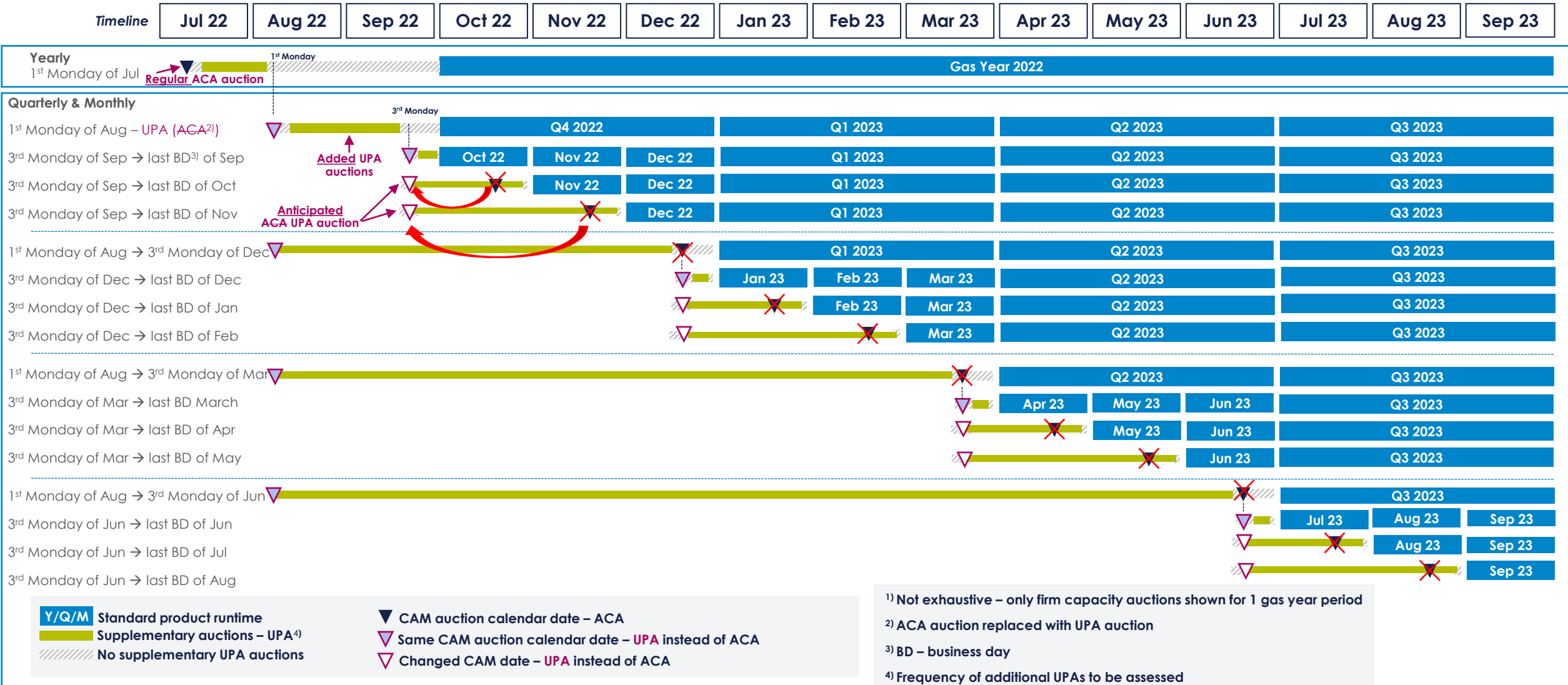


<sup>1)</sup> Not exhaustive – only firm capacity auctions shown for 1 gas year period <sup>2)</sup> Firm capacity is offered in the second last Monday of the month, while interruptible is offered in the last Monday of the month in question

Final auction calendar might result in marginal adaptations not reflected in this view, mainly depending on public holidays

# ENTSOG P3<sup>1)</sup> compared to current CAM auction calendar

## "Full" alternative to EFET proposal, respecting current cascading rules



General description as in CAM NC – final auction calendar might result in marginal adaptations not reflected in this view, mainly depending on public holidays





# Thank you for your attention

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