To the Attention of the ACER Agency
Gas Energy Team

Geneva, 3 March 2015

Dear Sirs,

RE: Public Consultation on the Incremental Capacity Proposal PC 2015 G 02

We would like to take this opportunity to draw ACER’s attention to another point on which we believe the Network Code on Capacity Allocation Mechanism (“NC CAM”) is to be revised. Indeed, Mercuria is of the opinion that the current version of the NC CAM does not entirely achieve its main objective of facilitating gas transport and gas trading across Europe.


Whilst Mercuria welcomes the effort to facilitate and harmonize the capacity booking process, we are concerned by the fact that it obliges European Transmission System Operators (“TSOs”) to only sell bundled capacity, when available.

We believe that obliging the TSOs to sell bundled capacity is a positive idea as long as the network users who already own unbundled capacity are offered a solution for such unbundled capacity either by (i) booking the missing unbundled leg of the capacity when it becomes economically viable, or (ii) surrendering the booked capacity that it is unable to use due to the (bundled) capacity allocation mechanism.

The following practical example illustrates why we are of the opinion that the principle of bundled capacity is inefficient:

Suppose there is a price difference of 0.5 Eur/MWh between location A and Location B for a contract delivery on a Day-Ahead basis.

There is currently 1000 MWh/h exit capacity from point A and 800 MWh/h Entry capacity into point B available to be auctioned. As a result, there will be an auction for 800 MWh/h bundled capacity from point A to point B and 200 unbundled capacity to exit point A. According to the capacity allocation mechanism, no unbundled entry into point B will be offered.

The bundled capacity to flow gas from Location A to location B is 0.7 Eur/MWh (exit from A being 0.5 Eur/MWh and entry into B being 0.2 Eur/MWh), hence buying the bundled capacity and flowing the gas is not economically viable and the logic result is that the capacity remains unsold.

A network user who already owns unbundled capacity to exit point A would, nonetheless, be interested in buying the unbundled capacity to entry point B and flow gas between the 2 locations. However, it is not able to do this because, following the current NC CAM rules, no unbundled capacity is available to entry point B.

As a result, all the available capacity remains unsold and the network user is not able to use the already booked capacity (but still will be required to pay for it).

We hope this basic example illustrates why capacity must remain available as unbundled capacity as it maximizes flows between different locations. We would therefore strongly welcome a revision of the NC CAM in this regard and believe that such revision would be fully supported by the other market players.

We remain at your disposal for any further clarification you may require in relation to the above.

Kind regards,

For and on behalf of Mercuria Energy Trading S.A.