

Response to Public Consultation on the Incremental Capacity Proposal and further NC CAM amendments (PC_2015_G_05)

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Type of stakeholder organization: Trader, supplier to final customers

As the change of NC CAM rules could have big influence on the level of not only Czech wholesale price Pražská plynárenská, a.s. welcomes to send comments of proposed amendments of NC CAM in the form of answer to four questions.

1. *Do you support the changes suggested by the Agency on Incremental Capacity (new chapter IVa and related articles)? If not, please list which new or amended articles you disagree with and explain why.*

Generally we think that the suggested mechanism of allocation Incremental Capacity is right, but has on Achilles' heel which is definition of Incremental capacity as we think that this capacity should be only capacity which:

- Has never been available before
- Would mean significant investment with long rate-of-return

It should never be the capacity which:

- Which was already offered before and was from some reason decreased (reallocated, economical optimisation)
- Needs only small amount of investment with fast rate of return (change in metering station, optimisation,..)
- Is the result "*long-term capacity optimisation*" – it should be obligation of TSOs to offer such capacity as standard

If above stated is not ensured we can see changing most of the capacity to Incremental capacity. We suggest those changes (red) to ensured that only really new and investment intensive capacity is Incremental capacity:

*(20)'incremental capacity' means a possible future increase in technical capacity **which has never been available before** or possible future new capacity created where none currently exists that may be offered based on investment ~~or long-term capacity optimisation~~ **connected with significant investment with long rate-of-return** and subsequently allocated subject to the positive outcome of an economic test, in the following cases:*

*(a) at existing interconnection points, **which has not been available before and is connected with significant investment with long rate-of-return,***

(b) by establishing a new interconnection point or points,
(c) as physical reverse flow capacity at an interconnection point or points, which has not been ~~offered~~ available before and is connected with significant investment with long rate-of-return.

Capacity created via non-market based procedures and for which the final investment decision has been taken without prior commitments from network users is not considered incremental capacity, but has to be offered and allocated as available standard capacity products as described in this Regulation.

Secondly, we suggest not to apply fee for activities resulting from the submission of non-binding demand indication to respective network users – Article 20 a point 9 as the process should be not binding and should encourage network users to give such indication. We suggest changing “respective network users” ”to“ all network users or deleting Article 20 a point 9 as whole.

2. Do you support ENTSOG’s envisaged proposals to change the default auction calendar in relation to the discussions on the draft Network Code on Tariffs (i.e. to move the annual yearly capacity auctions from March to July, the annual quarterly auctions from June to August and the rolling monthly auctions’ start from the third to the second Monday of each month)? If not, please explain why.

We support the proposed change for annual yearly capacity auctions, but we would suggest to change „annual quarterly auctions“ to „quarterly auctions“ with beginning first Monday of last month before beginning of such quarter. We have neutral position on the rolling monthly auctions.

We think that the change in quarterly auction could bring more flexibility to the market and would increase the liquidity to the market. In suggested change of annual yearly auction the term of July is very close to August, so the annual quarterly auction is almost the same as annual yearly auction.

3. Do you support the further technical changes introduced (e.g. on the auction algorithms (Art. 17 (16) and Art. 18 (3d) & (9)); on the bundling of existing capacity (Art. 20(1); on the allocation of interruptible services (Art. 21(9)) etc.? If not, please list which amended articles you disagree with and explain why.

We have comment only to Interruptible capacity – Article 21 point 9 – we think that the amount of interruptible capacity should be unlimited to avoid hoarding capacity and should support using the firm capacity (the price of interruptible capacity should be low enough to make the holders of firm (and unused) capacity to sell it on secondary market. It also has the logic that the costs were already paid by sold-out firm capacity.

4. Do you have any other comments related to the proposed NC CAM, changes, and if so which?

No.

