

The logo for EFET, consisting of the letters 'EFET' in a bold, red, sans-serif font.

European Federation
of Energy Traders
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ACER-ENTSOG Workshop on EFET's FUNC Proposal

27 June 2022

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Summary of EFET's FUNC Proposal (1)

Background

- Implementation of CAM NC in Nov 2015 made IP capacity booking more efficient
 - standardised products, auction timetable and allocation mechanisms
 - smaller number of booking platforms
 - bundled capacity
- CAM NC has contributed positively to market development by
 - reducing contractual congestion
 - narrowing price spreads and increasing price correlation
 - increasing liquidity
- Despite this CAM NC limits opportunities for efficient price arbitrage across the forward curve
 - spreads > transport costs outside the Y/Q/M capacity auction windows or < when the windows are open, reducing opportunities for traders to buy and TSOs to sell IP capacity
 - merchant TSOs (IUK and BBL) have successfully used a form of implicit allocation to flexibly offer capacity at times when it is commercially attractive to book it, maximising their revenue

Summary of EFET's FUNC Proposal (2)

The proposal

- FUNC proposal raised in Jan 2019 to make firm IP capacity more available, via supplementary uniform price allocation (UPA) auctions on top of ascending clock allocation (ACA) auctions
- Y/Q/M capacity that remained unsold after the relevant ACA auction would be offered daily through UPA auctions until it becomes usable
- UPA auctions start 3rd business day after the initial ACA auction and end 3rd business day before capacity becomes usable
 - separate 1 hour booking windows for Y/Q/M capacity each day at 10:00, 12:00 and 14:00 CET
 - consistent in principle with the CAM NC but not fully compliant in a couple of small aspects
 - TSOs and booking platforms could choose whether to hold UPA auctions or not, possibly on a trial basis, to speed up possible implementation

Summary of EFET's FUNC Proposal (3)

Experience to date

- Whilst we appreciate the work ENTSOG/ACER have done evaluating our proposal, over 2 years on we're still discussing options and are no nearer to making IP capacity more readily available
- Over the last nine months EU wholesale gas market prices and volatility have skyrocketed, widening spreads dramatically and unpredictably e.g. Winter 22/3 spreads > €15Mwh THE-TTF
- EFET's proposal would greatly help to facilitate efficient arbitrage between EU hubs and boost liquidity in extremely challenging market conditions
- In these unprecedented times EU/ACER should endorse the use of the EFET proposal on a voluntary basis until the CAM NC can be amended to reflect a harmonised EU wide solution