



European Union Agency for the Cooperation
of Energy Regulators



[GAS Network Codes Functionality Platform](#)

**REPORTED ISSUE ID: 01/2020.
Greater flexibility to book firm
capacity at IPs**

Reported by: EFET

Status: SOLVED

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REPORTED ISSUE ID: 01/2020. Greater flexibility to book firm capacity at IPs

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ISSUE DETAILS

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.

Category: European

REPORTED ISSUE

The proposal aims to make firm IP capacity more readily available to shippers by enabling TSOs to offer it for sale in uniform price allocation (UPA) auctions outside the CAM NC auction timetable dates.

Supplementary UPA auctions for yearly, quarterly and monthly IP capacity would be held for any capacity remaining unsold after the first relevant CAM NC (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 CAM NC auctions first before any supplementary UPA auctions took place.

TSOs and booking platforms could choose to implement supplementary UPA auctions or not, possibly on an initial trial basis. However, as UPA auctions will increase the opportunity for TSOs to sell capacity and may incentivise more annual capacity booking, hopefully most of them would choose to do so.

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 on the dates specified by ENTSOG in the auction calendar.

UPA auctions would be held for unsold firm yearly, quarterly and monthly capacity at IPs on each business day commencing on the 3rd business days after the start of the relevant CAM NC auction.

However, UPA auctions would not take place on days where CAM NC auctions for firm or interruptible yearly, quarterly or monthly capacity are scheduled to take place. In the event demand for capacity at an IP(s) extends the CAM NC auction beyond the scheduled day through the ascending clock mechanism, UPA auctions will be suspended at that IP(s) until the 3rd business days after completion of the auction.

Also, at the point in time when the amount of firm capacity to be offered in monthly and quarterly CAM NC auctions is published one and two weeks, respectively, before the auction dates, any yearly or quarterly UPA auctions pertaining to such month or quarter shall be suspended.

Prior to the start of each business day TSOs will notify the booking platform of the quantities of yearly, quarterly and monthly capacity they are able to offer for sale through UPA auctions. The booking platform will then compare the capacity offered at each IP and publish the amounts of bundled and unbundled capacity to be offered via UPA auctions, as per the timings below.

Yearly, quarterly and monthly capacity per IP would be offered sequentially in separate UPA auctions held during the business day. These auctions would conclude one hour before the start of the CAM NC day ahead auctions at 16:30.

Included as a “suggested solution supporting document” is full description of the proposal, including possible auction timescales and legal text changes (Flexible IP Capacity_28012020_02.pdf). Also included is an overview, for calendar year 2020, of all the CAM NC and supplementary UPA auction dates and products resulting from the proposal, along with separate annual, quarterly and monthly UPA schedules (Flexible IP Capacity_28012020_03.pdf).

CONCERNED ENTITIES

Network Code / Guidelines concerned:

Network Code on Capacity Allocation Mechanisms, Commission Regulation (EU) 2017/459

Member State(s) concerned:

- Austria
- Belgium
- Bulgaria
- Croatia
- Cyprus
- Czech Republic
- Denmark
- Estonia
- Finland
- France
- Germany
- Greece
- Hungary
- Ireland
- Italy
- Latvia
- Lithuania
- Luxembourg
- Malta
- Netherlands
- Northern Ireland
- Poland
- Portugal
- Romania
- Slovakia
- Slovenia
- Spain
- Sweden
- United Kingdom

IP(s) concerned:

None selected

NOTIFIED PARTIES

Informed NRA(s):

None selected

Informed TSO(s):

None selected

SUGGESTED ACTIONS

Who should act:

- ACER
- ENTSOG
- INVOLVED_TSOS

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.

PUBLIC CONSULTATIONS

FINISHED

Public Consultation on FUNC issue “Greater flexibility to book firm capacity at IPs”: PC1

FINISHED

Consultation on the FUNC issue (ID 01/2020): PC2

SOLUTION

Based on the proposal, the contributions received to the public consultations and public workshop, and internal discussions held between NRAs and TSOs, ACER and ENTSOG propose the following main measures be taken into consideration to provide an appropriate solution for the issue reported by EFET on the one hand, and also to improve the CAM NC rules and make them more adapted and adaptable to the market conditions and market participants’ needs, on the other hand:

- Introduce additional booking opportunities.
- Allow for advance booking of monthly and daily capacity products.
- Improve the efficiency of the allocation process
- Introduce more flexibility in the CAM rules.

For detailed description, please refer to the Issue Solution and Issue Solution Supporting Note document (Annex I).

ACER and ENTSOG are working to translate the measures into CAM NC text. When the work is completed, the document titled Annex II to the Issue Solution Supporting Note will be uploaded to this website.

Solution publication date: 2023-05-31

DOCUMENTS

[ISSUE SUPPORTING - Proposal to offer shippers greater flexibility to book fi...](#)

[ISSUE SUPPORTING - Indicative Auction Schedule Calendar Year 2020](#)

[PUBLIC CONSULTATION - PC1 - Cover note to Public Consultation on FUNC issue 'Gr...](#)

[PUBLIC CONSULTATION - PC1 - Summary of Results](#)

[PUBLIC CONSULTATION - PC1 - Summary of Results Annex 1](#)

[PUBLIC CONSULTATION - PC1 - Summary of Results slide pack](#)

[PUBLIC CONSULTATION - PC2 - Evaluation Report](#)

PUBLIC CONSULTATION - PC2 - Evaluation Report Annex 1 - Participants responses

SOLUTION - Issue Solution

SOLUTION - Issue Solution Supporting Note

Proposal to offer shippers greater flexibility to book firm capacity at interconnection points (IPs) outside the EU Capacity Allocation Network Code (CAM NC) auction timetable dates.

Background

- Since it was implemented in November 2015, the CAM NC¹ has progressively given shippers more flexibility to book capacity at IPs and made the process more efficient. IP capacity can now be easily acquired for multiple durations, on a bundled basis, according to standardised auction timetables and mechanisms and through a small number of capacity booking platforms. This has contributed to reduced contractual congestion and narrower spreads through efficient price arbitrage. It has also generated greater liquidity across EU gas markets, both in prompt and forward markets.
- Despite this however, the standard auction timetable included in CAM NC 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 CAM NC profitable commodity arbitrage opportunities² may not exist, whereas at times outside of the CAM NC auction timetable they may do. Overall this is detrimental to market efficiency and reduces the amount of IP capacity TSOs can sell. This one reason why some TSOs have introduced implicit allocation of capacity³.
- As pointed out by ACER in its most recent gas market monitoring report⁴ “the CAM NC is favouring the possibility for shippers better to profile their capacity portfolio and to incorporate short-term price signals in the management of their capacity at the IPs. ... NRA’s, the European Commission and ACER could consider the possibility to further increase the frequency of CAM auctions with a standardised timing in order to make them even more useful for the network users.”

Outline of the proposal

- The proposal aims to make firm IP capacity more readily available to shippers by enabling TSOs to offer it for sale in uniform price allocation (UPA) auctions⁵ outside the CAM NC auction timetable dates.
- Supplementary UPA auctions for yearly, quarterly and monthly IP capacity would be held for any capacity remaining unsold after the first relevant CAM NC (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 CAM NC auctions first before any supplementary UPA auctions took place.
- TSOs and booking platforms could choose to implement supplementary UPA auctions or not, possibly on an initial trial basis. However, as UPA auctions will increase the opportunity for TSOs to sell capacity and may incentivise more annual capacity booking, hopefully most of them would choose to do so.
- 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. Firstly, the CAM NC states that yearly, quarterly and monthly IP capacity auctions must use the ascending clock auction algorithm,⁶ not the uniform price algorithm. Secondly, it could be argued that offering annual, quarterly and monthly capacity after the

¹ [Commission Regulation \(EU\) 2017/459 of 16 March 2017](#)

² When the prices spread between two markets is > the cost of capacity

³ Interconnector (UK) and BBL both now offer capacity via implicit allocation, outside of the CAM NC auction timetables

⁴ [“Annual Report on the Results of Monitoring the Internal Electricity and Natural Gas Market in 2018 – Gas Wholesale Market Volume”](#) – October 2018

⁵ As described in Article 18 of the CAM NC

⁶ Article 16.2 of the CAM NC

first relevant CAM NC (ascending clock) auction has taken place and up to the point where it becomes usable is contrary to the cascading principle⁷.

- The proposal envisages bringing forward the dates of the CAM NC rolling monthly capacity auctions from the third to the first Monday of each month⁸. This does not require a change to the CAM NC legal text, as such, because ENTSOG already has discretion to change the dates of these auctions when publishing the auction calendar⁹. But if other changes to the legal text are necessary this could be included too.
- Indicative changes to the CAM NC legal text are shown in Appendix 1 below.
- 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 capacity¹⁰ on the dates specified by ENTSOG in the auction calendar¹¹.

UPA auction schedule

- UPA auctions would be held for unsold firm yearly, quarterly and monthly capacity at IPs on each business day¹² commencing on the 3rd business days after the start of the relevant CAM NC auction.
- Any unsold capacity following the yearly, quarterly and monthly CAM NC auctions would be typically offered in UPA auctions as follows:
 - Yearly capacity (first gas year only):
 - offered on each business day from the 3rd business days after the first Monday in July until the 3rd business day prior to the end of September;
 - Quarterly capacity (first gas year only):
 - Q4: offered on each business day from the 3rd business days after the first Monday in August until the 3rd business day prior to the end of September;
 - Q1: offered on each business day from the 3rd business days after the first Monday in August until the 3rd business day prior to the end of December;
 - Q2: offered on each business day from the 3rd business days after the first Monday in August until the 3rd business day prior to the end of March;
 - Q3: offered on each business day from the 3rd business days after the first Monday in August until the 3rd business day prior to the end of June.
 - Monthly capacity (first month only):
 - offered on each business day from the 3rd business day after the first Monday of the preceding month up until the 3rd business day prior to the start of the month in question.
- However, UPA auctions would not take place on days where CAM NC auctions for firm or interruptible yearly, quarterly or monthly capacity are scheduled to take place. In the event demand for capacity at an

⁷ Article 8.3 of the CAM NC

⁸ Except on days where rolling monthly capacity auctions would clash with annual or quarterly capacity CAM NC auctions, in which case the ENTSOG calendar could schedule the rolling monthly capacity auction for the Tuesday following the first Monday.

⁹ See Article 13.4 of the CAM NC

¹⁰ As per Article 32 of the CAM NC

¹¹ If, as proposed, the date for the firm rolling monthly capacity auctions is brought forward to the first Monday of each month it would also be possible to bring forward the date for interruptible rolling monthly auctions from the 4th Tuesday of each month, but this is not part of the proposal.

¹² Business days would need to be defined in such a way as to be consistent with principal commodity trading days in Europe, for example those weekdays which are not simultaneous public holidays in the UK, Germany and Netherlands.

IP(s) extends the CAM NC auction beyond the scheduled day through the ascending clock mechanism, UPA auctions will be suspended at that IP(s) until the 3rd business days after completion of the auction.

- Also, at the point in time when the amount of firm capacity to be offered in monthly and quarterly CAM NC auctions is published one and two weeks, respectively, before the auction dates, any yearly or quarterly UPA auctions pertaining to such month or quarter shall be suspended. This maintains the integrity of the amount of firm capacity to be offered in monthly and quarterly CAM NC auctions.
- Consequently, there will always be two full business days between:
 - a CAM NC firm yearly, quarterly or monthly capacity auction start date and the start of UPA auctions for unsold equivalent firm capacity products;
 - a yearly, quarterly or monthly capacity UPA auction and that product becoming usable; and in addition
 - a CAM NC monthly auction and a UPA quarterly auction for the relevant quarter within which that month falls¹³.
- An overview showing all the proposed CAM NC and UPA auction dates and products for calendar year 2020 along with separate annual, quarterly and monthly UPA schedules is attached as Appendix 2.

UPA auction process (all times CET)

- Prior to the start of each business day TSOs will notify the booking platform of the quantities of yearly, quarterly and monthly capacity they are able to offer for sale through UPA auctions. The booking platform will then compare the capacity offered at each IP and publish the amounts of bundled and unbundled capacity to be offered via UPA auctions, as per the timings below.
- Yearly, quarterly and monthly capacity per IP¹⁴ would be offered sequentially in separate UPA auctions held during the business day. These auctions would conclude one hour before the start of the CAM NC day ahead auctions at 16:30.
- UPA auctions would follow the process below:
 - Once the booking platform has published the quantity of capacity available, shippers may submit binding bids for capacity,¹⁵ stating the prices and quantities they wish to bid.
 - On business days where unsold capacity is available, the timings of the auctions are as follows:
 - Yearly capacity
 - 10:00 – Booking platform publishes the quantity of yearly capacity to be made available via UPA auctions at specific IPs (in both directions)
 - 11:00 - Deadline for shippers to submit binding bids
 - 11:30 – Deadline for TSO to allocate yearly capacity and to publish the volume allocated and the clearing price.
 - Quarterly capacity
 - 12:00 – Booking platform publishes the quantity of quarterly capacity to be made available (per quarter) via UPA auctions at specific IPs (in both directions)
 - 13:00 - Deadline for shippers to submit binding bids

¹³ This applies to the auctions for April, July, October and January monthly capacity

¹⁴ It may not be possible to offer capacity via UPA auctions at IPs where competing capacity arrangements are applied under the CAM NC.

¹⁵ As per Article 18 of the CAM NC

- 13:30 – Deadline for TSO to allocate quarterly capacity and to publish volume allocated and the clearing price
- Monthly capacity
 - 14:00 – Booking platform publishes the quantity of monthly capacity to be made available via uniform price allocation at specific IPs (in both directions)
 - 15:00 - Deadline for shippers to submit binding bids
 - 15:30 – Deadline for TSO to allocate monthly capacity and to publish volume allocated and the clearing price

Appendix 1 – Indicative changes to the CAM NC legal text

Article 8.3 - “The standard capacity products shall follow a logical order by which products covering yearly capacity shall be offered first, followed by the product with the next shortest duration for use during the same period. Once offered in accordance with this logical order, unsold standard capacity products may continue to be offered via auction up to the point where they become usable, notwithstanding Article 11.1, Article 12.1 and Article 13.1. The timing of the auctions provided for in Articles 11 to 15 shall be consistent with this principle”.

Article 11.2 – “Capacity for each yearly standard capacity product shall first be auctioned through the annual yearly capacity auction using an ascending-clock auction algorithm in accordance with Article 17. Notwithstanding Article 16.2, any unsold yearly standard capacity product for the first year may continue to be offered via auctions using a uniform-price auction algorithm in accordance with Article 18, up to the point where it becomes usable”.

Article 12.2 – “Capacity for each quarterly standard capacity product shall be first auctioned through the annual quarterly capacity auctions using an ascending-clock auction algorithm in accordance with Article 17. Notwithstanding Article 16.2, any unsold quarterly standard capacity products for the first year may continue to be offered via auctions using a uniform-price auction algorithm in accordance with Article 18, up to the point where they become usable”.

Article 13.2 – “Capacity for each monthly standard capacity product shall be first auctioned through the rolling monthly capacity auction using an ascending-clock auction algorithm in accordance with Article 17. Notwithstanding Article 16.2, any unsold monthly standard capacity products may continue to be offered for a single month via auctions using a uniform-price auction algorithm in accordance with Article 18, up to the point where they become usable. Each month, the monthly standard capacity product for the following calendar month shall be auctioned”.

Article 13.4 – “Rolling monthly capacity auctions shall start on the ~~third~~ first Monday of each month for the following monthly standard capacity product unless otherwise specified in the auction calendar”.

Indicative Auction Schedule Calendar Year 2020

Excludes public holidays

| | |
|--|---|
| | Non auction days |
| | CAM annual capacity auction dates and products (firm and interruptible) |
| | CAM quarterly auction dates and products (firm and interruptible) |
| | CAM monthly auction dates and products (firm and interruptible) |
| | UPA auction dates and products offered where firm capacity remains unsold |

| 2020 | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------------------|-------------------|-------------------------|--------------|--------------|-------------------|----------------|--------------------------------------|-------------------------------------|-------------------------|-------------------------|-------------------------------|
| 1 | Q220, Q320 | SAT | SUN | Q320 | | Jul20, Q320 (INT) | | SAT | Q121, Q221, Q321 | Q121, Q221, Q321 | SUN | Q221, Q321 |
| 2 | Q220, Q320 | SUN | Apr20, Q220, Q320 (INT) | Q320 | SAT | | | SUN | Q121, Q221, Q321 | Q121, Q221, Q321 | Q121, Q221, Q321 | Q221, Q321 |
| 3 | Q220, Q320 | Q220, Q320 | Q320 | Q320 | SUN | | | Q420, Q121, Q221, Q321 | Q121, Q221, Q321 | SAT | Dec-20 | Q221, Q321 |
| 4 | SAT | Mar-20 | Q320 | SAT | Q320 | Q320, Jul-20 | SAT | Sep-20 | Q121, Q221, Q321 | SUN | | Q221, Q321 |
| 5 | SUN | | Q220, Q320, Apr20 | SUN | Jun-20 | Q320, Jul-20 | SUN | | SAT | Nov-20 | Q121, Q221, Q321 | SAT |
| 6 | Feb-20 | Q220, Q320 | Q220, Q320, Apr20 | May-20 | | SAT | GY 20 - 34 | GY20, Q420, Q121, Q221, Q321 | SUN | Q121, Q221, Q321 | Q121, Q221, Q321, Dec20 | SUN |
| 7 | Q220, Q320 | Q220, Q320, Mar20 | SAT | Q320 | Q320 | SUN | Aug-20 | GY20, Q420, Q121, Q221, Q321, Sep-20 | Oct20, Q420, Q121, Q221, Q321 (INT) | Q121, Q221, Q321 | SAT | Jan21, Q121, Q221, Q321 (INT) |
| 8 | Q220, Q320 | SAT | SUN | Q320 | Q320, Jun-20 | Q320, Jul-20 | | SAT | Q121, Q221, Q321 | Q121, Q221, Q321, Nov20 | SUN | Q221, Q321 |
| 9 | Q220, Q320, Feb20 | SUN | Q220, Q320, Apr20 | Q320, May20 | SAT | Q320, Jul-20 | GY20 | SUN | Q121, Q221, Q321 | Q121, Q221, Q321, Nov20 | Q121, Q221, Q321, Dec20 | Q221, Q321 |
| 10 | Q220, Q320, Feb20 | Q220, Q320, Mar20 | Q220, Q320, Apr20 | Q320, May20 | SUN | Q320, Jul-20 | GY20, Aug20 | GY20, Q420, Q121, Q221, Q321, Sep-20 | GY20, Q420, Q121, Q221, Q321, Oct20 | SAT | Q121, Q221, Q321, Dec20 | Q121, Q221, Q321, Jan21 |
| 11 | SAT | Q220, Q320, Mar20 | Q220, Q320, Apr20 | SAT | Q320, Jun-20 | Q320, Jul-20 | SAT | GY20, Q420, Q121, Q221, Q321, Sep-20 | GY20, Q420, Q121, Q221, Q321, Oct20 | SUN | Q121, Q221, Q321, Dec20 | Q121, Q221, Q321, Jan21 |
| 12 | SUN | Q220, Q320, Mar20 | Q220, Q320, Apr20 | SUN | Q320, Jun-20 | Q320, Jul-20 | SUN | GY20, Q420, Q121, Q221, Q321, Sep-20 | SAT | Q121, Q221, Q321, Nov20 | Q121, Q221, Q321, Dec20 | SAT |
| 13 | Q220, Q320, Feb20 | Q220, Q320, Mar20 | Q220, Q320, Apr20 | Q320, May20 | Q320, Jun-20 | SAT | GY20, Aug20 | GY20, Q420, Q121, Q221, Q321, Sep-20 | SUN | Q121, Q221, Q321, Nov20 | Q121, Q221, Q321, Dec20 | SUN |
| 14 | Q220, Q320, Feb20 | Q220, Q320, Mar20 | SAT | Q320, May20 | Q320, Jun-20 | SUN | GY20, Aug20 | GY20, Q420, Q121, Q221, Q321, Sep-20 | GY20, Q420, Q121, Q221, Q321, Oct20 | Q121, Q221, Q321, Nov20 | SAT | Q121, Q221, Q321, Jan21 |
| 15 | Q220, Q320, Feb20 | SAT | SUN | Q320, May20 | Q320, Jun-20 | Q320, Jul-20 | GY20, Aug20 | SAT | GY20, Q420, Q121, Q221, Q321, Oct20 | Q121, Q221, Q321, Nov20 | SUN | Q121, Q221, Q321, Jan21 |
| 16 | Q220, Q320, Feb20 | SUN | Q220, Q320, Apr20 | Q320, May20 | SAT | Q320, Jul-20 | GY20, Aug20 | SUN | GY20, Q420, Q121, Q221, Q321, Oct20 | Q121, Q221, Q321, Nov20 | Q121, Q221, Q321, Dec20 | Q121, Q221, Q321, Jan21 |
| 17 | Q220, Q320, Feb20 | Q220, Q320, Mar20 | Q220, Q320, Apr20 | Q320, May20 | SUN | Q320, Jul-20 | GY20, Aug20 | GY20, Q420, Q121, Q221, Q321, Sep-20 | GY20, Q420, Q121, Q221, Q321, Oct20 | SAT | Q121, Q221, Q321, Dec20 | Q121, Q221, Q321, Jan21 |
| 18 | SAT | Q220, Q320, Mar20 | Q220, Q320, Apr20 | SAT | Q320, Jun-20 | Q320, Jul-20 | SAT | GY20, Q420, Q121, Q221, Q321, Sep-20 | GY20, Q420, Q121, Q221, Q321, Oct20 | SUN | Q121, Q221, Q321, Dec20 | Q121, Q221, Q321, Jan21 |
| 19 | SUN | Q220, Q320, Mar20 | Q220, Q320, Apr20 | SUN | Q320, Jun-20 | Q320, Jul-20 | SUN | GY20, Q420, Q121, Q221, Q321, Sep-20 | SAT | Nov-20 | Q121, Q221, Q321, Dec20 | SAT |
| 20 | Feb-20 | Q220, Q320, Mar20 | Q220, Q320, Apr20 | May-20 | Q320, Jun-20 | SAT | GY 20-34 (INT) | GY20, Q420, Q121, Q221, Q321, Sep-20 | SUN | Nov-20 | Q121, Q221, Q321, Dec20 | SUN |
| 21 | Feb-20 | Q220, Q320, Mar20 | SAT | May-20 | Q320, Jun-20 | SUN | Aug-20 | GY20, Q420, Q121, Q221, Q321, Sep-20 | GY20, Q420, Q121, Q221, Q321, Oct20 | Nov-20 | SAT | Q121, Q221, Q321, Jan21 |
| 22 | Feb-20 | SAT | SUN | May-20 | Q320, Jun-20 | Q320, Jul-20 | Aug-20 | SAT | GY20, Q420, Q121, Q221, Q321, Oct20 | Nov-20 | SUN | Jan-21 (INT) |
| 23 | Feb-20 | SUN | Q220, Q320, Apr20 | May-20 | SAT | Jul-20 (INT) | Aug-20 | SUN | GY20, Q420, Q121, Q221, Q321, Oct20 | Nov-20 | Q121, Q221, Q321, Dec20 | Q121, Q221, Q321, Jan21 |
| 24 | Feb-20 | Q320, Mar20 | Apr-20 (INT) | May-20 | SUN | Q320, Jul-20 | Aug-20 | GY20, Q420, Q121, Q221, Q321, Sep-20 | GY20, Q420, Q121, Q221, Q321, Oct20 | SAT | Dec-20 (INT) | Q121, Q221, Q321, Jan21 |
| 25 | SAT | Mar-20 (INT) | Q220, Q320, Apr20 | SAT | Jun-20 | Q320, Jul-20 | SAT | Sep-20 (INT) | GY20, Q420, Q121, Q221, Q321, Oct20 | SUN | Q121, Q221, Q321, Dec20 | Q121, Q221, Q321, Jan21 |
| 26 | SUN | Q320, Mar20 | Q220, Q320, Apr20 | SUN | Jun-20 (INT) | Q320, Jul-20 | SUN | GY20, Q420, Q121, Q221, Q321, Sep-20 | SAT | Nov-20 | Q121, Q221, Q321, Dec20 | SAT |
| 27 | Feb-20 | Q320 | Q220, Q320, Apr20 | May-20 | Jun-20 | SAT | Aug-20 | GY20, Q420, Q121, Q221, Q321, Sep-20 | SUN | Nov-20 (INT) | Q121, Q221, Q321 | SUN |
| 28 | Feb-20 (INT) | Q320 | SAT | May-20 (INT) | | SUN | Aug-20 (INT) | GY20, Q420, Q121, Q221, Q321 | GY20, Q420, Q121, Q221, Q321, Oct20 | Nov-20 | SAT | Q121, Q221, Q321, Jan21 |
| 29 | Feb-20 | SAT | SUN | | | | Aug-20 | SAT | Oct-20 (INT) | | SUN | Q121, Q221, Q321, Jan21 |
| 30 | | | Q320 | | SAT | | | SUN | Q121, Q221, Q321 | | Q221, Q321 | Q221, Q321 |
| 31 | | | Q320 | | SUN | | | Q121, Q221, Q321 | | SAT | | Q221, Q321 |

Indicative quarterly capacity UPA auction date and products

Excludes public holidays

- CAM quarterly capacity auction dates and products (firm and interruptible)
- UPA quarterly auction dates and products offered where firm capacity remains unsold
- Period during which quarterly UPA auctions are suspended to maintain the quantity of firm capacity offered in monthly auctions
- Period during which quarterly UPA auctions are suspended to maintain the quantity of firm capacity offered in quarterly auctions

| 2020 | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|------------|------------|--|--------|--------|----------------------------------|--------|------------------------|--|------------------|------------------|---|
| 1 | Q220, Q320 | | | Q320 | | Q320 (INT) <small>Jul-20</small> | | | Q121, Q221, Q321 | Q121, Q221, Q321 | | Q221, Q321 |
| 2 | Q220, Q320 | | Q220, Q320 (INT) <small>Apr-20</small> | Q320 | | | | | Q121, Q221, Q321 | Q121, Q221, Q321 | Q121, Q221, Q321 | Q221, Q321 |
| 3 | Q220, Q320 | Q220, Q320 | Q320 | Q320 | | | | Q420, Q121, Q221, Q321 | Q121, Q221, Q321 | | Dec-20 | Q221, Q321 |
| 4 | | Mar-20 | Q320 | | Q320 | Q320 | | Sep-20 | Q121, Q221, Q321 | | | Q221, Q321 |
| 5 | | | Q220, Q320 | | Jun-20 | Q320 | | | | Nov-20 | Q121, Q221, Q321 | |
| 6 | Feb-20 | Q220, Q320 | Q220, Q320 | May-20 | | | | Q420, Q121, Q221, Q321 | Q121, Q221, Q321 | Q121, Q221, Q321 | Q121, Q221, Q321 | |
| 7 | Q220, Q320 | Q220, Q320 | | Q320 | Q320 | | Aug-20 | Q420, Q121, Q221, Q321 | Q420, Q121, Q221, Q321 (INT) <small>Oct-20</small> | Q121, Q221, Q321 | | Q121, Q221, Q3,21 (INT) <small>Jan-</small> |
| 8 | Q220, Q320 | | | Q320 | Q320 | Q320 | | | Q121, Q221, Q321 | Q121, Q221, Q321 | | Q221, Q321 |
| 9 | Q220, Q320 | | Q220, Q320 | Q320 | | Q320 | | | Q121, Q221, Q321 | Q121, Q221, Q321 | Q121, Q221, Q321 | Q221, Q321 |
| 10 | Q220, Q320 | Q220, Q320 | Q220, Q320 | Q320 | | Q320 | | Q420, Q121, Q221, Q321 | Q420, Q121, Q221, Q321 | | Q121, Q221, Q321 | Q121, Q221, Q321 |
| 11 | | Q220, Q320 | Q220, Q320 | | Q320 | Q320 | | Q420, Q121, Q221, Q321 | Q420, Q121, Q221, Q321 | | Q121, Q221, Q321 | Q121, Q221, Q321 |
| 12 | | Q220, Q320 | Q220, Q320 | | Q320 | Q320 | | Q420, Q121, Q221, Q321 | | Q121, Q221, Q321 | Q121, Q221, Q321 | |
| 13 | Q220, Q320 | Q220, Q320 | Q220, Q320 | Q320 | Q320 | | | Q420, Q121, Q221, Q321 | | Q121, Q221, Q321 | Q121, Q221, Q321 | |
| 14 | Q220, Q320 | | | Q320 | Q320 | Q320 | | Q420, Q121, Q221, Q321 | Q420, Q121, Q221, Q321 | Q121, Q221, Q321 | | Q121, Q221, Q321 |
| 15 | Q220, Q320 | | | Q320 | Q320 | Q320 | | | Q420, Q121, Q221, Q321 | Q121, Q221, Q321 | | Q121, Q221, Q321 |
| 16 | Q220, Q320 | | Q220, Q320 | Q320 | | Q320 | | Q420, Q121, Q221, Q321 | Q420, Q121, Q221, Q321 | Q121, Q221, Q321 | Q121, Q221, Q321 | Q121, Q221, Q321 |
| 17 | Q220, Q320 | Q220, Q320 | Q220, Q320 | Q320 | | Q320 | | Q420, Q121, Q221, Q321 | Q420, Q121, Q221, Q321 | | Q121, Q221, Q321 | Q121, Q221, Q321 |
| 18 | | Q220, Q320 | Q220, Q320 | | Q320 | Q320 | | Q420, Q121, Q221, Q321 | Q420, Q121, Q221, Q321 | | Q121, Q221, Q321 | Q121, Q221, Q321 |
| 19 | | Q220, Q320 | Q220, Q320 | | Q320 | Q320 | | Q420, Q121, Q221, Q321 | | | Q121, Q221, Q321 | |
| 20 | | Q220, Q320 | Q220, Q320 | | Q320 | | | Q420, Q121, Q221, Q321 | | | Q121, Q221, Q321 | |
| 21 | | Q220, Q320 | | | Q320 | Q320 | | Q420, Q121, Q221, Q321 | Q420, Q121, Q221, Q321 | | | Q121, Q221, Q321 |
| 22 | | | | | Q320 | Q320 | | | Q420, Q121, Q221, Q321 | | | |
| 23 | | | Q220, Q320 | | | | | | Q420, Q121, Q221, Q321 | | Q121, Q221, Q321 | Q121, Q221, Q321 |
| 24 | | Q320 | | | | Q320 | | Q420, Q121, Q221, Q321 | Q420, Q121, Q221, Q321 | | | Q121, Q221, Q321 |
| 25 | | | Q220, Q320 | | | Q320 | | | Q420, Q121, Q221, Q321 | | Q121, Q221, Q321 | Q121, Q221, Q321 |
| 26 | | Q320 | Q220, Q320 | | | Q320 | | Q420, Q121, Q221, Q321 | Q420, Q121, Q221, Q321 | | Q121, Q221, Q321 | |
| 27 | | Q320 | Q220, Q320 | | | | | Q420, Q121, Q221, Q321 | | | Q121, Q221, Q321 | |
| 28 | | Q320 | | | | | | Q420, Q121, Q221, Q321 | Q420, Q121, Q221, Q321 | | | Q121, Q221, Q321 |
| 29 | | | | | | | | | | | | Q121, Q221, Q321 |
| 30 | | | Q320 | | | | | | Q121, Q221, Q321 | | Q221, Q321 | Q221, Q321 |
| 31 | | | Q320 | | | | | Q121, Q221, Q321 | | | | Q221, Q321 |

Public Consultation – FUNC issue “Greater flexibility to book firm capacity at IPs”

Introduction:

EFET posted the following issue on the Gas Network Code Functionality Platform <https://www.gasncfunc.eu/gas-func/issues/01/2020/view>

There you will find all details about the reported issue and the relevant documents.

Extract of the reported issue

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 are launching this public consultation to collect stakeholder input.

Please note that the public consultation questionnaire is divided into three main sections, each with its own focus and aim.

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

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

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

When evaluating the EFET proposal, or any change compared with the current auction procedures, it is important to consider both benefits and costs. We would therefore like to stress the importance of you substantiating your answers, to allow us to better understand your needs, the scale of the issue, and all potential benefits or costs. We would also like to highlight that this is the first consultation for this FUNC issue and, based on the responses received, further consultations might be required in the future.

We kindly ask you to fill out this questionnaire by 19/02/2021.

For any questions do not hesitate to get in touch with support@gasncfunc.eu

Please provide your answer via the online survey form:

https://www.gasncfunc.eu/eusurvey/runner/Greater_flexibility

For your convenience, please find below the links to the relevant websites hosting supporting documents for this public consultation. The terminology used in the public consultation corresponds to the definitions established in Article 3 of Commission Regulation (EU) 2017/459 (CAM Network Code).

Supporting Documents:

[CAM Network Code](#)

[EFET Issue supporting documents](#)

[ACER Congestion management report 7th edition](#)

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

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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 (ENTSOG) 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 Mars 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 |

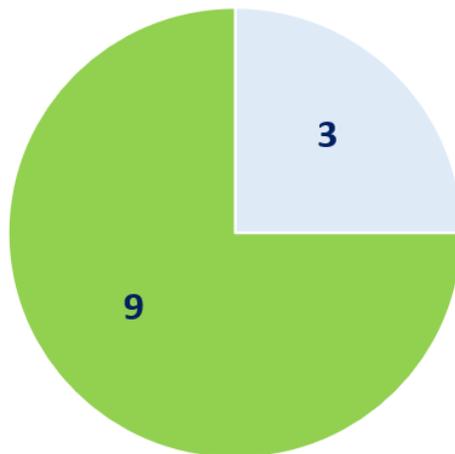
17 participants from 9 different countries responded to the public consultation. The top four countries where the participating parties are located are Germany (4), Belgium (2), Ireland (2) and the United Kingdom (2). 2 participants did not indicate their countries of location. Please note that due to 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.

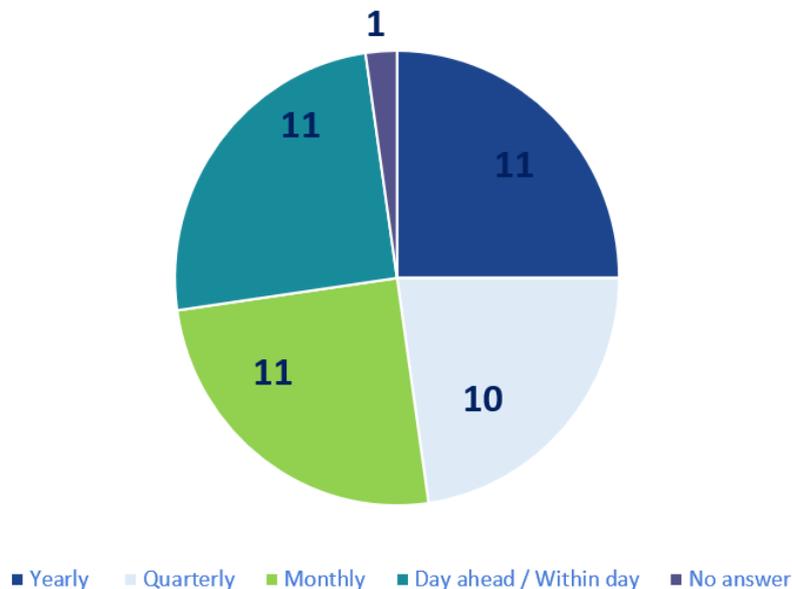
The ENTSOG member TSOs, as well as all NRAs, agreed not to participate in the public consultation, since they are associated with the organisations facilitating the public consultation.¹

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)



¹ 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

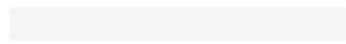
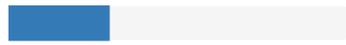
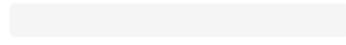
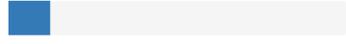
For all questions in section 1 of the consultation containing a scale from 1 to 5:

- 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.

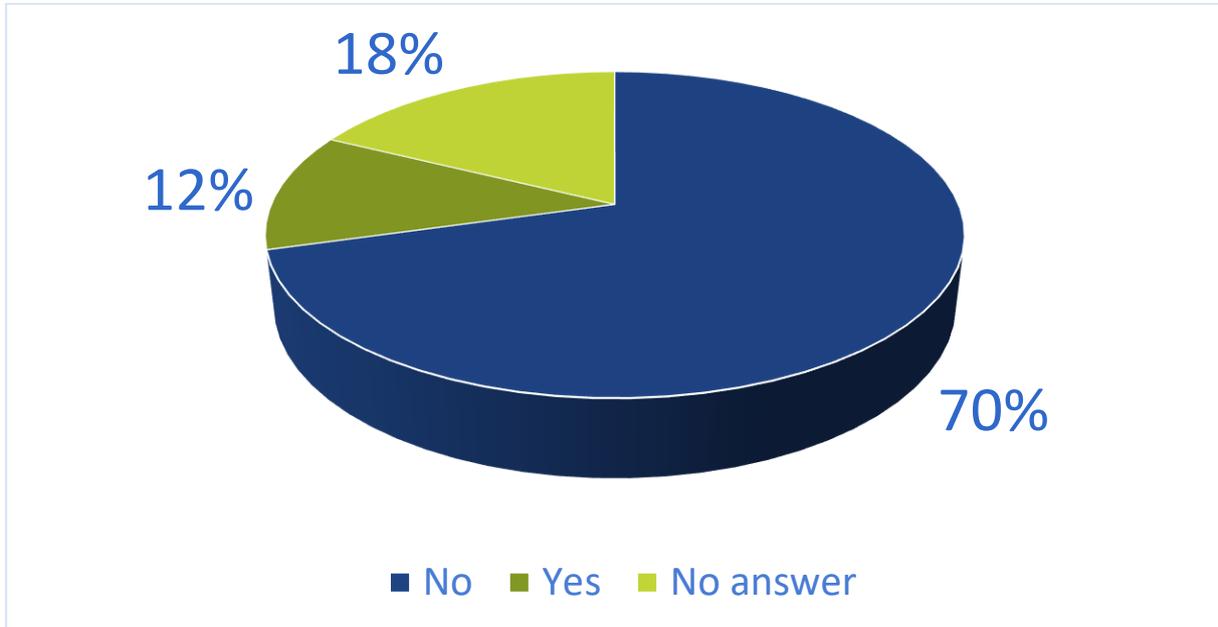
● How do you generally evaluate the current rules for capacity allocation according to NC CAM regarding the design of the auction algorithms as defined in Articles 16-18 NC CAM?

| | | 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:

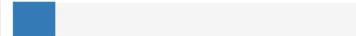
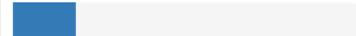
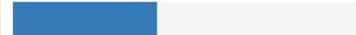
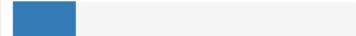
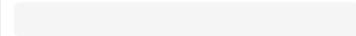
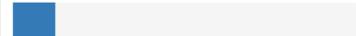
- *‘The ascending clock auctions (if oversubscribed) will likely always result in an undersell as participants drop out. As a consequence, TSOs cannot offer, and market participants cannot acquire, the remaining available capacity until a much later date, and potentially also only for shorter runtimes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

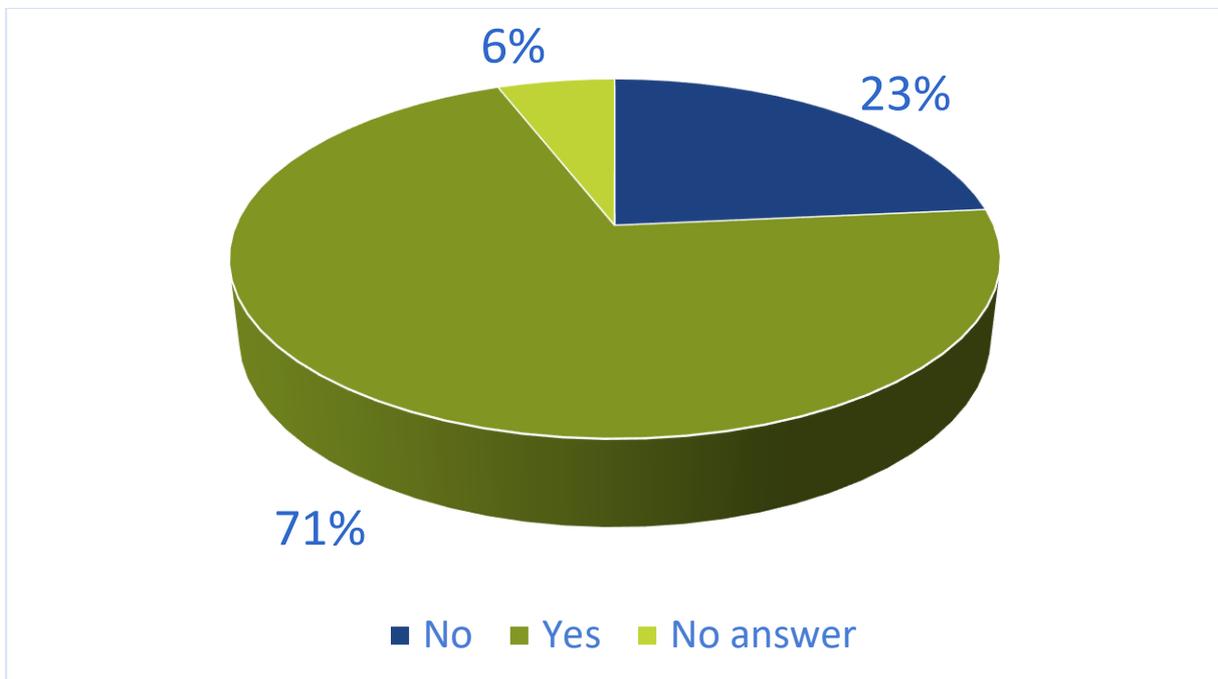
● How do you generally evaluate the current rules for capacity allocation according to NC CAM regarding the auction calendar as defined in Articles 11-15 NC CAM?

| | | 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)

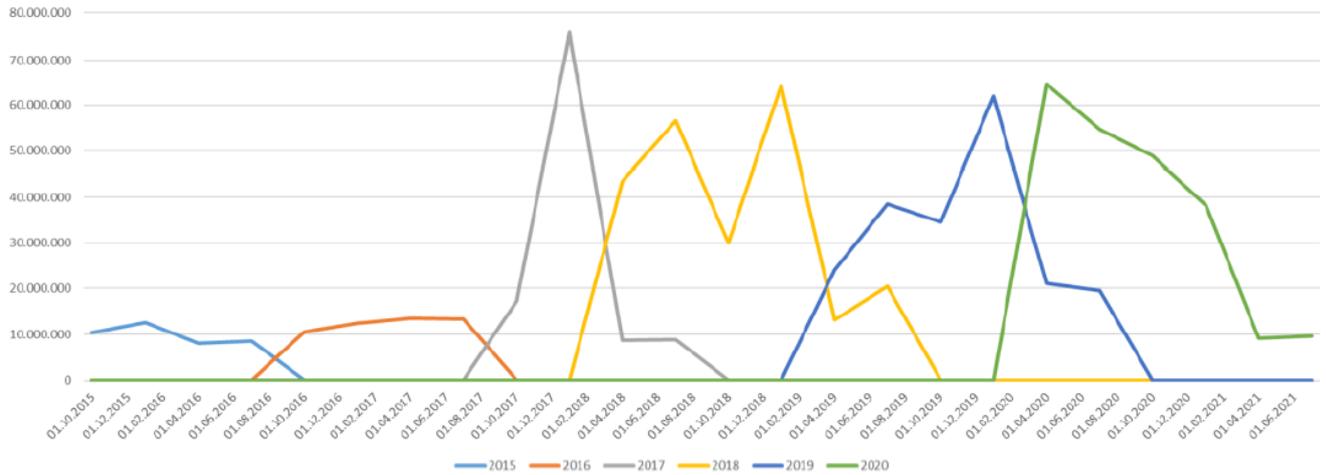


Figure 1: Allocated capacity with quarterly auctions in the different years [in kWh/h/Q]

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

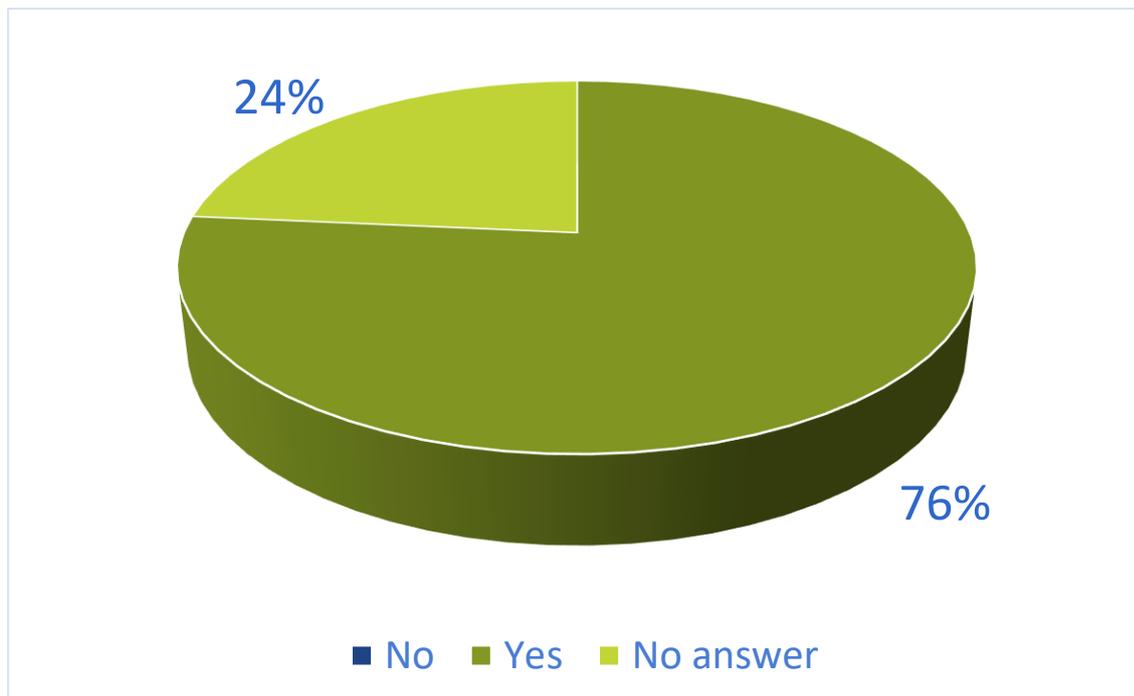
For all questions in section 2 of the consultation containing a scale from 1 to 5:

- 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?

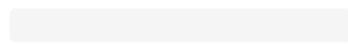
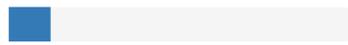
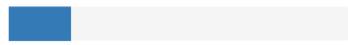
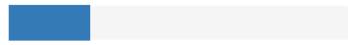
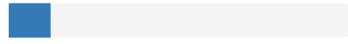


3.3.2. Evaluation of the issue

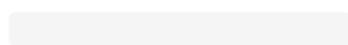
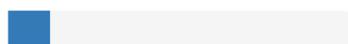
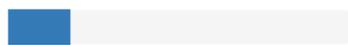
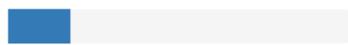
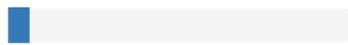
The consultation participants were asked if they consider the EFET proposal to introduce supplementary uniform price allocation (UPA) auctions, for yearly, quarterly and monthly products, to be an appropriate improvement to the current system of allocation of capacities according to the NC CAM. They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

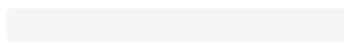
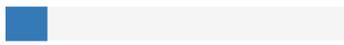
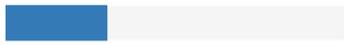
● **Do you consider the EFET proposal to introduce a supplementary uniform price allocation (UPA) auctions, for yearly, quarterly and monthly products, to be an appropriate improvement to the current system of allocation of capacities according to the CAM NC?**

| | | 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 % |

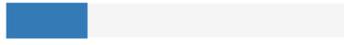
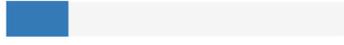
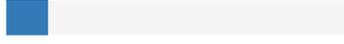
● **Do you consider the EFET proposal to introduce more than one opportunity per month to book monthly capacity products (via UPA) to be an appropriate improvement to the current system of allocation of capacities according to the CAM NC?**

| | | 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)*

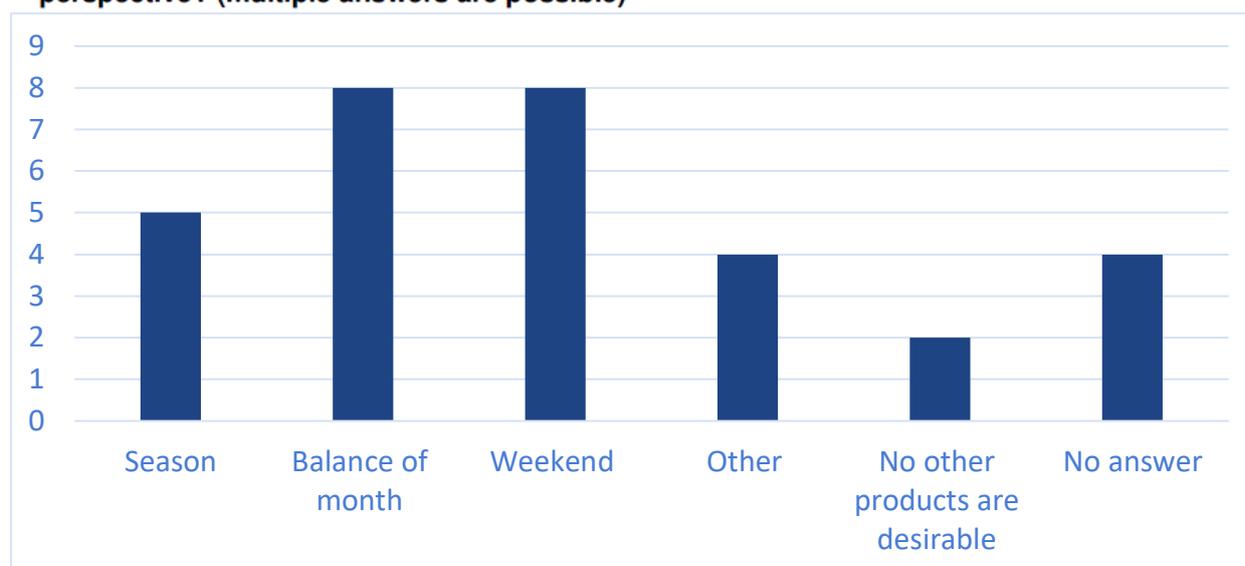
3.4. Section 3: Questions aimed at exploring other options besides the EFET proposal

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).*

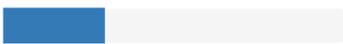
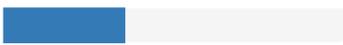
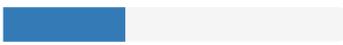
‘All the runtimes suggested by ACER are suitable. Ultimately, they are all beneficial to the extend they allow traders to further capture trading opportunities. From a hedging perspective, these runtimes for standard products will work. It remains to see the booking cost associated

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)

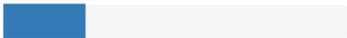
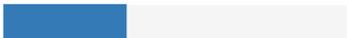
- *There could be merit in allowing quarterly products to be bookable up to two gas years out (rather one gas year out at present) and for monthly products to be bookable up to three months out (rather than one month out at present). However, whilst this would further enhance arbitrage opportunities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

Public Consultation – FUNC issue “Greater flexibility to book firm capacity at IPs”

Fields marked with * are mandatory.

Introduction

EFET posted the following issue on the Gas Network Code Functionality Platform <https://www.gasncfunc.eu/gas-func/issues/01/2020/view>

Extract of the reported issue

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 are launching this public consultation to collect stakeholder input.

Please note that the public consultation questionnaire is divided into three main sections, each with its own focus and aim.

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

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

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

When evaluating the EFET proposal, or any change compared with the current auction procedures, it is important to consider both benefits and costs. We would therefore like to stress the importance of you

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substantiating your answers, to allow us to better understand your needs, the scale of the issue, and all potential benefits or costs. We would also like to highlight that this is the first consultation for this FUNC issue and, based on the responses received, further consultations might be required in the future.

For your convenience please find below the links to the relevant websites hosting supporting documents for this public consultation. The terminology used in the public consultation corresponds to the definitions established in Article 3 of Commission Regulation (EU) 2017/459 (CAM Network Code).

Supporting Documents:

[CAM Network Code](#)

[EFET Issue supporting documents](#)

[ACER Congestion management report 7th edition](#)

General information

Your name:

Email address:

Company name:

Country:

If other country, not in the list above:

My answers:

- can be published with my organisation's information
- can be published provided that my organisation remains anonymous

Please specify your role (multiple answers are possible):

- Capacity Booking Platform Operator
- Network User
- Other

If other, please specify below

If you are a network user, please indicate on how many markets (entry/exit-systems) you are active on and have booked capacity in the last gas year:

- 1
- 2-4
- more than 4

If you are a network user, please indicate which standard capacity products you booked in the last gas year (multiple answers are possible)

- Yearly
- Quarterly
- Monthly
- Day ahead / Within day

I have read, understood and I accept the terms of the ACER and ENTSOG privacy policies and I consent, in particular, on [ACER/ENTSOG](#) processing my personal data (above-mentioned) for this public consultation.

Section 1

The first version of the NC CAM of 2013 had been in place until the amended NC CAM came into force in April 2017 and repealed it. 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 standard capacity products at 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 reduced contractual congestion, narrowing spreads and more liquidity across EU gas market.

This section contains questions aimed at identifying the degree of satisfaction regarding current capacity allocation mechanisms. It also aims at collecting the market need(s) for greater flexibility to book firm capacity at IPs, if any. You will be asked to evaluate the existing capacity allocation rules in the NC CAM and elaborate on which areas you feel need improvement or which areas are currently satisfactory to meet your needs. Your answers will be used to analyze if the current NC CAM limits opportunities for optimizing capacity allocation and improving market functioning.

For questions 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'

1. 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?**

- 1
- 2
- 3
- 4
- 5

1.1 Please elaborate on your rating

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.

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

- Yes
- No

1.2.1 If yes, please elaborate on how this could be improved:

PRISMA European Capacity Platform is not directly facing problems with the current obligations and requirements of NC CAM, but some critical situations for monthly auctions could be object of a specific analysis.

The ascending clock algorithm can cause unexpected results during monthly auctions in some specific cases auctions, due to initial high levels of demand, go on for several days. It happened that after several days in which a monthly auction was running, the market conditions changed and all, or the majority of, the shippers decided to step-out of the auction without buying gas transmission capacity.

It also happened that due to an extremely high demand the monthly auctions ran until the delivery period started and it had to be cancelled. The unsold capacity was offered in the subsequent daily auctions.

1.3 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?**

- 1
- 2
- 3
- 4
- 5

1.3.1 Please elaborate on your rating

With regard to the products defined by NC CAM, stakeholders voluntarily mentioned to PRISMA European Capacity Platform that they would have been interested in buying additional kind of products as: end of the month, end of the week or weekend since similar products are available, as commodity products, on gas exchanges.

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

- Yes
 No

1.4.1 If yes, please elaborate on how this could be improved:

PRISMA European Capacity Platform is not directly facing problems with the current obligations and requirements of NC CAM, but stakeholders voluntarily expressed opinions that the auction calendar of NC CAM could be improved. Stakeholders commented that in some situation they would have liked, or even needed, to buy - in the case of market participants - or to sell - in case of Transmission System Operators - but the obligations introduced by the NC CAM would not have allowed it, due to the fixed calendar. This is relevant for the allocation of Yearly, Quarterly and Monthly products that have limited occasions, defined by the calendar defined in the regulation, in which capacity will be offered to the market. Changes could be done to increase flexibility for market participants.

2. Do the current runtimes of the standard capacity products provide sufficient flexibility to transport gas across the European Union? Please elaborate:

PRISMA European Capacity Platform doesn't have enough information to answer this question.

2.1 Do the current runtimes of the standard capacity products still reflect the commercial need to exchange on commodity markets? Please elaborate:

The gas commodity products and the gas transmission capacity products are not completely in line. For duration under the Gas Year, more commodity products are traded on gas exchanges.

3 Please provide any additional comments on the current capacity allocation rules and elaborate:

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.

[For an illustrative representation, please refer to the sent pdf document]

Section 2

This section contains questions aimed at collecting feedback on the [proposal posted by EFET](#). We ask you to evaluate the EFET proposal based on your previously identified needs and consider whether the proposal would meet those needs in a satisfactory way. This will help us assess if the EFET proposal is a suitable solution for meeting the overall market needs.

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

For questions 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'

4. Do you agree with the problem EFET has described in the posted FUNC issue?

Yes

No

4.1 Please elaborate on your answer:

In specific situation, as mentioned in the answer to question 1.4, stakeholders commented that they were looking for buying/selling gas transmission capacity but the calendar would not have allowed it.

5. 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?

- 1
- 2
- 3
- 4
- 5

5.1 Please elaborate on your rating

6. 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?

- 1
- 2
- 3
- 4
- 5

6.1 Please elaborate on your rating

As mentioned in the previous answer to question 3, the experience with the quarterly auctions indicates that having more moment in time during the year in which capacity is offered increase the interest in the related capacity products.

The methodology for marketing this product shall be agreed between all the interested stakeholders.

7. 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?

- 1
- 2
- 3
- 4
- 5

7.1 Please elaborate on your rating

Please refer to answer to question 6.1

8. 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?

- 1
- 2
- 3
- 4
- 5

8.1 Please elaborate on your rating

Please refer to answer to question 6.1

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

- Voluntary
- Mandatory

9.1. Please explain your reasoning:

Additional solutions could be implemented if previously approved by the relevant National Authorities. The current obligations of the NC CAM could be considered as minimum mandatory requirements. Additional marketing processes, that don't conflict with the mandatory requirements, could be allowed if previously approved by the relevant National Regulatory Authorities.

10. In case any additional auctions would be implemented on a voluntary basis, how can we assure that the bundling principle is followed? Please elaborate:

Any additional process shall be approved by the relevant National Regulatory Authority(ies).

11. What are, from your point of view, the **positive aspects** of the supplementary uniform price allocation (UPA) auctions for yearly, quarterly, and monthly IP capacity proposed by EFET, as compared to the current CAM NC rules on capacity allocation? Please elaborate:

No specific position

12. What are, from your point of view, the **negative aspects** with the supplementary uniform price allocation (UPA) auctions for yearly, quarterly, and monthly IP capacity proposed by EFET, as compared to the current CAM NC rules on capacity allocation? Please elaborate:

No specific position

13. Which elements of the EFET proposal may be advantageous for your company and why? Please elaborate:

No specific position

14. Which elements of the EFET proposal may be disadvantageous for your company and why? If you have any, please include suggestions to improvements of the proposal. Please elaborate:

No specific position

Section 3

This section contains questions aimed at exploring other options to increase flexibility in capacity bookings, besides the EFET proposal. If you previously indicated a need for change in the current capacity allocation rules, and identified problems with the EFET proposal, this section would allow you to propose alternative ways to meet your needs.

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

- Season
- Balance of month
- Weekend
- Other
- No other products are desirable

15.1 Please specify, if other:

A specific assessment shall be done taking in consideration which commodity products are today offered in the most liquid European hubs.

15.2 Please elaborate on why these products are desirable or not desirable:

No specific position

16. 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.

- Yes
- No

17. If yes, which products would you like to be able to book/offer further in advance?

- Monthly
- Quarterly
- Other

17.1 Please elaborate, if other:

No specific position

17.2 Please elaborate on your answer and indicate how much further in advance each product would be desired to be booked/offered.

No specific position

18. 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?

- Yes
- No

18.1 Please elaborate on your answer and if possible, provide suggestions for how implicit allocation methods could be further developed.

PRISMA European Capacity Platform analyzed a new algorithm that can allocate gas transmission capacity at the same time implicitly and explicitly; activities done in the past showed that this algorithm could be implemented.

19. Do you have any **alternative proposals** on how to improve the current offer of capacity products and the rules on capacity allocation? Please elaborate:

No specific position.

20. What other concrete changes, within the scope of the current FUNC issue, could improve the access to transmission capacity and contribute to better cross-border competition and market integration? Please elaborate:

No specific position.

Thank you!

Contact

support@gasncfunc.eu

substantiating your answers, to allow us to better understand your needs, the scale of the issue, and all potential benefits or costs. We would also like to highlight that this is the first consultation for this FUNC issue and, based on the responses received, further consultations might be required in the future.

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General information

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Email address:

Company name:

Country:

- Austria
- Belgium
- Bulgaria
- Croatia
- Cyprus
- Czechia
- Denmark
- Estonia
- Finland
- France
- Germany
- Greece
- Hungary
- Ireland
- Italy
- Latvia
- Lithuania
- Luxembourg

- Malta
- Netherlands
- Poland
- Portugal
- Romania
- Slovak Republic
- Slovenia
- Spain
- Sweden

If other country, not in the list above:

UK

My answers:

- can be published with my organisation's information
- can be published provided that my organisation remains anonymous

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1. 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?**

- 1
- 2
- 3
- 4
- 5

1.1 Please elaborate on your rating

Score: 3.5

The current CAM auctions have successfully functioned since their implementation. There is no a 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.

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

- Yes
- No

1.2.1 If yes, please elaborate on how this could be improved:

Overall, no we are not. It is worth mentioning, however, that in some situations when hub spreads are wide the price steps between round auctions are too small.

We are of the view that TSOs can review some of the parameters of the algorithms, for example, increasing the price steps between round auctions.

1.3 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?**

- 1
- 2
- 3
- 4
- 5

1.3.1 Please elaborate on your rating

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.

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

- Yes
- No

1.4.1 If yes, please elaborate on how this could be improved:

Regarding short term auctions, issues have been related with the lack of fall-back solutions for within day auctions when the booking platform fails.

It can be improved by implementing adequate fall back solutions such as over-nomination in the event of capacity platform fails.

2. Do the current runtimes of the standard capacity products provide sufficient flexibility to transport gas across the European Union? Please elaborate:

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 spreads prices are wide enough.

2.1 Do the current runtimes of the standard capacity products still reflect the commercial need to exchange on commodity markets? Please elaborate:

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.

3 Please provide any additional comments on the current capacity allocation rules and elaborate:

No further comments

Section 2

This section contains questions aimed at collecting feedback on the [proposal posted by EFET](#). We ask you to evaluate the EFET proposal based on your previously identified needs and consider whether the proposal would meet those needs in a satisfactory way. This will help us assess if the EFET proposal is a suitable solution for meeting the overall market needs.

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

For questions 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'

4. Do you agree with the problem EFET has described in the posted FUNC issue?

- Yes
- No

4.1 Please elaborate on your answer:

We do agree with EFET from the angle that flexibility should be increased to book capacity. However, we would welcome further evidence in terms of the missed arbitrage opportunities due to the current CAM auctions mechanism.

5. 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?

- 1
- 2
- 3
- 4
- 5

5.1 Please elaborate on your rating

We are of the view that the proposal could add some unnecessary complexity. 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 (which capacity is available? what and when capacity needs to be booked? and in which auction CAM or UPA participate?) leading to additional operational burden rather than focusing on optimizing booking capacity to capture arbitrage opportunities.

From a trading perspective, the current gas market dynamics implies that not necessary the UPA auctions and its calendar would maximize arbitrage opportunities. In fact, for example, hub spread prices can wide within the morning and be contracted within the afternoon. Therefore, arbitrages opportunities could not be captured even by increasing the number of auctions that are held during the day.

6. 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?

- 1
- 2
- 3
- 4
- 5

6.1 Please elaborate on your rating

See general comment in 5.1

7. 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?

- 1
- 2
- 3
- 4
- 5

7.1 Please elaborate on your rating

See general comment in 5.1

8. 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?

- 1
- 2
- 3
- 4
- 5

8.1 Please elaborate on your rating

See general comment in 5.1

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

- Voluntary
- Mandatory

9.1. Please explain your reasoning:

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.

10. In case any additional auctions would be implemented on a voluntary basis, how can we assure that the bundling principle is followed? Please elaborate:

11. What are, from your point of view, the **positive aspects** of the supplementary uniform price allocation (UPA) auctions for yearly, quarterly, and monthly IP capacity proposed by EFET, as compared to the current CAM NC rules on capacity allocation? Please elaborate:

To provide shippers with more opportunities to book capacity.

12. What are, from your point of view, the **negative aspects** with the supplementary uniform price allocation (UPA) auctions for yearly, quarterly, and monthly IP capacity proposed by EFET, as compared to the current CAM NC rules on capacity allocation? Please elaborate:

As mentioned in response to the question 5.1, 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

13. Which elements of the EFET proposal may be advantageous for your company and why? Please elaborate:

We would like to capture any arbitrage opportunity and have more booking flexibility, and therefore, the proposal could help achieve that objective to some degree

14. Which elements of the EFET proposal may be disadvantageous for your company and why? If you have any, please include suggestions to improvements of the proposal. Please elaborate:

See response to question 12

Section 3

This section contains questions aimed at exploring other options to increase flexibility in capacity bookings, besides the EFET proposal. If you previously indicated a need for change in the current capacity allocation

rules, and identified problems with the EFET proposal, this section would allow you to propose alternative ways to meet your needs.

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

- Season
- Balance of month
- Weekend
- Other
- No other products are desirable

15.1 Please specify, if other:

All the above products

15.2 Please elaborate on why these products are desirable or not desirable:

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.

16. 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.

- Yes
- No

17. If yes, which products would you like to be able to book/offer further in advance?

- Monthly
- Quarterly
- Other

17.1 Please elaborate, if other:

17.2 Please elaborate on your answer and indicate how much further in advance each product would be desired to be booked/offered.

3 months in advance

18. 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?

- Yes
 No

18.1 Please elaborate on your answer and if possible, provide suggestions for how implicit allocation methods could be further developed.

We are in favor 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.

19. Do you have any **alternative proposals** on how to improve the current offer of capacity products and the rules on capacity allocation? Please elaborate:

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.

20. What other concrete changes, within the scope of the current FUNC issue, could improve the access to transmission capacity and contribute to better cross-border competition and market integration? Please elaborate:

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.

Thank you!

Contact

support@gasncfunc.eu

Public Consultation – FUNC issue “Greater flexibility to book firm capacity at IPs”

Fields marked with * are mandatory.

Introduction

EFET posted the following issue on the Gas Network Code Functionality Platform <https://www.gasncfunc.eu/gas-func/issues/01/2020/view>

Extract of the reported issue

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 are launching this public consultation to collect stakeholder input.

Please note that the public consultation questionnaire is divided into three main sections, each with its own focus and aim.

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

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

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

When evaluating the EFET proposal, or any change compared with the current auction procedures, it is important to consider both benefits and costs. We would therefore like to stress the importance of you

substantiating your answers, to allow us to better understand your needs, the scale of the issue, and all potential benefits or costs. We would also like to highlight that this is the first consultation for this FUNC issue and, based on the responses received, further consultations might be required in the future.

For your convenience please find below the links to the relevant websites hosting supporting documents for this public consultation. The terminology used in the public consultation corresponds to the definitions established in Article 3 of Commission Regulation (EU) 2017/459 (CAM Network Code).

Supporting Documents:

[CAM Network Code](#)

[EFET Issue supporting documents](#)

[ACER Congestion management report 7th edition](#)

General information

Your name:

Email address:

Company name:

Country:

If other country, not in the list above:

My answers:

- can be published with my organisation's information
- can be published provided that my organisation remains anonymous

Please specify your role (multiple answers are possible):

- Capacity Booking Platform Operator
- Network User
- Other

If other, please specify below

If you are a network user, please indicate on how many markets (entry/exit-systems) you are active on and have booked capacity in the last gas year:

- 1
- 2-4
- more than 4

If you are a network user, please indicate which standard capacity products you booked in the last gas year (multiple answers are possible)

- Yearly
- Quarterly
- Monthly
- Day ahead / Within day

I have read, understood and I accept the terms of the ACER and ENTSOG privacy policies and I consent, in particular, on [ACER/ENTSOG](#) processing my personal data (above-mentioned) for this public consultation.

Section 1

The first version of the NC CAM of 2013 had been in place until the amended NC CAM came into force in April 2017 and repealed it. 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 standard capacity products at 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 reduced contractual congestion, narrowing spreads and more liquidity across EU gas market.

This section contains questions aimed at identifying the degree of satisfaction regarding current capacity allocation mechanisms. It also aims at collecting the market need(s) for greater flexibility to book firm capacity at IPs, if any. You will be asked to evaluate the existing capacity allocation rules in the NC CAM and elaborate on which areas you feel need improvement or which areas are currently satisfactory to meet your needs. Your answers will be used to analyze if the current NC CAM limits opportunities for optimizing capacity allocation and improving market functioning.

For questions 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'

1. 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?**

- 1
- 2
- 3
- 4
- 5

1.1 Please elaborate on your rating

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

- Yes
- No

1.2.1 If yes, please elaborate on how this could be improved:

1.3 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?**

- 1
- 2
- 3
- 4
- 5

1.3.1 Please elaborate on your rating

Would like more flexibility and frequency to fit with business requirements downstream

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

- Yes
- No

1.4.1 If yes, please elaborate on how this could be improved:

Would like more opportunities to purchase monthly capacity

2. Do the current runtimes of the standard capacity products provide sufficient flexibility to transport gas across the European Union? Please elaborate:

Would like more opportunities to purchase monthly capacity, specifically connected to changes in electricity market information and business need to import gas to use gas in power generation. Capacity is costly and therefore try to book efficient profile in best interests of business and end-consumers. Limitations on IP capacity auctions reduce cost efficiency.

2.1 Do the current runtimes of the standard capacity products still reflect the commercial need to exchange on commodity markets? Please elaborate:

3 Please provide any additional comments on the current capacity allocation rules and elaborate:

Business needs for gas for power gen m-1 change post auction.

Section 2

This section contains questions aimed at collecting feedback on the [proposal posted by EFET](#). We ask you to evaluate the EFET proposal based on your previously identified needs and consider whether the proposal would meet those needs in a satisfactory way. This will help us assess if the EFET proposal is a suitable solution for meeting the overall market needs.

EFET argues 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 in uniform price allocation (UPA) auctions outside the CAM NC auction timetable dates. Supplementary UPA auctions for yearly, quarterly, and monthly IP capacity would be held for any capacity remaining unsold after the first relevant CAM NC (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 CAM NC auctions first before any supplementary UPA auctions took place. To the

extent an adjustment of implementation is not sufficient to accommodate the proposal, EFET proposes that a change to the CAM NC legal text as part of the 2021 EU Gas Legislative Package could be pursued.

For questions 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'

4. Do you agree with the problem EFET has described in the posted FUNC issue?

Yes

No

4.1 Please elaborate on your answer:

More frequent auctions are needed for capacity users to utilise available capacity more efficiently and for TSOs to have opportunities to sell more long-term capacity.

5. 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?

1

2

3

4

5

5.1 Please elaborate on your rating

Provides greater flexibility while supporting the spirit of CAM

6. 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?

1

2

3

4

5

6.1 Please elaborate on your rating

Welcome the opportunity to purchase additional monthly up to last day of M-1

7. 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?

- 1
- 2
- 3
- 4
- 5

7.1 Please elaborate on your rating

Welcome greater opportunity to purchase. Calendar looks complex.

8. 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?

- 1
- 2
- 3
- 4
- 5

8.1 Please elaborate on your rating

Yes allows adaptation to business needs within year, more efficiency of bookings

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

- Voluntary
- Mandatory

9.1. Please explain your reasoning:

We agree with voluntary due to cost and appropriateness issues at some IPs, however we have concerns that adoption by some TSOs and not others could lead to competition impacts on cross-border flows, e.g. where there are multiple IPs/TSOs operating on a country's borders, or in selection of routes to flow or trade gas.

10. In case any additional auctions would be implemented on a voluntary basis, how can we assure that the bundling principle is followed? Please elaborate:

Additional auctions can only occur if TSOs on both sides volunteer / agree interoperability terms

11. What are, from your point of view, the **positive aspects** of the supplementary uniform price allocation (UPA) auctions for yearly, quarterly, and monthly IP capacity proposed by EFET, as compared to the current CAM NC rules on capacity allocation? Please elaborate:

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.

12. What are, from your point of view, the **negative aspects** with the supplementary uniform price allocation (UPA) auctions for yearly, quarterly, and monthly IP capacity proposed by EFET, as compared to the current CAM NC rules on capacity allocation? Please elaborate:

13. Which elements of the EFET proposal may be advantageous for your company and why? Please elaborate:

Greater efficiency and optimisation opportunities for capacity booking at IPs.

14. Which elements of the EFET proposal may be disadvantageous for your company and why? If you have any, please include suggestions to improvements of the proposal. Please elaborate:

Section 3

This section contains questions aimed at exploring other options to increase flexibility in capacity bookings, besides the EFET proposal. If you previously indicated a need for change in the current capacity allocation rules, and identified problems with the EFET proposal, this section would allow you to propose alternative ways to meet your needs.

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

- Season
- Balance of month
- Weekend
- Other
- No other products are desirable

15.1 Please specify, if other:

15.2 Please elaborate on why these products are desirable or not desirable:

Importing gas for power gen, as info availability (constraints, weather, operations) grows through a month, it would be helpful to be able to book balance of month

16. 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.

- Yes
- No

17. If yes, which products would you like to be able to book/offer further in advance?

- Monthly
- Quarterly
- Other

17.1 Please elaborate, if other:

17.2 Please elaborate on your answer and indicate how much further in advance each product would be desired to be booked/offered.

18. 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?

- Yes
- No

18.1 Please elaborate on your answer and if possible, provide suggestions for how implicit allocation methods could be further developed.

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).

19. Do you have any **alternative proposals** on how to improve the current offer of capacity products and the rules on capacity allocation? Please elaborate:

20. What other concrete changes, within the scope of the current FUNC issue, could improve the access to transmission capacity and contribute to better cross-border competition and market integration? Please elaborate:

Thank you!

Contact

support@gasncfunc.eu

Public Consultation – FUNC issue “Greater flexibility to book firm capacity at IPs”

Fields marked with * are mandatory.

Introduction

EFET posted the following issue on the Gas Network Code Functionality Platform <https://www.gasncfunc.eu/gas-func/issues/01/2020/view>

Extract of the reported issue

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 are launching this public consultation to collect stakeholder input.

Please note that the public consultation questionnaire is divided into three main sections, each with its own focus and aim.

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

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

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

When evaluating the EFET proposal, or any change compared with the current auction procedures, it is important to consider both benefits and costs. We would therefore like to stress the importance of you

substantiating your answers, to allow us to better understand your needs, the scale of the issue, and all potential benefits or costs. We would also like to highlight that this is the first consultation for this FUNC issue and, based on the responses received, further consultations might be required in the future.

For your convenience please find below the links to the relevant websites hosting supporting documents for this public consultation. The terminology used in the public consultation corresponds to the definitions established in Article 3 of Commission Regulation (EU) 2017/459 (CAM Network Code).

Supporting Documents:

[CAM Network Code](#)

[EFET Issue supporting documents](#)

[ACER Congestion management report 7th edition](#)

General information

Your name:

Email address:

Company name:

Country:

- Austria
- Belgium
- Bulgaria
- Croatia
- Cyprus
- Czechia
- Denmark
- Estonia
- Finland
- France
- Germany
- Greece
- Hungary
- Ireland
- Italy
- Latvia
- Lithuania
- Luxembourg

- Malta
- Netherlands
- Poland
- Portugal
- Romania
- Slovak Republic
- Slovenia
- Spain
- Sweden

If other country, not in the list above:

My answers:

- can be published with my organisation's information
- can be published provided that my organisation remains anonymous

Please specify your role (multiple answers are possible):

- Capacity Booking Platform Operator
- Network User
- Other

If other, please specify below

If you are a network user, please indicate on how many markets (entry/exit-systems) you are active on and have booked capacity in the last gas year:

- 1
- 2-4
- more than 4

If you are a network user, please indicate which standard capacity products you booked in the last gas year (multiple answers are possible)

- Yearly
- Quarterly
- Monthly
- Day ahead / Within day

I have read, understood and I accept the terms of the ACER and ENTSOG privacy policies and I consent, in particular, on [ACER/ENTSOG](#) processing my personal data (above-mentioned) for this public consultation.

Section 1

The first version of the NC CAM of 2013 had been in place until the amended NC CAM came into force in April 2017 and repealed it. 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 standard capacity products at 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 reduced contractual congestion, narrowing spreads and more liquidity across EU gas market.

This section contains questions aimed at identifying the degree of satisfaction regarding current capacity allocation mechanisms. It also aims at collecting the market need(s) for greater flexibility to book firm capacity at IPs, if any. You will be asked to evaluate the existing capacity allocation rules in the NC CAM and elaborate on which areas you feel need improvement or which areas are currently satisfactory to meet your needs. Your answers will be used to analyze if the current NC CAM limits opportunities for optimizing capacity allocation and improving market functioning.

For questions 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'

1. 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?**

- 1
- 2
- 3
- 4
- 5

1.1 Please elaborate on your rating

Reasoning shared below

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

- Yes
- No

1.2.1 If yes, please elaborate on how this could be improved:

1.3 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?**

- 1
- 2
- 3
- 4
- 5

1.3.1 Please elaborate on your rating

Reasoning below.

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

- Yes
- No

1.4.1 If yes, please elaborate on how this could be improved:

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 available.

SEEL has 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.

2. Do the current runtimes of the standard capacity products provide sufficient flexibility to transport gas across the European Union? Please elaborate:

No. Please see response above.

2.1 Do the current runtimes of the standard capacity products still reflect the commercial need to exchange on commodity markets? Please elaborate:

No. 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.

3 Please provide any additional comments on the current capacity allocation rules and elaborate:

Section 2

This section contains questions aimed at collecting feedback on the [proposal posted by EFET](#). We ask you to evaluate the EFET proposal based on your previously identified needs and consider whether the proposal would meet those needs in a satisfactory way. This will help us assess if the EFET proposal is a suitable solution for meeting the overall market needs.

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

For questions 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'

4. Do you agree with the problem EFET has described in the posted FUNC issue?

- Yes
- No

4.1 Please elaborate on your answer:

Yes. SEEL agrees with EFET that offering market participants increased opportunity to book longer-term capacity products will enable opportunities for arbitrage to be fully exploited, particularly across the forward curve.

As pointed out in the consultation, at times when capacity is being auctioned in accordance with the CAM NC, profitable commodity arbitrage opportunities may not exist, whereas at times outside of the CAM NC auction timetable they may do. Overall, this is detrimental to market efficiency and reduces the amount of IP capacity TSOs can sell.

We are encouraged to see that ACER in its most recent gas market monitoring report that 'NRA's, the European Commission and ACER could consider the possibility to further increase the frequency of CAM auctions with a standardised timing in order to make them even more useful for the network users.'

We agree that 'the CAM NC is favouring the possibility for shippers better to profile their capacity portfolio and to incorporate short-term price signals in the management of their capacity at the IPs' and as per our previous comments made in this consultation, not only should this be extended to long-term capacity auctions but also to within-day auctions, which fulfils an aim of the CAM NC in enabling market participants to 'flexibly use the existing transmission systems to ship their gas according to price signals... That in turn attracts more suppliers, increasing liquidity at the trading hubs and contributing to efficient price discovery mechanisms and consequently fair gas prices that are based on the principle of demand and supply.'

More flexibility across both long-term and short-term capacity products will promote hub liquidity, as market participants can make more flexible use of capacities and services to hedge their positions.

5. 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?

- 1
- 2
- 3
- 4
- 5

5.1 Please elaborate on your rating

Reasons set out above.

6. 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?

- 1
- 2

- 3
- 4
- 5

6.1 Please elaborate on your rating

Reasons set out above

7. 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?

- 1
- 2
- 3
- 4
- 5

7.1 Please elaborate on your rating

8. 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?

- 1
- 2
- 3
- 4
- 5

8.1 Please elaborate on your rating

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

- Voluntary
- Mandatory

9.1. Please explain your reasoning:

A mandatory obligation supports an aim of the CAM NC, which is to establish 'a network code on capacity allocation mechanism in gas transmission systems aimed to achieve the necessary degree of harmonisation across the Union'.

If the additional auctions are not made mandatory, then it risks introducing fragmentation and complexity into the CAM NC process. If only offered on one side of an IP, market participants will not be able to benefit from the increased flexibility and the additional auctions will be rendered ineffective. Moreover, it will make it more challenging for market participants to navigate different approaches to capacity products and develop their capacity booking strategies accordingly.

10. In case any additional auctions would be implemented on a voluntary basis, how can we assure that the bundling principle is followed? Please elaborate:

If the additional auctions are only implemented on a voluntary basis, it would not be possible to assure that the bundling principle is followed and create fragmentation in cross-border capacity bookings at the risk of leading to stranded capacity on one side of the border.

11. What are, from your point of view, the **positive aspects** of the supplementary uniform price allocation (UPA) auctions for yearly, quarterly, and monthly IP capacity proposed by EFET, as compared to the current CAM NC rules on capacity allocation? Please elaborate:

Please see our response to previous questions in this consultation.

12. What are, from your point of view, the **negative aspects** with the supplementary uniform price allocation (UPA) auctions for yearly, quarterly, and monthly IP capacity proposed by EFET, as compared to the current CAM NC rules on capacity allocation? Please elaborate:

None identified if the supplementary auctions are made mandatory.

13. Which elements of the EFET proposal may be advantageous for your company and why? Please elaborate:

Please see our responses above.

14. Which elements of the EFET proposal may be disadvantageous for your company and why? If you have any, please include suggestions to improvements of the proposal. Please elaborate:

None identified.

Section 3

This section contains questions aimed at exploring other options to increase flexibility in capacity bookings, besides the EFET proposal. If you previously indicated a need for change in the current capacity allocation rules, and identified problems with the EFET proposal, this section would allow you to propose alternative ways to meet your needs.

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

- Season
- Balance of month
- Weekend
- Other
- No other products are desirable

15.1 Please specify, if other:

15.2 Please elaborate on why these products are desirable or not desirable:

16. 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.

- Yes
- No

17. If yes, which products would you like to be able to book/offer further in advance?

- Monthly

- Quarterly
- Other

17.1 Please elaborate, if other:

17.2 Please elaborate on your answer and indicate how much further in advance each product would be desired to be booked/offered.

18. 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?

- Yes
- No

18.1 Please elaborate on your answer and if possible, provide suggestions for how implicit allocation methods could be further developed.

19. Do you have any **alternative proposals** on how to improve the current offer of capacity products and the rules on capacity allocation? Please elaborate:

Please see our response above with respect for greater flexibility for within-day auctions - we do not believe this should be an alternative but an addition to the EFET proposals.

20. What other concrete changes, within the scope of the current FUNC issue, could improve the access to transmission capacity and contribute to better cross-border competition and market integration? Please elaborate:

Please see our response above with regards to within-day auctions.

Thank you!

Contact

support@gasncfunc.eu

Public Consultation – FUNC issue “Greater flexibility to book firm capacity at IPs”

Fields marked with * are mandatory.

Introduction

EFET posted the following issue on the Gas Network Code Functionality Platform <https://www.gasncfunc.eu/gas-func/issues/01/2020/view>

Extract of the reported issue

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 are launching this public consultation to collect stakeholder input.

Please note that the public consultation questionnaire is divided into three main sections, each with its own focus and aim.

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

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

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

When evaluating the EFET proposal, or any change compared with the current auction procedures, it is important to consider both benefits and costs. We would therefore like to stress the importance of you

substantiating your answers, to allow us to better understand your needs, the scale of the issue, and all potential benefits or costs. We would also like to highlight that this is the first consultation for this FUNC issue and, based on the responses received, further consultations might be required in the future.

For your convenience please find below the links to the relevant websites hosting supporting documents for this public consultation. The terminology used in the public consultation corresponds to the definitions established in Article 3 of Commission Regulation (EU) 2017/459 (CAM Network Code).

Supporting Documents:

[CAM Network Code](#)

[EFET Issue supporting documents](#)

[ACER Congestion management report 7th edition](#)

General information

Your name:

Email address:

Company name:

Country:

- Austria
- Belgium
- Bulgaria
- Croatia
- Cyprus
- Czechia
- Denmark
- Estonia
- Finland
- France
- Germany
- Greece
- Hungary
- Ireland
- Italy
- Latvia
- Lithuania
- Luxembourg

- Malta
- Netherlands
- Poland
- Portugal
- Romania
- Slovak Republic
- Slovenia
- Spain
- Sweden

If other country, not in the list above:

My answers:

- can be published with my organisation's information
- can be published provided that my organisation remains anonymous

Please specify your role (multiple answers are possible):

- Capacity Booking Platform Operator
- Network User
- Other

If other, please specify below

If you are a network user, please indicate on how many markets (entry/exit-systems) you are active on and have booked capacity in the last gas year:

- 1
- 2-4
- more than 4

If you are a network user, please indicate which standard capacity products you booked in the last gas year (multiple answers are possible)

- Yearly
- Quarterly
- Monthly
- Day ahead / Within day

I have read, understood and I accept the terms of the ACER and ENTSOG privacy policies and I consent, in particular, on [ACER/ENTSOG](#) processing my personal data (above-mentioned) for this public consultation.

Section 1

The first version of the NC CAM of 2013 had been in place until the amended NC CAM came into force in April 2017 and repealed it. 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 standard capacity products at 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 reduced contractual congestion, narrowing spreads and more liquidity across EU gas market.

This section contains questions aimed at identifying the degree of satisfaction regarding current capacity allocation mechanisms. It also aims at collecting the market need(s) for greater flexibility to book firm capacity at IPs, if any. You will be asked to evaluate the existing capacity allocation rules in the NC CAM and elaborate on which areas you feel need improvement or which areas are currently satisfactory to meet your needs. Your answers will be used to analyze if the current NC CAM limits opportunities for optimizing capacity allocation and improving market functioning.

For questions 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'

1. 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?**

- 1
- 2
- 3
- 4
- 5

1.1 Please elaborate on your rating

Some times the capacity remains unsold despite of the high demand at the auction first rounds

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

- Yes
- No

1.2.1 If yes, please elaborate on how this could be improved:

1.3 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?**

- 1
- 2
- 3
- 4
- 5

1.3.1 Please elaborate on your rating

There aren't enough auctions for monthly, quarterly or yearly products.
The Day ahead auctions are too late during the day.

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

- Yes
- No

1.4.1 If yes, please elaborate on how this could be improved:

the Day ahead auctions are too late and market is about to close when they clear, the market liquidity is very limited.

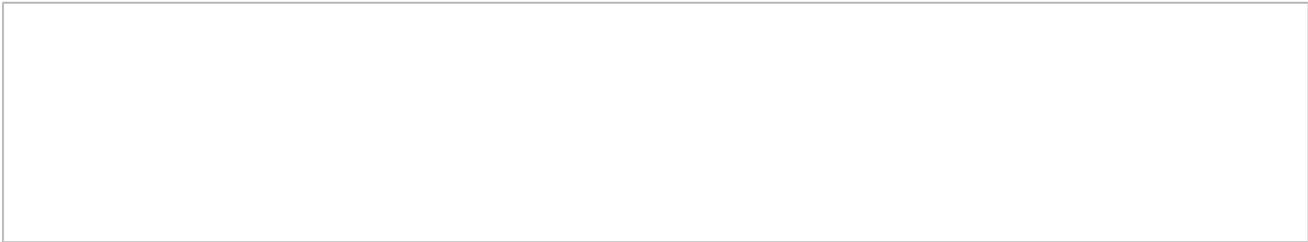
2. Do the current runtimes of the standard capacity products provide sufficient flexibility to transport gas across the European Union? Please elaborate:

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

2.1 Do the current runtimes of the standard capacity products still reflect the commercial need to exchange on commodity markets? Please elaborate:

same answer as before

3 Please provide any additional comments on the current capacity allocation rules and elaborate:



Section 2

This section contains questions aimed at collecting feedback on the [proposal posted by EFET](#). We ask you to evaluate the EFET proposal based on your previously identified needs and consider whether the proposal would meet those needs in a satisfactory way. This will help us assess if the EFET proposal is a suitable solution for meeting the overall market needs.

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

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- 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'

4. Do you agree with the problem EFET has described in the posted FUNC issue?

- Yes
- No

4.1 Please elaborate on your answer:

5. 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?

- 1
- 2
- 3
- 4
- 5

5.1 Please elaborate on your rating

6. 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?

- 1
- 2
- 3
- 4
- 5

6.1 Please elaborate on your rating

7. 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?

- 1
- 2
- 3
- 4
- 5

7.1 Please elaborate on your rating

8. 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?

- 1
- 2
- 3
- 4
- 5

8.1 Please elaborate on your rating

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

- Voluntary
- Mandatory

9.1. Please explain your reasoning:

voluntary is already a very good step but ideally it should be mandatory

10. In case any additional auctions would be implemented on a voluntary basis, how can we assure that the bundling principle is followed? Please elaborate:

11. What are, from your point of view, the **positive aspects** of the supplementary uniform price allocation (UPA) auctions for yearly, quarterly, and monthly IP capacity proposed by EFET, as compared to the current CAM NC rules on capacity allocation? Please elaborate:

it would give more market arbitrage opportunities and probably more capacity would be sold. This might as well have a positive impact on regulated capacity prices as it would increase the TSO revenue.

12. What are, from your point of view, the **negative aspects** with the supplementary uniform price allocation (UPA) auctions for yearly, quarterly, and monthly IP capacity proposed by EFET, as compared to the current CAM NC rules on capacity allocation? Please elaborate:

13. Which elements of the EFET proposal may be advantageous for your company and why? Please elaborate:

14. Which elements of the EFET proposal may be disadvantageous for your company and why? If you have any, please include suggestions to improvements of the proposal. Please elaborate:

Section 3

This section contains questions aimed at exploring other options to increase flexibility in capacity bookings, besides the EFET proposal. If you previously indicated a need for change in the current capacity allocation rules, and identified problems with the EFET proposal, this section would allow you to propose alternative ways to meet your needs.

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

- Season
- Balance of month
- Weekend
- Other

- No other products are desirable

15.1 Please specify, if other:

I was unable to select multiple choices but Balance of month, Weekend and Season would be desirable in that order

15.2 Please elaborate on why these products are desirable or not desirable:

16. 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.

- Yes
 No

17. If yes, which products would you like to be able to book/offer further in advance?

- Monthly
 Quarterly
 Other

17.1 Please elaborate, if other:

both months and quarters

17.2 Please elaborate on your answer and indicate how much further in advance each product would be desired to be booked/offered.

6 months ahead and 4 quarters ahead

18. 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?

- Yes
 No

18.1 Please elaborate on your answer and if possible, provide suggestions for how implicit allocation methods could be further developed.

19. Do you have any **alternative proposals** on how to improve the current offer of capacity products and the rules on capacity allocation? Please elaborate:

DAy ahead auctions should be held earlier in the day where there's still market liquidity

20. What other concrete changes, within the scope of the current FUNC issue, could improve the access to transmission capacity and contribute to better cross-border competition and market integration? Please elaborate:

Thank you!

Contact

support@gasncfunc.eu

Public Consultation – FUNC issue “Greater flexibility to book firm capacity at IPs”

Fields marked with * are mandatory.

Introduction

EFET posted the following issue on the Gas Network Code Functionality Platform <https://www.gasncfunc.eu/gas-func/issues/01/2020/view>

Extract of the reported issue

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 are launching this public consultation to collect stakeholder input.

Please note that the public consultation questionnaire is divided into three main sections, each with its own focus and aim.

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

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

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

When evaluating the EFET proposal, or any change compared with the current auction procedures, it is important to consider both benefits and costs. We would therefore like to stress the importance of you

substantiating your answers, to allow us to better understand your needs, the scale of the issue, and all potential benefits or costs. We would also like to highlight that this is the first consultation for this FUNC issue and, based on the responses received, further consultations might be required in the future.

For your convenience please find below the links to the relevant websites hosting supporting documents for this public consultation. The terminology used in the public consultation corresponds to the definitions established in Article 3 of Commission Regulation (EU) 2017/459 (CAM Network Code).

Supporting Documents:

[CAM Network Code](#)

[EFET Issue supporting documents](#)

[ACER Congestion management report 7th edition](#)

General information

Your name:

Email address:

Company name:

Country:

If other country, not in the list above:

My answers:

- can be published with my organisation's information
- can be published provided that my organisation remains anonymous

Please specify your role (multiple answers are possible):

- Capacity Booking Platform Operator
- Network User
- Other

If other, please specify below

We respond to this consultation in our role as business association representing members who are engaged in both activities mentioned above.

If you are a network user, please indicate on how many markets (entry/exit-systems) you are active on and have booked capacity in the last gas year:

- 1
- 2-4
- more than 4

If you are a network user, please indicate which standard capacity products you booked in the last gas year (multiple answers are possible)

- Yearly
- Quarterly
- Monthly
- Day ahead / Within day

I have read, understood and I accept the terms of the ACER and ENTSOG privacy policies and I consent, in particular, on [ACER/ENTSOG](#) processing my personal data (above-mentioned) for this public consultation.

Section 1

The first version of the NC CAM of 2013 had been in place until the amended NC CAM came into force in April 2017 and repealed it. 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 standard capacity products at 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 reduced contractual congestion, narrowing spreads and more liquidity across EU gas market.

This section contains questions aimed at identifying the degree of satisfaction regarding current capacity allocation mechanisms. It also aims at collecting the market need(s) for greater flexibility to book firm capacity at IPs, if any. You will be asked to evaluate the existing capacity allocation rules in the NC CAM and elaborate on which areas you feel need improvement or which areas are currently satisfactory to meet your needs. Your answers will be used to analyze if the current NC CAM limits opportunities for optimizing capacity allocation and improving market functioning.

For questions 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'

1. 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?**

- 1
- 2
- 3
- 4
- 5

1.1 Please elaborate on your rating

In the view of BDEW there is no issue regarding the auction algorithms.

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

- Yes
- No

1.2.1 If yes, please elaborate on how this could be improved:

1.3 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?**

- 1
- 2
- 3
- 4
- 5

1.3.1 Please elaborate on your rating

The auction calendar is generally well structured, but there is untapped potential for capacity bookings after the initial auction dates, especially for long-term capacity products. However, any change in the capacity allocation system must not lead to limitations on possibilities for TSOs to re-allocate free capacity after auctions on specific IPs to other connection points, especially to connection points for national consumption.

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

- Yes
- No

1.4.1 If yes, please elaborate on how this could be improved:

Please see our answer in 1.3.1

2. Do the current runtimes of the standard capacity products provide sufficient flexibility to transport gas across the European Union? Please elaborate:

Generally, yes.

2.1 Do the current runtimes of the standard capacity products still reflect the commercial need to exchange on commodity markets? Please elaborate:

Generally, yes. However, the yearly basis 'gas year' from 1st Oct to 1st Oct for the capacity contracts 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.

3 Please provide any additional comments on the current capacity allocation rules and elaborate:

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.

Section 2

This section contains questions aimed at collecting feedback on the [proposal posted by EFET](#). We ask you to evaluate the EFET proposal based on your previously identified needs and consider whether the proposal would meet those needs in a satisfactory way. This will help us assess if the EFET proposal is a suitable solution for meeting the overall market needs.

EFET argues 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 in uniform price allocation (UPA) auctions outside the CAM NC auction timetable dates.

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

For questions 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'

4. Do you agree with the problem EFET has described in the posted FUNC issue?

Yes

No

4.1 Please elaborate on your answer:

Different price spreads were experienced within times outside the auction timetable with no option to book the respective capacity and thus to 'secure' a potential deal on the wholesale market.

5. 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?

1

2

3

4

5

5.1 Please elaborate on your rating

In the view of BDEW 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).

Generally, BDEW has the opinion that 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.

6. 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?

- 1
- 2
- 3
- 4
- 5

6.1 Please elaborate on your rating

Please see our answer in 5.1.

7. 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?

- 1
- 2
- 3
- 4
- 5

7.1 Please elaborate on your rating

Please see our answer in 5.1.

8. 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?

- 1
- 2
- 3
- 4
- 5

8.1 Please elaborate on your rating

Please see our answer in 5.1.

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

- Voluntary
- Mandatory

9.1. Please explain your reasoning:

In the view of the BDEW if it comes to additional auctions, a mandatory implementation should be more practical for all market participants, to ensure a harmonised proceeding by all TSOs and thus across border points.

10. In case any additional auctions would be implemented on a voluntary basis, how can we assure that the bundling principle is followed? Please elaborate:

This can only be assured if the amended auction calendar is mandatory for the TSOs.

11. What are, from your point of view, the **positive aspects** of the supplementary uniform price allocation (UPA) auctions for yearly, quarterly, and monthly IP capacity proposed by EFET, as compared to the current CAM NC rules on capacity allocation? Please elaborate:

The proposed uniform-price auctions would present a fast mean to book the required capacity, as they are not lasting as long as the initial capacity auctions with potential price steps over several rounds, and at the same time offer a fair and non-discriminatory possibility to book capacity.

12. What are, from your point of view, the **negative aspects** with the supplementary uniform price allocation (UPA) auctions for yearly, quarterly, and monthly IP capacity proposed by EFET, as compared to the current CAM NC rules on capacity allocation? Please elaborate:

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.

13. Which elements of the EFET proposal may be advantageous for your company and why? Please elaborate:

Please see our answer in 5.1.

14. Which elements of the EFET proposal may be disadvantageous for your company and why? If you have any, please include suggestions to improvements of the proposal. Please elaborate:

Please see our answer in 5.1.

Section 3

This section contains questions aimed at exploring other options to increase flexibility in capacity bookings, besides the EFET proposal. If you previously indicated a need for change in the current capacity allocation rules, and identified problems with the EFET proposal, this section would allow you to propose alternative ways to meet your needs.

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

- Season
- Balance of month
- Weekend
- Other
- No other products are desirable

15.1 Please specify, if other:

It is impossible to choose multiple answers above. However, we would like to answer question 15 with "Season", "Balance of month", and "Weekend".

15.2 Please elaborate on why these products are desirable or not desirable:

The above listed possibilities are worth to take into consideration but shouldn't replace the EFET proposal for additional capacity auctions in the existing time frames.

16. 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.

- Yes
- No

17. If yes, which products would you like to be able to book/offer further in advance?

- Monthly
- Quarterly
- Other

17.1 Please elaborate, if other:

17.2 Please elaborate on your answer and indicate how much further in advance each product would be desired to be booked/offered.

More auctions may mean that capacity is booked at an earlier stage (but the reservation for short-term allocation remains).

18. 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?

- Yes
- No

18.1 Please elaborate on your answer and if possible, provide suggestions for how implicit allocation methods could be further developed.

BDEW sees that the explicit allocation methods generally work.

19. Do you have any **alternative proposals** on how to improve the current offer of capacity products and the rules on capacity allocation? Please elaborate:

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).

20. What other concrete changes, within the scope of the current FUNC issue, could improve the access to transmission capacity and contribute to better cross-border competition and market integration? Please elaborate:

Thank you!

Contact

support@gasncfunc.eu

Public Consultation – FUNC issue “Greater flexibility to book firm capacity at IPs”

Fields marked with * are mandatory.

Introduction

EFET posted the following issue on the Gas Network Code Functionality Platform <https://www.gasncfunc.eu/gas-func/issues/01/2020/view>

Extract of the reported issue

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 are launching this public consultation to collect stakeholder input.

Please note that the public consultation questionnaire is divided into three main sections, each with its own focus and aim.

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

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

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

When evaluating the EFET proposal, or any change compared with the current auction procedures, it is important to consider both benefits and costs. We would therefore like to stress the importance of you

substantiating your answers, to allow us to better understand your needs, the scale of the issue, and all potential benefits or costs. We would also like to highlight that this is the first consultation for this FUNC issue and, based on the responses received, further consultations might be required in the future.

For your convenience please find below the links to the relevant websites hosting supporting documents for this public consultation. The terminology used in the public consultation corresponds to the definitions established in Article 3 of Commission Regulation (EU) 2017/459 (CAM Network Code).

Supporting Documents:

[CAM Network Code](#)

[EFET Issue supporting documents](#)

[ACER Congestion management report 7th edition](#)

General information

Your name:

Email address:

Company name:

Country:

If other country, not in the list above:

My answers:

- can be published with my organisation's information
- can be published provided that my organisation remains anonymous

Please specify your role (multiple answers are possible):

- Capacity Booking Platform Operator
- Network User
- Other

If other, please specify below

If you are a network user, please indicate on how many markets (entry/exit-systems) you are active on and have booked capacity in the last gas year:

- 1
- 2-4
- more than 4

If you are a network user, please indicate which standard capacity products you booked in the last gas year (multiple answers are possible)

- Yearly
- Quarterly
- Monthly
- Day ahead / Within day

I have read, understood and I accept the terms of the ACER and ENTSOG privacy policies and I consent, in particular, on [ACER/ENTSOG](#) processing my personal data (above-mentioned) for this public consultation.

Section 1

The first version of the NC CAM of 2013 had been in place until the amended NC CAM came into force in April 2017 and repealed it. 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 standard capacity products at 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 reduced contractual congestion, narrowing spreads and more liquidity across EU gas market.

This section contains questions aimed at identifying the degree of satisfaction regarding current capacity allocation mechanisms. It also aims at collecting the market need(s) for greater flexibility to book firm capacity at IPs, if any. You will be asked to evaluate the existing capacity allocation rules in the NC CAM and elaborate on which areas you feel need improvement or which areas are currently satisfactory to meet your needs. Your answers will be used to analyze if the current NC CAM limits opportunities for optimizing capacity allocation and improving market functioning.

For questions 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'

1. 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?**

- 1
- 2
- 3
- 4
- 5

1.1 Please elaborate on your rating

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

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

- Yes
- No

1.2.1 If yes, please elaborate on how this could be improved:

1.3 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?**

- 1
- 2
- 3
- 4
- 5

1.3.1 Please elaborate on your rating

Annual auctions are too early and should be moved closer to the gas year and then we book a more accurate capacity booking for the following gas year.

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

- Yes
- No

1.4.1 If yes, please elaborate on how this could be improved:

Annual auctions are too early and should be moved closer to the gas year and then we book a more accurate capacity booking for the following gas year.

2. Do the current runtimes of the standard capacity products provide sufficient flexibility to transport gas across the European Union? Please elaborate:

No. Annual auctions are too early and should be moved closer to the gas year and then we book a more accurate capacity booking for the following gas year. quarterly should be moved closer to there use date also.

2.1 Do the current runtimes of the standard capacity products still reflect the commercial need to exchange on commodity markets? Please elaborate:

3 Please provide any additional comments on the current capacity allocation rules and elaborate:

Section 2

This section contains questions aimed at collecting feedback on the [proposal posted by EFET](#). We ask you to evaluate the EFET proposal based on your previously identified needs and consider whether the proposal would meet those needs in a satisfactory way. This will help us assess if the EFET proposal is a suitable solution for meeting the overall market needs.

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

For questions 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'

4. Do you agree with the problem EFET has described in the posted FUNC issue?

Yes

No

4.1 Please elaborate on your answer:

5. 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?

1

2

3

4

5

5.1 Please elaborate on your rating

6. 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?

1

2

3

4

5

6.1 Please elaborate on your rating

7. 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?

- 1
- 2
- 3
- 4
- 5

7.1 Please elaborate on your rating

8. 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?

- 1
- 2
- 3
- 4
- 5

8.1 Please elaborate on your rating

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

- Voluntary
- Mandatory

9.1. Please explain your reasoning:

10. In case any additional auctions would be implemented on a voluntary basis, how can we assure that the bundling principle is followed? Please elaborate:

11. What are, from your point of view, the **positive aspects** of the supplementary uniform price allocation (UPA) auctions for yearly, quarterly, and monthly IP capacity proposed by EFET, as compared to the current CAM NC rules on capacity allocation? Please elaborate:

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- Season
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- Weekend
- Other
- No other products are desirable

15.1 Please specify, if other:

15.2 Please elaborate on why these products are desirable or not desirable:

16. 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.

- Yes
- No

17. If yes, which products would you like to be able to book/offer further in advance?

- Monthly
- Quarterly
- Other

17.1 Please elaborate, if other:

17.2 Please elaborate on your answer and indicate how much further in advance each product would be desired to be booked/offered.

18. 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?

- Yes
- No

18.1 Please elaborate on your answer and if possible, provide suggestions for how implicit allocation methods could be further developed.

19. Do you have any **alternative proposals** on how to improve the current offer of capacity products and the rules on capacity allocation? Please elaborate:

20. What other concrete changes, within the scope of the current FUNC issue, could improve the access to transmission capacity and contribute to better cross-border competition and market integration? Please elaborate:

Thank you!

Contact

support@gasncfunc.eu

Public Consultation – FUNC issue “Greater flexibility to book firm capacity at IPs”

Fields marked with * are mandatory.

Introduction

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- **Who should act:** ACER, ENTSOG, Involved TSO(s)
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[ACER Congestion management report 7th edition](#)

General information

Your name:

Email address:

Company name:

Country:

If other country, not in the list above:

My answers:

- can be published with my organisation's information
- can be published provided that my organisation remains anonymous

Please specify your role (multiple answers are possible):

- Capacity Booking Platform Operator
- Network User
- Other

If other, please specify below

If you are a network user, please indicate on how many markets (entry/exit-systems) you are active on and have booked capacity in the last gas year:

- 1
- 2-4
- more than 4

If you are a network user, please indicate which standard capacity products you booked in the last gas year (multiple answers are possible)

- Yearly
- Quarterly
- Monthly
- Day ahead / Within day

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Section 1

The first version of the NC CAM of 2013 had been in place until the amended NC CAM came into force in April 2017 and repealed it. 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 standard capacity products at 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 reduced contractual congestion, narrowing spreads and more liquidity across EU gas market.

This section contains questions aimed at identifying the degree of satisfaction regarding current capacity allocation mechanisms. It also aims at collecting the market need(s) for greater flexibility to book firm capacity at IPs, if any. You will be asked to evaluate the existing capacity allocation rules in the NC CAM and elaborate on which areas you feel need improvement or which areas are currently satisfactory to meet your needs. Your answers will be used to analyze if the current NC CAM limits opportunities for optimizing capacity allocation and improving market functioning.

For questions 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'

1. 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?**

- 1
- 2
- 3
- 4
- 5

1.1 Please elaborate on your rating

The auction algorithms in NC CAM are generally fit for purpose and have led to an improved efficiency of IP capacity booking within the EU. The ascending clock auction algorithm (ASC) successfully enables shippers to easily buy forward capacity to satisfy their supply obligations at the reserve price, and to effectively adjust their bid prices in light of any congestion. The uniform price auction algorithm (UPA) allows shippers to place spot capacity bids commensurate with their imbalance price risks, and to exploit spot arbitrage opportunities. In the case of ASC auctions there have been cases where auctions have failed to close at congested IPs prior to, or very close to, the point where capacity becomes usable. There have also been cases where multiple bidding rounds occurred over a number of days but then collapsed failing to allocate much capacity, as the spreads changed suddenly making further bidding uneconomic. Fortunately, such instances are rare, but it reinforces the need for TSOs to anticipate congestion and set large enough price steps between ASC auction rounds to minimise overly extended bidding periods

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

- Yes
- No

1.2.1 If yes, please elaborate on how this could be improved:

1.3 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?**

- 1
- 2
- 3
- 4
- 5

1.3.1 Please elaborate on your rating

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 implicit capacity allocation mechanisms. These afford shippers more opportunities to exploit arbitrage (similar to what the EFET proposal is seeking achieve) and have been perceived to be quite successful, with significant quantities of capacity being sold when spreads are profitable (for example during this winter).

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

- Yes
- No

1.4.1 If yes, please elaborate on how this could be improved:

By implementing the EFET proposal.

2. Do the current runtimes of the standard capacity products provide sufficient flexibility to transport gas across the European Union? Please elaborate:

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.

2.1 Do the current runtimes of the standard capacity products still reflect the commercial need to exchange on commodity markets? Please elaborate:

Yes. Standard IP capacity products generally reflect the most liquid tenors in commodity markets.

3 Please provide any additional comments on the current capacity allocation rules and elaborate:

None

Section 2

This section contains questions aimed at collecting feedback on the [proposal posted by EFET](#). We ask you to evaluate the EFET proposal based on your previously identified needs and consider whether the proposal would meet those needs in a satisfactory way. This will help us assess if the EFET proposal is a suitable solution for meeting the overall market needs.

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

For questions 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'

4. Do you agree with the problem EFET has described in the posted FUNC issue?

Yes

No

4.1 Please elaborate on your answer:

There are plenty of examples of profitable price spreads existing between EU markets both before and after the point where it is currently possible to acquire IP capacity under NC CAM, and where price spreads do not support arbitrage at the point when auctions are actually held

5. 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?

- 1
- 2
- 3
- 4
- 5

5.1 Please elaborate on your rating

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 shippers who 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.

6. 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?

- 1
- 2
- 3
- 4
- 5

6.1 Please elaborate on your rating

Monthly IP capacity is perhaps the most appealing for arbitrage purposes, because the front month tends to be the most liquid tenor in commodity forward markets, even in those which are less developed. Monthly products also require less collateral to be posted vis-à-vis the commodity and capacity cost, so making it more readily available benefits small shippers as well as large ones.

7. 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?

- 1
- 2
- 3
- 4
- 5

7.1 Please elaborate on your rating

Quarterly IP capacity is also appealing for arbitrage purposes and can also be used to underpin seasonally related flows, e.g. for cross-border use of storage.

8. 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?

- 1
- 2
- 3
- 4
- 5

8.1 Please elaborate on your rating

Of all the IP capacity products EFET proposes to make available via supplementary UPA auctions yearly capacity is perhaps the least essential. This is because yearly arbitrage opportunities are less frequent and more costly in terms of collateral. Also, the period of time between front (gas) year capacity being first offered in July and it being available to purchase in supplementary UPA allocation auctions thereafter is relatively short compared to its duration. Nevertheless, affording shippers the opportunity to book front year capacity much closer to the point where it becomes usable may help shippers who have yearly supply and portfolio commitments over this period. These commitments may not be fully clear in July when the ASC auction takes place.

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

- Voluntary
- Mandatory

9.1. Please explain your reasoning:

In an ideal world, additional UPA auctions should clearly be mandatory and applied at all EU IPs. However, when raising the proposal we anticipated there may be resistance to it from some less forward looking TSOs and booking platforms, along with negative criticism about the time and cost involved in implementing the proposal for “dubious” or unquantified benefits. As such, we suggested the proposal should be pursued on voluntary basis as we thought there would be many TSOs that realised the benefits of allowing shippers more opportunities to book IP capacity (as IUK and BBL have demonstrated). If the proposal could be implemented quickly (possibly even without having to change NC CAM) this would create the necessary momentum for others to follow suit.

However, depending on the responses to this consultation we could be persuaded that a mandatory approach is preferable and able to deliver the same results more effectively and as quickly. This would be the optimal outcome, but adopting a mandatory approach should not become the basis for TSOs or booking platforms being able to water down the proposal or drag it out indefinitely if a voluntary approach could be delivered quickly and effectively.

10. In case any additional auctions would be implemented on a voluntary basis, how can we assure that the bundling principle is followed? Please elaborate:

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 undermined.

11. What are, from your point of view, the **positive aspects** of the supplementary uniform price allocation (UPA) auctions for yearly, quarterly, and monthly IP capacity proposed by EFET, as compared to the current CAM NC rules on capacity allocation? Please elaborate:

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.

12. What are, from your point of view, the **negative aspects** with the supplementary uniform price allocation (UPA) auctions for yearly, quarterly, and monthly IP capacity proposed by EFET, as compared to the current CAM NC rules on capacity allocation? Please elaborate:

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.

13. Which elements of the EFET proposal may be advantageous for your company and why? Please elaborate:

We cannot speak for any of our members, but EFET would not have raised the proposal without the support of its members, the majority of whom identify the significant advantages it will bring to their trading activities.

14. Which elements of the EFET proposal may be disadvantageous for your company and why? If you have any, please include suggestions to improvements of the proposal. Please elaborate:

The proposal was deliberately structured in such a way as to avoid any obvious disadvantages for EFETs' members, or for EU gas markets in general.

Section 3

This section contains questions aimed at exploring other options to increase flexibility in capacity bookings, besides the EFET proposal. If you previously indicated a need for change in the current capacity allocation rules, and identified problems with the EFET proposal, this section would allow you to propose alternative ways to meet your needs.

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

- Season
- Balance of month
- Weekend
- Other
- No other products are desirable

15.1 Please specify, if other:

Balance of month (it was not possible to mark two options above)

15.2 Please elaborate on why these products are desirable or not desirable:

Whilst our proposal was based around the standard IP capacity products in NC CAM, we do see merit in introducing runtimes for new BOM and weekend IP capacity products, provided these can be readily integrated into the existing auction calendar in or treated as supplementary UPA auctions and providing they do not undermine day-ahead auctions, which are important for balancing.

To this extent it might be possible to hold a one-off UPA auction for weekend capacity on Friday at the same time as the current NC CAM day-ahead auction, with Saturday being treated as a competing auction. UPA auctions for a BOM product could also perhaps be held at the same time as monthly UPA auctions, for capacity from D+2 to the end of the month. Notwithstanding the need to consider public holidays as well, this would better align actively traded commodity products with equivalent IP capacity bookings.

16. 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.

- Yes
- No

17. If yes, which products would you like to be able to book/offer further in advance?

- Monthly
- Quarterly
- Other

17.1 Please elaborate, if other:

17.2 Please elaborate on your answer and indicate how much further in advance each product would be desired to be booked/offered.

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.

18. 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?

- Yes
- No

18.1 Please elaborate on your answer and if possible, provide suggestions for how implicit allocation methods could be further developed.

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 dayahead 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.

19. Do you have any **alternative proposals** on how to improve the current offer of capacity products and the rules on capacity allocation? Please elaborate:

Consideration could be given to pushing back the timeslot of the day-ahead NC CAM auctions so that they close nearer the end of trading window, particularly if this alleviates any time pressures resulting from introducing new supplementary UPA auctions.

20. What other concrete changes, within the scope of the current FUNC issue, could improve the access to transmission capacity and contribute to better cross-border competition and market integration? Please elaborate:

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, as stated in our response to question 17.2, 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.

Thank you!

Contact

support@gasncfunc.eu

Public Consultation – FUNC issue “Greater flexibility to book firm capacity at IPs”

Fields marked with * are mandatory.

Introduction

EFET posted the following issue on the Gas Network Code Functionality Platform <https://www.gasncfunc.eu/gas-func/issues/01/2020/view>

Extract of the reported issue

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 are launching this public consultation to collect stakeholder input.

Please note that the public consultation questionnaire is divided into three main sections, each with its own focus and aim.

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

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

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

When evaluating the EFET proposal, or any change compared with the current auction procedures, it is important to consider both benefits and costs. We would therefore like to stress the importance of you

substantiating your answers, to allow us to better understand your needs, the scale of the issue, and all potential benefits or costs. We would also like to highlight that this is the first consultation for this FUNC issue and, based on the responses received, further consultations might be required in the future.

For your convenience please find below the links to the relevant websites hosting supporting documents for this public consultation. The terminology used in the public consultation corresponds to the definitions established in Article 3 of Commission Regulation (EU) 2017/459 (CAM Network Code).

Supporting Documents:

[CAM Network Code](#)

[EFET Issue supporting documents](#)

[ACER Congestion management report 7th edition](#)

General information

Your name:

Email address:

Company name:

Country:

If other country, not in the list above:

My answers:

- can be published with my organisation's information
- can be published provided that my organisation remains anonymous

Please specify your role (multiple answers are possible):

- Capacity Booking Platform Operator
- Network User
- Other

If other, please specify below

If you are a network user, please indicate on how many markets (entry/exit-systems) you are active on and have booked capacity in the last gas year:

- 1
- 2-4
- more than 4

If you are a network user, please indicate which standard capacity products you booked in the last gas year (multiple answers are possible)

- Yearly
- Quarterly
- Monthly
- Day ahead / Within day

I have read, understood and I accept the terms of the ACER and ENTSOG privacy policies and I consent, in particular, on [ACER/ENTSOG](#) processing my personal data (above-mentioned) for this public consultation.

Section 1

The first version of the NC CAM of 2013 had been in place until the amended NC CAM came into force in April 2017 and repealed it. 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 standard capacity products at 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 reduced contractual congestion, narrowing spreads and more liquidity across EU gas market.

This section contains questions aimed at identifying the degree of satisfaction regarding current capacity allocation mechanisms. It also aims at collecting the market need(s) for greater flexibility to book firm capacity at IPs, if any. You will be asked to evaluate the existing capacity allocation rules in the NC CAM and elaborate on which areas you feel need improvement or which areas are currently satisfactory to meet your needs. Your answers will be used to analyze if the current NC CAM limits opportunities for optimizing capacity allocation and improving market functioning.

For questions 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'

1. 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?**

- 1
- 2
- 3
- 4
- 5

1.1 Please elaborate on your rating

The auction algorithms in NC CAM are generally fit for purpose and have led to improved efficiency of IP capacity booking within the EU.

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

- Yes
- No

1.2.1 If yes, please elaborate on how this could be improved:

1.3 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?**

- 1
- 2
- 3
- 4
- 5

1.3.1 Please elaborate on your rating

The auction calendar is generally well structured, but there is unrealised potential for capacity bookings after the first auction dates. Profitable arbitrage opportunities may not exist at times when capacity is auctioned, whereas they may well exist at times outside the NC CAM auction calendar.

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

- Yes
- No

1.4.1 If yes, please elaborate on how this could be improved:

By implementing the EFET proposal.

2. Do the current runtimes of the standard capacity products provide sufficient flexibility to transport gas across the European Union? Please elaborate:

Generally, yes.

2.1 Do the current runtimes of the standard capacity products still reflect the commercial need to exchange on commodity markets? Please elaborate:

Generally, yes. However, the yearly basis 'gas year' does not fit to the standard trading product 'calendar year' on the wholesale market.

3 Please provide any additional comments on the current capacity allocation rules and elaborate:

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.

Section 2

This section contains questions aimed at collecting feedback on the [proposal posted by EFET](#). We ask you to evaluate the EFET proposal based on your previously identified needs and consider whether the proposal would meet those needs in a satisfactory way. This will help us assess if the EFET proposal is a suitable solution for meeting the overall market needs.

EFET argues 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 in uniform price allocation (UPA) auctions outside the CAM NC auction timetable dates. Supplementary UPA auctions for yearly, quarterly, and monthly IP capacity would be held for any capacity remaining unsold after the first relevant CAM NC (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 CAM NC auctions first before any supplementary UPA auctions took place. To the

extent an adjustment of implementation is not sufficient to accommodate the proposal, EFET proposes that a change to the CAM NC legal text as part of the 2021 EU Gas Legislative Package could be pursued.

For questions 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'

4. Do you agree with the problem EFET has described in the posted FUNC issue?

Yes

No

4.1 Please elaborate on your answer:

Within periods outside the auction schedule, there were varying price ranges when there was no possibility to book the corresponding capacity.

5. 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?

1

2

3

4

5

5.1 Please elaborate on your rating

The EFET proposal provides an appropriate balance between maintaining the primacy and integrity of the now established NC CAM auction processes and allowing capacity to be offered more flexible.

6. 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?

1

2

3

4

5

6.1 Please elaborate on your rating

Monthly capacities are very attractive for arbitrage purposes, as the front month is usually the most liquid standard trading product in the forward market. Therefore, an earlier start date for the first auction and subsequent auctions is particularly necessary in this case.

7. 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?

- 1
- 2
- 3
- 4
- 5

7.1 Please elaborate on your rating

-

8. 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?

- 1
- 2
- 3
- 4
- 5

8.1 Please elaborate on your rating

-

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

- Voluntary
- Mandatory

9.1. Please explain your reasoning:

A mandatory implementation should be more practical for all market participants, to ensure a harmonised proceeding by all TSOs and thus across border points.

10. In case any additional auctions would be implemented on a voluntary basis, how can we assure that the bundling principle is followed? Please elaborate:

It is possible that the implementation of the proposal on a voluntary basis will lead to more unbundled capacity being offered. We would therefore prefer a mandatory implementation.

11. What are, from your point of view, the **positive aspects** of the supplementary uniform price allocation (UPA) auctions for yearly, quarterly, and monthly IP capacity proposed by EFET, as compared to the current CAM NC rules on capacity allocation? Please elaborate:

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.

12. What are, from your point of view, the **negative aspects** with the supplementary uniform price allocation (UPA) auctions for yearly, quarterly, and monthly IP capacity proposed by EFET, as compared to the current CAM NC rules on capacity allocation? Please elaborate:

While the complexity of the auction calendar will be slightly increased, we see this as a necessary step for transport customers to take advantage of the new opportunities.

13. Which elements of the EFET proposal may be advantageous for your company and why? Please elaborate:

The whole proposal is well thought out. However, we would see the biggest advantage in the proposed adjustment of the monthly auctions.

14. Which elements of the EFET proposal may be disadvantageous for your company and why? If you have any, please include suggestions to improvements of the proposal. Please elaborate:

none

Section 3

This section contains questions aimed at exploring other options to increase flexibility in capacity bookings, besides the EFET proposal. If you previously indicated a need for change in the current capacity allocation rules, and identified problems with the EFET proposal, this section would allow you to propose alternative ways to meet your needs.

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

- Season
- Balance of month
- Weekend
- Other
- No other products are desirable

15.1 Please specify, if other:

none

15.2 Please elaborate on why these products are desirable or not desirable:

From our point of view it would be possible to have in parallel every day auctions for Day Ahead and Balance-of-month (BOM) and before Weekends to have in parallel auctions on Friday for Sa/Su/Mo/BOM. On Saturday then there would be again auctions for Su/Mo/BOM and on Sunday for Mo/BOM. Parallel running is thus possible, as the delivery periods do not overlap. BOM always starts after the Day-Ahead product which is the Mo before weekends.
Seasonal IP capacity products would complicate the auction calendar and would have little added value as seasonal capacity can be acquired through a combination of quarterly capacity products.

16. 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.

- Yes
- No

17. If yes, which products would you like to be able to book/offer further in advance?

- Monthly
- Quarterly
- Other

17.1 Please elaborate, if other:

-

17.2 Please elaborate on your answer and indicate how much further in advance each product would be desired to be booked/offered.

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.

18. 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?

- Yes
 No

18.1 Please elaborate on your answer and if possible, provide suggestions for how implicit allocation methods could be further developed.

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.

19. Do you have any **alternative proposals** on how to improve the current offer of capacity products and the rules on capacity allocation? Please elaborate:

no

20. What other concrete changes, within the scope of the current FUNC issue, could improve the access to transmission capacity and contribute to better cross-border competition and market integration? Please elaborate:

Perhaps the possibility should be explored of interruptible capacity between two VTPs taking place as bundled auctions.

Thank you!

Contact

support@gasncfunc.eu

Public Consultation – FUNC issue “Greater flexibility to book firm capacity at IPs”

Fields marked with * are mandatory.

Introduction

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Extract of the reported issue

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 are launching this public consultation to collect stakeholder input.

Please note that the public consultation questionnaire is divided into three main sections, each with its own focus and aim.

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

When evaluating the EFET proposal, or any change compared with the current auction procedures, it is important to consider both benefits and costs. We would therefore like to stress the importance of you

substantiating your answers, to allow us to better understand your needs, the scale of the issue, and all potential benefits or costs. We would also like to highlight that this is the first consultation for this FUNC issue and, based on the responses received, further consultations might be required in the future.

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Supporting Documents:

[CAM Network Code](#)

[EFET Issue supporting documents](#)

[ACER Congestion management report 7th edition](#)

General information

Your name:

Email address:

Company name:

Country:

If other country, not in the list above:

My answers:

- can be published with my organisation's information
- can be published provided that my organisation remains anonymous

Please specify your role (multiple answers are possible):

- Capacity Booking Platform Operator
- Network User
- Other

If other, please specify below

If you are a network user, please indicate on how many markets (entry/exit-systems) you are active on and have booked capacity in the last gas year:

- 1
- 2-4
- more than 4

If you are a network user, please indicate which standard capacity products you booked in the last gas year (multiple answers are possible)

- Yearly
- Quarterly
- Monthly
- Day ahead / Within day

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Section 1

The first version of the NC CAM of 2013 had been in place until the amended NC CAM came into force in April 2017 and repealed it. 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 standard capacity products at 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 reduced contractual congestion, narrowing spreads and more liquidity across EU gas market.

This section contains questions aimed at identifying the degree of satisfaction regarding current capacity allocation mechanisms. It also aims at collecting the market need(s) for greater flexibility to book firm capacity at IPs, if any. You will be asked to evaluate the existing capacity allocation rules in the NC CAM and elaborate on which areas you feel need improvement or which areas are currently satisfactory to meet your needs. Your answers will be used to analyze if the current NC CAM limits opportunities for optimizing capacity allocation and improving market functioning.

For questions 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'

1. 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?**

- 1
- 2
- 3
- 4
- 5

1.1 Please elaborate on your rating

We are generally satisfied with the current rules for capacity allocation provided according to NC CAM regarding the design of the auction algorithms.

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

- Yes
- No

1.2.1 If yes, please elaborate on how this could be improved:

1.3 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?**

- 1
- 2
- 3
- 4
- 5

1.3.1 Please elaborate on your rating

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.

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

- Yes
- No

1.4.1 If yes, please elaborate on how this could be improved:

2. Do the current runtimes of the standard capacity products provide sufficient flexibility to transport gas across the European Union? Please elaborate:

2.1 Do the current runtimes of the standard capacity products still reflect the commercial need to exchange on commodity markets? Please elaborate:

On one hand we would certainly welcome additional flexibility, to meet our commercial need as shipper, having the opportunity to book capacity more often and "closer" to the moment of the commodity purchase on the other hand we see a higher risk of congestion for capacity for some products. Pros and cons should be carefully analysed.

3 Please provide any additional comments on the current capacity allocation rules and elaborate:

Section 2

This section contains questions aimed at collecting feedback on the [proposal posted by EFET](#). We ask you to evaluate the EFET proposal based on your previously identified needs and consider whether the proposal would meet those needs in a satisfactory way. This will help us assess if the EFET proposal is a suitable solution for meeting the overall market needs.

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

For questions 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'

4. Do you agree with the problem EFET has described in the posted FUNC issue?

Yes

No

4.1 Please elaborate on your answer:

5. 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?

1

2

3

4

5

5.1 Please elaborate on your rating

6. 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?

1

2

3

4

5

6.1 Please elaborate on your rating

We consider it an improvement as far as the present CAM NC calendar for monthly capacity auctions is not impacted.

7. 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?

- 1
- 2
- 3
- 4
- 5

7.1 Please elaborate on your rating

8. 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?

- 1
- 2
- 3
- 4
- 5

8.1 Please elaborate on your rating

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

- Voluntary
- Mandatory

9.1. Please explain your reasoning:

We deem important to have a common rule for all TSOs in order to maintain an 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.

10. In case any additional auctions would be implemented on a voluntary basis, how can we assure that the bundling principle is followed? Please elaborate:

11. What are, from your point of view, the **positive aspects** of the supplementary uniform price allocation (UPA) auctions for yearly, quarterly, and monthly IP capacity proposed by EFET, as compared to the current CAM NC rules on capacity allocation? Please elaborate:

12. What are, from your point of view, the **negative aspects** with the supplementary uniform price allocation (UPA) auctions for yearly, quarterly, and monthly IP capacity proposed by EFET, as compared to the current CAM NC rules on capacity allocation? Please elaborate:

13. Which elements of the EFET proposal may be advantageous for your company and why? Please elaborate:

14. Which elements of the EFET proposal may be disadvantageous for your company and why? If you have any, please include suggestions to improvements of the proposal. Please elaborate:

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.

Section 3

This section contains questions aimed at exploring other options to increase flexibility in capacity bookings, besides the EFET proposal. If you previously indicated a need for change in the current capacity allocation rules, and identified problems with the EFET proposal, this section would allow you to propose alternative ways to meet your needs.

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

- Season
- Balance of month
- Weekend
- Other
- No other products are desirable

15.1 Please specify, if other:

Weekly
Weekend - working days

15.2 Please elaborate on why these products are desirable or not desirable:

We do not oppose to the introduction of new products provided that all the potential interactions with the existrent products are oportunely assessed

16. 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.

- Yes
- No

17. If yes, which products would you like to be able to book/offer further in advance?

- Monthly
- Quarterly
- Other

17.1 Please elaborate, if other:

17.2 Please elaborate on your answer and indicate how much further in advance each product would be desired to be booked/offered.

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.

18. 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?

- Yes
- No

18.1 Please elaborate on your answer and if possible, provide suggestions for how implicit allocation methods could be further developed.

19. Do you have any **alternative proposals** on how to improve the current offer of capacity products and the rules on capacity allocation? Please elaborate:

20. What other concrete changes, within the scope of the current FUNC issue, could improve the access to transmission capacity and contribute to better cross-border competition and market integration? Please elaborate:

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.

Thank you!

Contact

support@gasncfunc.eu

Public Consultation – FUNC issue “Greater flexibility to book firm capacity at IPs”

Fields marked with * are mandatory.

Introduction

EFET posted the following issue on the Gas Network Code Functionality Platform <https://www.gasncfunc.eu/gas-func/issues/01/2020/view>

Extract of the reported issue

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 are launching this public consultation to collect stakeholder input.

Please note that the public consultation questionnaire is divided into three main sections, each with its own focus and aim.

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

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

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

When evaluating the EFET proposal, or any change compared with the current auction procedures, it is important to consider both benefits and costs. We would therefore like to stress the importance of you

substantiating your answers, to allow us to better understand your needs, the scale of the issue, and all potential benefits or costs. We would also like to highlight that this is the first consultation for this FUNC issue and, based on the responses received, further consultations might be required in the future.

For your convenience please find below the links to the relevant websites hosting supporting documents for this public consultation. The terminology used in the public consultation corresponds to the definitions established in Article 3 of Commission Regulation (EU) 2017/459 (CAM Network Code).

Supporting Documents:

[CAM Network Code](#)

[EFET Issue supporting documents](#)

[ACER Congestion management report 7th edition](#)

General information

Your name:

Email address:

Company name:

Country:

- Austria
- Belgium
- Bulgaria
- Croatia
- Cyprus
- Czechia
- Denmark
- Estonia
- Finland
- France
- Germany
- Greece
- Hungary
- Ireland
- Italy
- Latvia
- Lithuania
- Luxembourg

- Malta
- Netherlands
- Poland
- Portugal
- Romania
- Slovak Republic
- Slovenia
- Spain
- Sweden

If other country, not in the list above:

Norway

My answers:

- can be published with my organisation's information
- can be published provided that my organisation remains anonymous

Please specify your role (multiple answers are possible):

- Capacity Booking Platform Operator
- Network User
- Other

If other, please specify below

If you are a network user, please indicate on how many markets (entry/exit-systems) you are active on and have booked capacity in the last gas year:

- 1
- 2-4
- more than 4

If you are a network user, please indicate which standard capacity products you booked in the last gas year (multiple answers are possible)

- Yearly
- Quarterly
- Monthly
- Day ahead / Within day

I have read, understood and I accept the terms of the ACER and ENTSOG privacy policies and I consent, in particular, on [ACER/ENTSOG](#) processing my personal data (above-mentioned) for this public consultation.

Section 1

The first version of the NC CAM of 2013 had been in place until the amended NC CAM came into force in April 2017 and repealed it. 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 standard capacity products at 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 reduced contractual congestion, narrowing spreads and more liquidity across EU gas market.

This section contains questions aimed at identifying the degree of satisfaction regarding current capacity allocation mechanisms. It also aims at collecting the market need(s) for greater flexibility to book firm capacity at IPs, if any. You will be asked to evaluate the existing capacity allocation rules in the NC CAM and elaborate on which areas you feel need improvement or which areas are currently satisfactory to meet your needs. Your answers will be used to analyze if the current NC CAM limits opportunities for optimizing capacity allocation and improving market functioning.

For questions 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'

1. 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?**

- 1
- 2
- 3
- 4
- 5

1.1 Please elaborate on your rating

We evaluate the current rules for capacity allocation reasonable suitable for our needs.

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

- Yes
- No

1.2.1 If yes, please elaborate on how this could be improved:

1.3 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?**

- 1
- 2
- 3
- 4
- 5

1.3.1 Please elaborate on your rating

The current rules for capacity allocation are appropriate. The auction calendar is well organized. However, the auction calendar can be improved by offering additional capacity auctions for long-term products after the initial auction.

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

- Yes
- No

1.4.1 If yes, please elaborate on how this could be improved:

The current rules for capacity allocation are appropriate. The auction calendar is well organized. However, the auction calendar can be improved by offering additional capacity auctions for long-term products after the initial auction.

2. Do the current runtimes of the standard capacity products provide sufficient flexibility to transport gas across the European Union? Please elaborate:

The current runtimes of the standard capacity products provide sufficient flexibility.

2.1 Do the current runtimes of the standard capacity products still reflect the commercial need to exchange on commodity markets? Please elaborate:

see the response to 2

3 Please provide any additional comments on the current capacity allocation rules and elaborate:

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.

Section 2

This section contains questions aimed at collecting feedback on the [proposal posted by EFET](#). We ask you to evaluate the EFET proposal based on your previously identified needs and consider whether the proposal would meet those needs in a satisfactory way. This will help us assess if the EFET proposal is a suitable solution for meeting the overall market needs.

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

For questions 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'

4. Do you agree with the problem EFET has described in the posted FUNC issue?

- Yes
- No

4.1 Please elaborate on your answer:

The EFET proposal provides more flexibility in the capacity booking. Deals after the initial auctions could easier be hedged with bookings and opportunities for arbitrage could be fully exploited. In particular in volatile markets like last year, additional capacity auctions allow more flexibility to react upon price signals.

5. 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?

- 1
- 2
- 3
- 4
- 5

5.1 Please elaborate on your rating

The EFET proposal to introduce supplementary auction is supported. 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.

6. 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?

- 1
- 2
- 3
- 4
- 5

6.1 Please elaborate on your rating

Additional monthly auctions enable timely reactions upon price signals. But the auctions should be limited to avoid that the complexity is getting out of hand.

7. 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?

- 1
- 2
- 3
- 4
- 5

7.1 Please elaborate on your rating

See the response to 6.1

8. 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?

- 1
- 2
- 3
- 4
- 5

8.1 Please elaborate on your rating

Additional yearly auctions provide additional flexibility.

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

- Voluntary
- Mandatory

9.1. Please explain your reasoning:

The mandatory implementation eases the provision of bundled products. It also reduces the complexity in comparison to a case-by-case approach.

10. In case any additional auctions would be implemented on a voluntary basis, how can we assure that the bundling principle is followed? Please elaborate:

11. What are, from your point of view, the **positive aspects** of the supplementary uniform price allocation (UPA) auctions for yearly, quarterly, and monthly IP capacity proposed by EFET, as compared to the current CAM NC rules on capacity allocation? Please elaborate:

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.

12. What are, from your point of view, the **negative aspects** with the supplementary uniform price allocation (UPA) auctions for yearly, quarterly, and monthly IP capacity proposed by EFET, as compared to the current CAM NC rules on capacity allocation? Please elaborate:

The supplementary auctions for yearly, quarterly and monthly auction increase the complexity of the system. Therefore, the number of additional auctions should be limited and mandatory for all member states.

13. Which elements of the EFET proposal may be advantageous for your company and why? Please elaborate:

See the response to 4.1

14. Which elements of the EFET proposal may be disadvantageous for your company and why? If you have any, please include suggestions to improvements of the proposal. Please elaborate:

See the response to 12

Section 3

This section contains questions aimed at exploring other options to increase flexibility in capacity bookings, besides the EFET proposal. If you previously indicated a need for change in the current capacity allocation rules, and identified problems with the EFET proposal, this section would allow you to propose alternative ways to meet your needs.

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

- Season
- Balance of month
- Weekend
- Other

- No other products are desirable

15.1 Please specify, if other:

The commercial needs can be fulfilled on the basis of the existing provided capacity products. The interlinkage between questions on the tariffication and multiplier are according to NC TAR are more of relevance.

15.2 Please elaborate on why these products are desirable or not desirable:

16. 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.

- Yes
 No

17. If yes, which products would you like to be able to book/offer further in advance?

- Monthly
 Quarterly
 Other

17.1 Please elaborate, if other:

17.2 Please elaborate on your answer and indicate how much further in advance each product would be desired to be booked/offered.

18. 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?

- Yes
 No

18.1 Please elaborate on your answer and if possible, provide suggestions for how implicit allocation methods could be further developed.

Article 3 of the NC CAM understands under an implicit allocation method' a capacity allocation method where both transmission capacity and a corresponding quantity of gas are allocated at the same time. The assessment on this suggestion depends on the specific approach. A common marketing of transport capacity and commodity towards shippers might ease the procurement for some. However, an implicit auction by exchanges or other third parties on a short-term basis would water-down the existing market roles. We do not see arguments or developments why market parties should not fully exploit price arbitrage between different markets by themselves. In case such structural cases occur further analysis on the reasons needs to be conducted first.

19. Do you have any **alternative proposals** on how to improve the current offer of capacity products and the rules on capacity allocation? Please elaborate:

20. What other concrete changes, within the scope of the current FUNC issue, could improve the access to transmission capacity and contribute to better cross-border competition and market integration? Please elaborate:

see response to 3.

Thank you!

Contact

support@gasncfunc.eu

Public Consultation – FUNC issue “Greater flexibility to book firm capacity at IPs”

Fields marked with * are mandatory.

Introduction

EFET posted the following issue on the Gas Network Code Functionality Platform <https://www.gasncfunc.eu/gas-func/issues/01/2020/view>

Extract of the reported issue

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 are launching this public consultation to collect stakeholder input.

Please note that the public consultation questionnaire is divided into three main sections, each with its own focus and aim.

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

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

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

When evaluating the EFET proposal, or any change compared with the current auction procedures, it is important to consider both benefits and costs. We would therefore like to stress the importance of you

substantiating your answers, to allow us to better understand your needs, the scale of the issue, and all potential benefits or costs. We would also like to highlight that this is the first consultation for this FUNC issue and, based on the responses received, further consultations might be required in the future.

For your convenience please find below the links to the relevant websites hosting supporting documents for this public consultation. The terminology used in the public consultation corresponds to the definitions established in Article 3 of Commission Regulation (EU) 2017/459 (CAM Network Code).

Supporting Documents:

[CAM Network Code](#)

[EFET Issue supporting documents](#)

[ACER Congestion management report 7th edition](#)

General information

Your name:

Email address:

Company name:

Country:

If other country, not in the list above:

My answers:

- can be published with my organisation's information
- can be published provided that my organisation remains anonymous

Please specify your role (multiple answers are possible):

- Capacity Booking Platform Operator
- Network User
- Other

If other, please specify below

If you are a network user, please indicate on how many markets (entry/exit-systems) you are active on and have booked capacity in the last gas year:

- 1
- 2-4
- more than 4

If you are a network user, please indicate which standard capacity products you booked in the last gas year (multiple answers are possible)

- Yearly
- Quarterly
- Monthly
- Day ahead / Within day

I have read, understood and I accept the terms of the ACER and ENTSOG privacy policies and I consent, in particular, on [ACER/ENTSOG](#) processing my personal data (above-mentioned) for this public consultation.

Section 1

The first version of the NC CAM of 2013 had been in place until the amended NC CAM came into force in April 2017 and repealed it. 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 standard capacity products at 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 reduced contractual congestion, narrowing spreads and more liquidity across EU gas market.

This section contains questions aimed at identifying the degree of satisfaction regarding current capacity allocation mechanisms. It also aims at collecting the market need(s) for greater flexibility to book firm capacity at IPs, if any. You will be asked to evaluate the existing capacity allocation rules in the NC CAM and elaborate on which areas you feel need improvement or which areas are currently satisfactory to meet your needs. Your answers will be used to analyze if the current NC CAM limits opportunities for optimizing capacity allocation and improving market functioning.

For questions 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'

1. 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?**

- 1
- 2
- 3
- 4
- 5

1.1 Please elaborate on your rating

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

- Yes
- No

1.2.1 If yes, please elaborate on how this could be improved:

1.3 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?**

- 1
- 2
- 3
- 4
- 5

1.3.1 Please elaborate on your rating

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

- Yes
- No

1.4.1 If yes, please elaborate on how this could be improved:

2. Do the current runtimes of the standard capacity products provide sufficient flexibility to transport gas across the European Union? Please elaborate:

2.1 Do the current runtimes of the standard capacity products still reflect the commercial need to exchange on commodity markets? Please elaborate:

3 Please provide any additional comments on the current capacity allocation rules and elaborate:

Section 2

This section contains questions aimed at collecting feedback on the [proposal posted by EFET](#). We ask you to evaluate the EFET proposal based on your previously identified needs and consider whether the proposal would meet those needs in a satisfactory way. This will help us assess if the EFET proposal is a suitable solution for meeting the overall market needs.

EFET argues 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 in uniform price allocation (UPA) auctions outside the CAM NC auction timetable dates. Supplementary UPA auctions for yearly, quarterly, and monthly IP capacity would be held for any capacity remaining unsold after the first relevant CAM NC (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 CAM NC auctions first before any supplementary UPA auctions took place. To the

extent an adjustment of implementation is not sufficient to accommodate the proposal, EFET proposes that a change to the CAM NC legal text as part of the 2021 EU Gas Legislative Package could be pursued.

For questions 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'

4. Do you agree with the problem EFET has described in the posted FUNC issue?

Yes

No

4.1 Please elaborate on your answer:

Standardised capacity auctions in CAM NC have helped to allocate capacity more efficiently, reducing spreads and allowing shippers to respond to short-term price signals when managing their capacity. Whilst recognising the value of the standard auction timetable, we support the proposal to increase shippers' access to capacity via supplementary auctions. Increasing commodity arbitrage opportunities will support the development of liquidity in spot and forward markets. The ACER gas MMR (2018) noted that CAM NC amendments introducing increased frequency of auctions (e.g. for quarterly products) immediately increased the bookings of the related products, which also suggests that there is demand for more flexibility in the auction timetable.

5. 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?

1

2

3

4

5

5.1 Please elaborate on your rating

Given that priority is maintained for the yearly, quarterly and monthly CAM NC auctions, increased opportunities to purchase (any unsold) capacity will help to increase access to capacity without adversely affecting the current system.

6. 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?

1

2

3

4

5

6.1 Please elaborate on your rating

Yes. UPA auctions will increase the opportunities for TSOs to sell capacity and will increase shipper access to any unsold capacity following the first relevant CAM NC ascending clock auction.

7. 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?

1

2

3

4

5

7.1 Please elaborate on your rating

Yes. See response to 6.1

8. 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?

1

2

3

4

5

8.1 Please elaborate on your rating

Yes. See response to 6.1

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

Voluntary

Mandatory

9.1. Please explain your reasoning:

A level of discretion for TSOs to introduce these auctions based on their assessment will help to ensure cost-effective implementation (i.e. based on demand and TSO assessment of the market conditions). This approach will also allow learning and demonstration of results once it has initially been implemented.

10. In case any additional auctions would be implemented on a voluntary basis, how can we assure that the bundling principle is followed? Please elaborate:

An obligation to coordinate with adjacent TSOs could be foreseen, requiring agreement between relevant TSOs/NRAs before the introduction of additional auctions.

11. What are, from your point of view, the **positive aspects** of the supplementary uniform price allocation (UPA) auctions for yearly, quarterly, and monthly IP capacity proposed by EFET, as compared to the current CAM NC rules on capacity allocation? Please elaborate:

- Increased opportunities for shippers to access capacity and explicit arbitrage opportunities;
- Complementarity to the CAM NC auctions (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).
- Simplicity of UPA auctions, only requiring a single round;

12. What are, from your point of view, the **negative aspects** with the supplementary uniform price allocation (UPA) auctions for yearly, quarterly, and monthly IP capacity proposed by EFET, as compared to the current CAM NC rules on capacity allocation? Please elaborate:

13. Which elements of the EFET proposal may be advantageous for your company and why? Please elaborate:

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.

14. Which elements of the EFET proposal may be disadvantageous for your company and why? If you have any, please include suggestions to improvements of the proposal. Please elaborate:

None identified

Section 3

This section contains questions aimed at exploring other options to increase flexibility in capacity bookings, besides the EFET proposal. If you previously indicated a need for change in the current capacity allocation rules, and identified problems with the EFET proposal, this section would allow you to propose alternative ways to meet your needs.

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

- Season
- Balance of month
- Weekend
- Other
- No other products are desirable

15.1 Please specify, if other:

15.2 Please elaborate on why these products are desirable or not desirable:

16. 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.

- Yes
- No

17. If yes, which products would you like to be able to book/offer further in advance?

- Monthly
- Quarterly
- Other

17.1 Please elaborate, if other:

17.2 Please elaborate on your answer and indicate how much further in advance each product would be desired to be booked/offered.

18. 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?

- Yes
- No

18.1 Please elaborate on your answer and if possible, provide suggestions for how implicit allocation methods could be further developed.

19. Do you have any **alternative proposals** on how to improve the current offer of capacity products and the rules on capacity allocation? Please elaborate:

20. What other concrete changes, within the scope of the current FUNC issue, could improve the access to transmission capacity and contribute to better cross-border competition and market integration? Please elaborate:

Thank you!

Contact

support@gasncfunc.eu

Public Consultation – FUNC issue “Greater flexibility to book firm capacity at IPs”

Fields marked with * are mandatory.

Introduction

EFET posted the following issue on the Gas Network Code Functionality Platform <https://www.gasncfunc.eu/gas-func/issues/01/2020/view>

Extract of the reported issue

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 are launching this public consultation to collect stakeholder input.

Please note that the public consultation questionnaire is divided into three main sections, each with its own focus and aim.

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

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

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

When evaluating the EFET proposal, or any change compared with the current auction procedures, it is important to consider both benefits and costs. We would therefore like to stress the importance of you

substantiating your answers, to allow us to better understand your needs, the scale of the issue, and all potential benefits or costs. We would also like to highlight that this is the first consultation for this FUNC issue and, based on the responses received, further consultations might be required in the future.

For your convenience please find below the links to the relevant websites hosting supporting documents for this public consultation. The terminology used in the public consultation corresponds to the definitions established in Article 3 of Commission Regulation (EU) 2017/459 (CAM Network Code).

Supporting Documents:

[CAM Network Code](#)

[EFET Issue supporting documents](#)

[ACER Congestion management report 7th edition](#)

General information

Your name:

Email address:

Company name:

Country:

If other country, not in the list above:

My answers:

- can be published with my organisation's information
- can be published provided that my organisation remains anonymous

Please specify your role (multiple answers are possible):

- Capacity Booking Platform Operator
- Network User
- Other

If other, please specify below

If you are a network user, please indicate on how many markets (entry/exit-systems) you are active on and have booked capacity in the last gas year:

- 1
- 2-4
- more than 4

If you are a network user, please indicate which standard capacity products you booked in the last gas year (multiple answers are possible)

- Yearly
- Quarterly
- Monthly
- Day ahead / Within day

I have read, understood and I accept the terms of the ACER and ENTSOG privacy policies and I consent, in particular, on [ACER/ENTSOG](#) processing my personal data (above-mentioned) for this public consultation.

Section 1

The first version of the NC CAM of 2013 had been in place until the amended NC CAM came into force in April 2017 and repealed it. 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 standard capacity products at 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 reduced contractual congestion, narrowing spreads and more liquidity across EU gas market.

This section contains questions aimed at identifying the degree of satisfaction regarding current capacity allocation mechanisms. It also aims at collecting the market need(s) for greater flexibility to book firm capacity at IPs, if any. You will be asked to evaluate the existing capacity allocation rules in the NC CAM and elaborate on which areas you feel need improvement or which areas are currently satisfactory to meet your needs. Your answers will be used to analyze if the current NC CAM limits opportunities for optimizing capacity allocation and improving market functioning.

For questions 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'

1. 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?**

- 1
- 2
- 3
- 4
- 5

1.1 Please elaborate on your rating

See answer to 1.2

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

- Yes
- No

1.2.1 If yes, please elaborate on how this could be improved:

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 overnomination (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/ overnomination 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.

1.3 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?**

- 1
- 2
- 3
- 4
- 5

1.3.1 Please elaborate on your rating

The current auction calendar does not adequately serve the needs of the market, the consumers or TSOs. It unnecessarily closes the shop for CAM products despite shippers wishing to acquire this capacity; Market fundamentals and prices (spreads) change throughout the year and shippers wish to capture opportunities and/or adjust their portfolio accordingly.

Since the development of the CAM code, European markets have developed considerably and become more liquid. The trading of the gas commodity happens continuously, yet acquiring the IP capacity remains unduly rigid with booking limited to a few days a year and for a limited set of products. Is it appropriate to offer annual capacity only once a year? Quarterly 4 times and monthly 12 times a year in such a dynamic market? For instance monthly commodity products 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 products (and the spreads between the connected markets) have a value that changes over time for as long as the commodity products are being traded yet shippers are not able to get all this value or to secure the capacity to link the lower priced to the higher priced market. Significant intrinsic and extrinsic value is lost to both Shipper and the TSO if Monthly capacity can only be sold on one day under the NC CAM timetable.

We also wish to note that interconnectors operate in the flexibility market with other operators like LNG and Storage. The other flexibility assets are not required to operate according to such a strict calendar – they can market their capacity first come first serve, any (business) day of the year. This difference in commercial (regulatory) regime affects the level playing field and competition in the flexibility market.

The current calendar does not therefore facilitate efficient cross border trade and may have implications for security of supply and price volatility in the future as long term legacy contracts expire (given shippers are increasingly meeting supply obligations through shorter term transactions). Inefficient markets for transport capacity are not in the best interest of consumers.

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

- Yes
 No

1.4.1 If yes, please elaborate on how this could be improved:

Yes see the answer above.

2. Do the current runtimes of the standard capacity products provide sufficient flexibility to transport gas across the European Union? Please elaborate:

No. The standard capacity products have gone a long way in providing a logical and harmonized approach to the capacity market, however by restricting the offer to solely these products, the opportunities available to the market are limited. Access to a greater variety of product runtimes would allow Shippers to secure capacity to match their requirements without the risk of being required to pay for capacity not needed. This would enable more efficient use of existing assets and allow closer alignment of the commodity and capacity markets. Shippers would be able to optimise their bookings and would not be required to make sub-optimal bookings at a greater cost. Providing access to a greater range of product runtimes would ultimately benefit the end consumer.

Interconnector, for example, has successfully introduced a range of new product runtimes through its Implicit Allocation Mechanism allowing its capacity offering to fully align with the products regularly traded on the commodity market such as six monthly and seasonal products. These products have allowed Shippers to

secure capacity that matches their seasonal requirements and provides a cost effective solution for Shippers to access seasonal storage assets.

2.1 Do the current runtimes of the standard capacity products still reflect the commercial need to exchange on commodity markets? Please elaborate:

No. See answer above.

The extension of quarterly products sales within the gas year has demonstrated the benefit of additional opportunities to purchase capacity.

The market is currently unable to extract the maximum value of the capacity. For example if a Shipper could secure capacity further in advance, this would not only align with the commodity market but would increase the extrinsic value of the capacity. This would create more potential value for Shippers, and enable the capacity and gas commodity markets to operate more efficiently which would improve cross border trading and contribute to the consumer interest.

There are also advantages to being able to secure capacity which is longer in duration than the Day Ahead product after the close of the Monthly Auction. In particular, a Balance of Month product offers the market the opportunity to secure the remainder of the month. A product such as this BOM option provides the market with additional within month options which improve efficiency, price stability and security of supply. Shippers can secure capacity for the remainder of the month rather than relying on Day Ahead or Within Day capacity which, when there is high demand for capacity, may be heavily oversubscribed risking a shipper not securing capacity or attracting higher charges (which may then impact consumer bills) .

3 Please provide any additional comments on the current capacity allocation rules and elaborate:

Section 2

This section contains questions aimed at collecting feedback on the [proposal posted by EFET](#). We ask you to evaluate the EFET proposal based on your previously identified needs and consider whether the proposal would meet those needs in a satisfactory way. This will help us assess if the EFET proposal is a suitable solution for meeting the overall market needs.

EFET argues 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 in uniform price allocation (UPA) auctions outside the CAM NC auction timetable dates.

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

For questions 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'

4. Do you agree with the problem EFET has described in the posted FUNC issue?

Yes

No

4.1 Please elaborate on your answer:

Yes. The current auction timetable does unnecessarily limit opportunities for arbitrage to be fully exploited, particularly across the forward curve. The current timetable is therefore not enabling efficient cross border trade to the detriment of both shippers and TSOs. This results in a negative economic impact on the final consumer, who will not only bear some of the cost of the inefficiencies created by the current timetable but also face the risk of supply disruption where capacity may not have been procured until the last minute.

5. 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?

1

2

3

4

5

5.1 Please elaborate on your rating

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.

The proposal however is only partially addressing the restrictive nature of the current timetable. A further enhancement would be to increase the lead time for such products being offered. This would increase the extrinsic value of the capacity by providing increased trading opportunities for Shippers. In turn, this would improve overall market functioning and liquidity.

We would consider that the capacity should still be made available via the UPA auctions even when the first CAM NC auction clears at a premium. The market has signaled a need for capacity – the design of the ascending clock auctions means that there is likely to be an under-sell if a premium is generated. It is not efficient nor reflective of market demand to then not re-offer this capacity.

6. 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?

- 1
- 2
- 3
- 4
- 5

6.1 Please elaborate on your rating

Yes. Increasing the number of times a product is made available allows the market to react to arbitrage opportunities more frequently hence maximizing the ability of the TSO to successfully market capacity. This reduces the risk of gas supply shortages as Shippers can react promptly to market events and price changes, rather than source their needs from a more expensive sources.

We see that bringing the first CAM NC auction forward is positive. It will enable Shippers longer to establish capacity positions and will also enable the market to operate more efficiently as capacity commitments will be known earlier in the month, leading to clear signals on the supply/ demand picture for the upcoming month.

7. 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?

- 1
- 2
- 3
- 4
- 5

7.1 Please elaborate on your rating

Yes. As above, increasing the number of times a product is made available allows the market to react to arbitrage opportunities more frequently maximizes the ability of the TSO to successfully market capacity. It would provide Shippers the ability to react almost instantaneously to opportunities arising outside the standard timetable. This allows the Shipper to better manage their portfolio as they have increased optionality on when to secure capacity and ability to react to market signals. This would help Shippers in securing longer term capacity more efficiently and reduce the likelihood of supply shortages caused by waiting for Daily or Within Day opportunities.

8. 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?

- 1
- 2
- 3
- 4
- 5

8.1 Please elaborate on your rating

Yes. As above, the current timetable is unduly restrictive and limits trading opportunities for Shippers. Whilst we see a shift to shorter term bookings, the restriction on annual capacity bookings to once a year seems unnecessary and creates a barrier for those market participants who have portfolio or baseload flow requirements.

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

- Voluntary
- Mandatory

9.1. Please explain your reasoning:

Yes this is a sensible, cost effective approach reflecting the fact the some European market are more advanced than others. The basic 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.

10. In case any additional auctions would be implemented on a voluntary basis, how can we assure that the bundling principle is followed? Please elaborate:

It should be noted that the proposal is offering additional capacity sale options and the current offering requirements are not reduced. Available capacity offered on either side of an IP would continue to be bundled in the harmonized auctions. It is also highly probable that if there was voluntary adoption of additional capacity offerings at an IP due to positive demand for this serve, that TSOs on both sides of the IP would implement this and thus this capacity could also be bundled. As mentioned in answering Q9, a requirement could be considered on TSOs/NRAs to undertake a joint bi-annual market consultation to examine this issue. If positive then both TSOs can consider a coordinated approach across the IP.

11. What are, from your point of view, the **positive aspects** of the supplementary uniform price allocation (UPA) auctions for yearly, quarterly, and monthly IP capacity proposed by EFET, as compared to the current CAM NC rules on capacity allocation? Please elaborate:

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.

12. What are, from your point of view, the **negative aspects** with the supplementary uniform price allocation (UPA) auctions for yearly, quarterly, and monthly IP capacity proposed by EFET, as compared to the current CAM NC rules on capacity allocation? Please elaborate:

We would consider that the capacity should still be made available via the UPA auctions even when the first CAM NC auction clears at a premium. The market has signaled a need for capacity – the design of the ascending clock auctions means that there is likely to be an under-sell if a premium is generated. It is not efficient nor reflective of market demand to then not re-offer this capacity.

Additionally, whilst the UPA auctions go a long way in creating extra opportunities to book capacity, the products on offer are still restricted to the current Gas Year. For example, a Shipper still has no opportunity to purchase capacity for Q4 (Oct-Nov) of the current Calendar Year before the first CAM NC Quarterly Auction in August.

13. Which elements of the EFET proposal may be advantageous for your company and why? Please elaborate:

As a cross border interconnector without captive demand, the ability to market our capacity effectively is crucial for our continued operations. The ability for Shippers to access capacity more frequently increases the likelihood that this capacity will be successfully marketed, as there will be more arbitrage opportunities that the Shipper can actually act upon. If Shippers could act upon more opportunities to purchase capacity, the security of supply and flexibility benefits that interconnector provides to the market would be furthered.

14. Which elements of the EFET proposal may be disadvantageous for your company and why? If you have any, please include suggestions to improvements of the proposal. Please elaborate:

None. The EFET proposal is suggesting a voluntary approach which we agree is sensible. It then is up to the stakeholders, TSOs and Regulatory Authorities involved at each IP to consider the merits of additional services/opportunities.

Section 3

This section contains questions aimed at exploring other options to increase flexibility in capacity bookings, besides the EFET proposal. If you previously indicated a need for change in the current capacity allocation rules, and identified problems with the EFET proposal, this section would allow you to propose alternative ways to meet your needs.

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

- Season
- Balance of month

- Weekend
- Other
- No other products are desirable

15.1 Please specify, if other:

Please note multiple answers could not be populated. We wished to click Season, Balance of Month, Weekend

15.2 Please elaborate on why these products are desirable or not desirable:

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.

16. 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.

- Yes
- No

17. If yes, which products would you like to be able to book/offer further in advance?

- Monthly
- Quarterly
- Other

17.1 Please elaborate, if other:

Please note multiple answers could not be populated. We wished to click Quarterly and Monthly

17.2 Please elaborate on your answer and indicate how much further in advance each product would be desired to be booked/offered.

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.

18. 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?

- Yes
 No

18.1 Please elaborate on your answer and if possible, provide suggestions for how implicit allocation methods could be further developed.

Some TSOs like Interconnector have adopted implicit allocation as an additional way to offer capacity and better align with commodity transactions. Where implemented this method has been highly appreciated by shippers and provides more choice to them. The additional flexibility plays a key role in ensuring the capacity offered by the TSO matches the requirement of the market, both in relation to the product duration and the ability to purchase it when there is a market opportunity.
Article 3 of the CAM code already enables other TSOs/NRAs to consider this additional option.

19. Do you have any **alternative proposals** on how to improve the current offer of capacity products and the rules on capacity allocation? Please elaborate:

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.

20. What other concrete changes, within the scope of the current FUNC issue, could improve the access to transmission capacity and contribute to better cross-border competition and market integration? Please elaborate:

See answer to Q19.

Thank you!

Contact

support@gasncfunc.eu

Public Consultation – FUNC issue “Greater flexibility to book firm capacity at IPs”

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Introduction

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Extract of the reported issue

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)
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- **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.

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substantiating your answers, to allow us to better understand your needs, the scale of the issue, and all potential benefits or costs. We would also like to highlight that this is the first consultation for this FUNC issue and, based on the responses received, further consultations might be required in the future.

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Supporting Documents:

[CAM Network Code](#)

[EFET Issue supporting documents](#)

[ACER Congestion management report 7th edition](#)

General information

Your name:

Email address:

Company name:

Country:

- Austria
- Belgium
- Bulgaria
- Croatia
- Cyprus
- Czechia
- Denmark
- Estonia
- Finland
- France
- Germany
- Greece
- Hungary
- Ireland
- Italy
- Latvia
- Lithuania
- Luxembourg

- Malta
- Netherlands
- Poland
- Portugal
- Romania
- Slovak Republic
- Slovenia
- Spain
- Sweden

If other country, not in the list above:

United Kingdom

My answers:

- can be published with my organisation's information
- can be published provided that my organisation remains anonymous

Please specify your role (multiple answers are possible):

- Capacity Booking Platform Operator
- Network User
- Other

If other, please specify below

GB TSO

If you are a network user, please indicate on how many markets (entry/exit-systems) you are active on and have booked capacity in the last gas year:

- 1
- 2-4
- more than 4

If you are a network user, please indicate which standard capacity products you booked in the last gas year (multiple answers are possible)

- Yearly
- Quarterly
- Monthly
- Day ahead / Within day

I have read, understood and I accept the terms of the ACER and ENTSOG privacy policies and I consent, in particular, on [ACER/ENTSOG](#) processing my personal data (above-mentioned) for this public consultation.

Section 1

The first version of the NC CAM of 2013 had been in place until the amended NC CAM came into force in April 2017 and repealed it. 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 standard capacity products at 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 reduced contractual congestion, narrowing spreads and more liquidity across EU gas market.

This section contains questions aimed at identifying the degree of satisfaction regarding current capacity allocation mechanisms. It also aims at collecting the market need(s) for greater flexibility to book firm capacity at IPs, if any. You will be asked to evaluate the existing capacity allocation rules in the NC CAM and elaborate on which areas you feel need improvement or which areas are currently satisfactory to meet your needs. Your answers will be used to analyze if the current NC CAM limits opportunities for optimizing capacity allocation and improving market functioning.

For questions containing a scale from 1 to 5:

- 1 is to be considered as 'not suitable to my current needs at all'
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- 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'

1. 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?**

- 1
- 2
- 3
- 4
- 5

1.1 Please elaborate on your rating

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.

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

- Yes
- No

1.2.1 If yes, please elaborate on how this could be improved:

1.3 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?**

- 1
- 2
- 3
- 4
- 5

1.3.1 Please elaborate on your rating

The current rules for capacity allocation through the products offered are suitable for our needs as TSO.

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

- Yes
- No

1.4.1 If yes, please elaborate on how this could be improved:

2. Do the current runtimes of the standard capacity products provide sufficient flexibility to transport gas across the European Union? Please elaborate:

National Grid believes this is a question more appropriately answered by network users experience.

2.1 Do the current runtimes of the standard capacity products still reflect the commercial need to exchange on commodity markets? Please elaborate:

National Grid believes this is a question more appropriately answered by network users experience.

3 Please provide any additional comments on the current capacity allocation rules and elaborate:

No additional comments

Section 2

This section contains questions aimed at collecting feedback on the [proposal posted by EFET](#). We ask you to evaluate the EFET proposal based on your previously identified needs and consider whether the proposal would meet those needs in a satisfactory way. This will help us assess if the EFET proposal is a suitable solution for meeting the overall market needs.

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

For questions 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'

4. Do you agree with the problem EFET has described in the posted FUNC issue?

- Yes
- No

4.1 Please elaborate on your answer:

National Grid agrees that the current CAM NC auction timetable may create the problem that EFET have outlined in their proposal.

5. 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?

- 1
- 2
- 3
- 4
- 5

5.1 Please elaborate on your rating

Although National Grid agrees with the problem, we expect the proposed solution would be costly to implement and so would welcome an assessment of a the pan-EU costs to TSOs to implement vs the benefits to enable a proper evaluation of the proposed changes.

6. 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?

- 1
- 2
- 3
- 4
- 5

6.1 Please elaborate on your rating

National Grid believes that although the EFET proposal would undoubtedly enable market participants more ability to purchase the capacity and help the issue identified by EFET, we do think the frequency of the additional auctions and the expected costs to implement make the solution of limited appropriateness.

7. 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?

- 1
- 2
- 3
- 4
- 5

7.1 Please elaborate on your rating

Please see response to question 6.1

8. 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?

- 1
- 2
- 3
- 4
- 5

8.1 Please elaborate on your rating

Please see response to question 6.1

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

- Voluntary
- Mandatory

9.1. Please explain your reasoning:

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.

10. In case any additional auctions would be implemented on a voluntary basis, how can we assure that the bundling principle is followed? Please elaborate:

Any voluntary participation would be required to be agreed upon by the adjacent TSO for bundling to be possible. If the adjacent TSO does not participate then only unbundled capacity could be offered.

11. What are, from your point of view, the **positive aspects** of the supplementary uniform price allocation (UPA) auctions for yearly, quarterly, and monthly IP capacity proposed by EFET, as compared to the current CAM NC rules on capacity allocation? Please elaborate:

Greater opportunities to purchase IP firm capacity would allow for increased advantage to be taken of a price arbitrage.

12. What are, from your point of view, the **negative aspects** with the supplementary uniform price allocation (UPA) auctions for yearly, quarterly, and monthly IP capacity proposed by EFET, as compared to the current CAM NC rules on capacity allocation? Please elaborate:

As per the previous responses, the potential costs of implementation of the proposed solution

13. Which elements of the EFET proposal may be advantageous for your company and why? Please elaborate:

No comment

14. Which elements of the EFET proposal may be disadvantageous for your company and why? If you have any, please include suggestions to improvements of the proposal. Please elaborate:

No comment

Section 3

This section contains questions aimed at exploring other options to increase flexibility in capacity bookings, besides the EFET proposal. If you previously indicated a need for change in the current capacity allocation rules, and identified problems with the EFET proposal, this section would allow you to propose alternative ways to meet your needs.

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

- Season
- Balance of month
- Weekend
- Other

- No other products are desirable

15.1 Please specify, if other:

National Grid believes this questions 15, 16 and 17 are more appropriately answered by network users

15.2 Please elaborate on why these products are desirable or not desirable:

16. 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.

- Yes
- No

17. If yes, which products would you like to be able to book/offer further in advance?

- Monthly
- Quarterly
- Other

17.1 Please elaborate, if other:

17.2 Please elaborate on your answer and indicate how much further in advance each product would be desired to be booked/offered.

18. 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?

- Yes
- No

18.1 Please elaborate on your answer and if possible, provide suggestions for how implicit allocation methods could be further developed.

It would be useful to explore the benefits of implicit capacity allocation and at which point it become more appropriate for a market to utilise implicit capacity allocation methods.

19. Do you have any **alternative proposals** on how to improve the current offer of capacity products and the rules on capacity allocation? Please elaborate:

Greater flexibility of offering bundled/unbundled capacity would allow greater capacity utilisation.

20. What other concrete changes, within the scope of the current FUNC issue, could improve the access to transmission capacity and contribute to better cross-border competition and market integration? Please elaborate:

No comment

Thank you!

Contact

support@gasncfunc.eu

Public Consultation – FUNC issue “Greater flexibility to book firm capacity at IPs”

Fields marked with * are mandatory.

Introduction

EFET posted the following issue on the Gas Network Code Functionality Platform <https://www.gasncfunc.eu/gas-func/issues/01/2020/view>

Extract of the reported issue

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 are launching this public consultation to collect stakeholder input.

Please note that the public consultation questionnaire is divided into three main sections, each with its own focus and aim.

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

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

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

When evaluating the EFET proposal, or any change compared with the current auction procedures, it is important to consider both benefits and costs. We would therefore like to stress the importance of you

substantiating your answers, to allow us to better understand your needs, the scale of the issue, and all potential benefits or costs. We would also like to highlight that this is the first consultation for this FUNC issue and, based on the responses received, further consultations might be required in the future.

For your convenience please find below the links to the relevant websites hosting supporting documents for this public consultation. The terminology used in the public consultation corresponds to the definitions established in Article 3 of Commission Regulation (EU) 2017/459 (CAM Network Code).

Supporting Documents:

[CAM Network Code](#)

[EFET Issue supporting documents](#)

[ACER Congestion management report 7th edition](#)

General information

Your name:

Email address:

Company name:

Country:

If other country, not in the list above:

My answers:

- can be published with my organisation's information
- can be published provided that my organisation remains anonymous

Please specify your role (multiple answers are possible):

- Capacity Booking Platform Operator
- Network User
- Other

If other, please specify below

If you are a network user, please indicate on how many markets (entry/exit-systems) you are active on and have booked capacity in the last gas year:

- 1
- 2-4
- more than 4

If you are a network user, please indicate which standard capacity products you booked in the last gas year (multiple answers are possible)

- Yearly
- Quarterly
- Monthly
- Day ahead / Within day

I have read, understood and I accept the terms of the ACER and ENTSOG privacy policies and I consent, in particular, on [ACER/ENTSOG](#) processing my personal data (above-mentioned) for this public consultation.

Section 1

The first version of the NC CAM of 2013 had been in place until the amended NC CAM came into force in April 2017 and repealed it. 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 standard capacity products at 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 reduced contractual congestion, narrowing spreads and more liquidity across EU gas market.

This section contains questions aimed at identifying the degree of satisfaction regarding current capacity allocation mechanisms. It also aims at collecting the market need(s) for greater flexibility to book firm capacity at IPs, if any. You will be asked to evaluate the existing capacity allocation rules in the NC CAM and elaborate on which areas you feel need improvement or which areas are currently satisfactory to meet your needs. Your answers will be used to analyze if the current NC CAM limits opportunities for optimizing capacity allocation and improving market functioning.

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- 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'

1. 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?**

- 1
- 2
- 3
- 4
- 5

1.1 Please elaborate on your rating

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

- Yes
- No

1.2.1 If yes, please elaborate on how this could be improved:

1.3 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?**

- 1
- 2
- 3
- 4
- 5

1.3.1 Please elaborate on your rating

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

- Yes
- No

1.4.1 If yes, please elaborate on how this could be improved:

Quarterly IP capacity auctions should be scheduled closer to the start of delivery.

2. Do the current runtimes of the standard capacity products provide sufficient flexibility to transport gas across the European Union? Please elaborate:

2.1 Do the current runtimes of the standard capacity products still reflect the commercial need to exchange on commodity markets? Please elaborate:

3 Please provide any additional comments on the current capacity allocation rules and elaborate:

Section 2

This section contains questions aimed at collecting feedback on the [proposal posted by EFET](#). We ask you to evaluate the EFET proposal based on your previously identified needs and consider whether the proposal would meet those needs in a satisfactory way. This will help us assess if the EFET proposal is a suitable solution for meeting the overall market needs.

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

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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'

4. Do you agree with the problem EFET has described in the posted FUNC issue?

Yes

No

4.1 Please elaborate on your answer:

5. 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?

1

2

3

4

5

5.1 Please elaborate on your rating

We see the introduction of uniform price auctions as appropriate, provided that capacity is reserved for shorter-term products, otherwise, the flexibility in the short term will be reduce.

6. 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?

1

2

3

4

5

6.1 Please elaborate on your rating

We don't agree with the fact of bringing forward the dates of the CAM NC rolling monthly capacity auctions from the third to the first Monday of each month. It will increase the risk of our booking decision.

7. 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?

- 1
- 2
- 3
- 4
- 5

7.1 Please elaborate on your rating

8. 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?

- 1
- 2
- 3
- 4
- 5

8.1 Please elaborate on your rating

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

- Voluntary
- Mandatory

9.1. Please explain your reasoning:

10. In case any additional auctions would be implemented on a voluntary basis, how can we assure that the bundling principle is followed? Please elaborate:

11. What are, from your point of view, the **positive aspects** of the supplementary uniform price allocation (UPA) auctions for yearly, quarterly, and monthly IP capacity proposed by EFET, as compared to the current CAM NC rules on capacity allocation? Please elaborate:

12. What are, from your point of view, the **negative aspects** with the supplementary uniform price allocation (UPA) auctions for yearly, quarterly, and monthly IP capacity proposed by EFET, as compared to the current CAM NC rules on capacity allocation? Please elaborate:

As we have already said we don't like to move forward the dates of the monthly ascending clock auction. We prefer the current scheduled.

13. Which elements of the EFET proposal may be advantageous for your company and why? Please elaborate:

14. Which elements of the EFET proposal may be disadvantageous for your company and why? If you have any, please include suggestions to improvements of the proposal. Please elaborate:

Section 3

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

- Season
- Balance of month
- Weekend
- Other
- No other products are desirable

15.1 Please specify, if other:

15.2 Please elaborate on why these products are desirable or not desirable:

16. 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.

- Yes
- No

17. If yes, which products would you like to be able to book/offer further in advance?

- Monthly
- Quarterly
- Other

17.1 Please elaborate, if other:

17.2 Please elaborate on your answer and indicate how much further in advance each product would be desired to be booked/offered.

18. 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?

- Yes
- No

18.1 Please elaborate on your answer and if possible, provide suggestions for how implicit allocation methods could be further developed.

19. Do you have any **alternative proposals** on how to improve the current offer of capacity products and the rules on capacity allocation? Please elaborate:

20. What other concrete changes, within the scope of the current FUNC issue, could improve the access to transmission capacity and contribute to better cross-border competition and market integration? Please elaborate:

Thank you!

Contact

support@gasncfunc.eu

Public Consultation – FUNC issue “Greater flexibility to book firm capacity at IPs”

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Introduction

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Extract of the reported issue

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- **Who should act:** ACER, ENTSOG, Involved TSO(s)
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substantiating your answers, to allow us to better understand your needs, the scale of the issue, and all potential benefits or costs. We would also like to highlight that this is the first consultation for this FUNC issue and, based on the responses received, further consultations might be required in the future.

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General information

Your name:

Email address:

Company name:

Country:

If other country, not in the list above:

My answers:

- can be published with my organisation's information
- can be published provided that my organisation remains anonymous

Please specify your role (multiple answers are possible):

- Capacity Booking Platform Operator
- Network User
- Other

If other, please specify below

If you are a network user, please indicate on how many markets (entry/exit-systems) you are active on and have booked capacity in the last gas year:

- 1
- 2-4
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If you are a network user, please indicate which standard capacity products you booked in the last gas year (multiple answers are possible)

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- Monthly
- Day ahead / Within day

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- 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'

1. 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?**

- 1
- 2
- 3
- 4
- 5

1.1 Please elaborate on your rating

more flexibility in the marketing of capacity products is strongly desired

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

- Yes
- No

1.2.1 If yes, please elaborate on how this could be improved:

capacity auctions should be held on a more frequent basis

1.3 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?**

- 1
- 2
- 3
- 4
- 5

1.3.1 Please elaborate on your rating

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

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

- Yes
- No

1.4.1 If yes, please elaborate on how this could be improved:

more frequent auctions for A/Q/M capacity are strongly desired

2. Do the current runtimes of the standard capacity products provide sufficient flexibility to transport gas across the European Union? Please elaborate:

somewhat sufficient; a broader range of products may create more benefit and efficiency for the entire market

2.1 Do the current runtimes of the standard capacity products still reflect the commercial need to exchange on commodity markets? Please elaborate:

a broader range of products may create more benefit and efficiency for the entire market

3 Please provide any additional comments on the current capacity allocation rules and elaborate:

no comment

Section 2

This section contains questions aimed at collecting feedback on the [proposal posted by EFET](#). We ask you to evaluate the EFET proposal based on your previously identified needs and consider whether the proposal would meet those needs in a satisfactory way. This will help us assess if the EFET proposal is a suitable solution for meeting the overall market needs.

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

For questions 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'

4. Do you agree with the problem EFET has described in the posted FUNC issue?

Yes

No

4.1 Please elaborate on your answer:

5. 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?

1

2

3

4

5

5.1 Please elaborate on your rating

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.

6. 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?

1

2

3

4

5

6.1 Please elaborate on your rating

7. 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?

1

2

3

4

5

7.1 Please elaborate on your rating

8. 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?

1

2

3

4

5

8.1 Please elaborate on your rating

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

Voluntary

Mandatory

9.1. Please explain your reasoning:

We believe the possibility to sell more capacity should be incentivizing enough for TSOs. However it needs to be considered that participation by TSOs needs to be plannable, predictable and reliable.

10. In case any additional auctions would be implemented on a voluntary basis, how can we assure that the bundling principle is followed? Please elaborate:

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)

11. What are, from your point of view, the **positive aspects** of the supplementary uniform price allocation (UPA) auctions for yearly, quarterly, and monthly IP capacity proposed by EFET, as compared to the current CAM NC rules on capacity allocation? Please elaborate:

We support the increased number of auction possibilities provided in the EFET proposal

12. What are, from your point of view, the **negative aspects** with the supplementary uniform price allocation (UPA) auctions for yearly, quarterly, and monthly IP capacity proposed by EFET, as compared to the current CAM NC rules on capacity allocation? Please elaborate:

Substantial improvement to the proposal needs to be made related to the surrender possibility (and the re-allocation of surrendered capacity) and capacity conversion mechanism. This has been outlined in 5.1 already and both are substantial components of our support of the proposal

13. Which elements of the EFET proposal may be advantageous for your company and why? Please elaborate:

We support any mechanism which enables to book capacity on a more frequent basis than under NC CAM

14. Which elements of the EFET proposal may be disadvantageous for your company and why? If you have any, please include suggestions to improvements of the proposal. Please elaborate:

The proposal does not sufficiently or not at all cover the aspects of capacity conversion and capacity surrender issues (see 5.1)

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.

Section 3

This section contains questions aimed at exploring other options to increase flexibility in capacity bookings, besides the EFET proposal. If you previously indicated a need for change in the current capacity allocation rules, and identified problems with the EFET proposal, this section would allow you to propose alternative ways to meet your needs.

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

- Season
- Balance of month
- Weekend
- Other
- No other products are desirable

15.1 Please specify, if other:

We support all of the alternative products listed above (multiple choice mode did not work in the survey)

15.2 Please elaborate on why these products are desirable or not desirable:

More flexible capacity products may create better alignment with products traded on gas exchanges

16. 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.

- Yes
- No

17. If yes, which products would you like to be able to book/offer further in advance?

- Monthly
- Quarterly
- Other

17.1 Please elaborate, if other:

all of them (multiple choice mode did not work in the survey)

17.2 Please elaborate on your answer and indicate how much further in advance each product would be desired to be booked/offered.

no comment

18. 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?

- Yes
 No

18.1 Please elaborate on your answer and if possible, provide suggestions for how implicit allocation methods could be further developed.

no comment

19. Do you have any **alternative proposals** on how to improve the current offer of capacity products and the rules on capacity allocation? Please elaborate:

no comment

20. What other concrete changes, within the scope of the current FUNC issue, could improve the access to transmission capacity and contribute to better cross-border competition and market integration? Please elaborate:

no comment

Thank you!

Contact

support@gasncfunc.eu

Public Consultation – FUNC issue “Greater flexibility to book firm capacity at IPs”

Fields marked with * are mandatory.

Introduction

EFET posted the following issue on the Gas Network Code Functionality Platform <https://www.gasncfunc.eu/gas-func/issues/01/2020/view>

Extract of the reported issue

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 are launching this public consultation to collect stakeholder input.

Please note that the public consultation questionnaire is divided into three main sections, each with its own focus and aim.

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

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

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

When evaluating the EFET proposal, or any change compared with the current auction procedures, it is important to consider both benefits and costs. We would therefore like to stress the importance of you

substantiating your answers, to allow us to better understand your needs, the scale of the issue, and all potential benefits or costs. We would also like to highlight that this is the first consultation for this FUNC issue and, based on the responses received, further consultations might be required in the future.

For your convenience please find below the links to the relevant websites hosting supporting documents for this public consultation. The terminology used in the public consultation corresponds to the definitions established in Article 3 of Commission Regulation (EU) 2017/459 (CAM Network Code).

Supporting Documents:

[CAM Network Code](#)

[EFET Issue supporting documents](#)

[ACER Congestion management report 7th edition](#)

General information

Your name:

Email address:

Company name:

Country:

If other country, not in the list above:

My answers:

- can be published with my organisation's information
- can be published provided that my organisation remains anonymous

Please specify your role (multiple answers are possible):

- Capacity Booking Platform Operator
- Network User
- Other

If other, please specify below

If you are a network user, please indicate on how many markets (entry/exit-systems) you are active on and have booked capacity in the last gas year:

- 1
- 2-4
- more than 4

If you are a network user, please indicate which standard capacity products you booked in the last gas year (multiple answers are possible)

- Yearly
- Quarterly
- Monthly
- Day ahead / Within day

I have read, understood and I accept the terms of the ACER and ENTSOG privacy policies and I consent, in particular, on [ACER/ENTSOG](#) processing my personal data (above-mentioned) for this public consultation.

Section 1

The first version of the NC CAM of 2013 had been in place until the amended NC CAM came into force in April 2017 and repealed it. 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 standard capacity products at 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 reduced contractual congestion, narrowing spreads and more liquidity across EU gas market.

This section contains questions aimed at identifying the degree of satisfaction regarding current capacity allocation mechanisms. It also aims at collecting the market need(s) for greater flexibility to book firm capacity at IPs, if any. You will be asked to evaluate the existing capacity allocation rules in the NC CAM and elaborate on which areas you feel need improvement or which areas are currently satisfactory to meet your needs. Your answers will be used to analyze if the current NC CAM limits opportunities for optimizing capacity allocation and improving market functioning.

For questions 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'

1. 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?**

- 1
- 2
- 3
- 4
- 5

1.1 Please elaborate on your rating

The auction algorithms in NC CAM are generally fit for purpose and have led to an improved efficiency of IP capacity booking within the EU. The ascending clock auction algorithm (ASC) successfully enables shippers to easily buy forward capacity to satisfy their supply obligations at the reserve price, and to effectively adjust their bid prices in light of any congestion. The uniform price auction algorithm (UPA) allows shippers to place spot capacity bids commensurate with their imbalance price risks, and to exploit spot arbitrage opportunities.

In the case of ASC auctions there have been cases where auctions have failed to close at congested IPs prior to, or very close to, the point where capacity becomes usable. There have also been cases where multiple bidding rounds occurred over a number of days but then collapsed, failing to allocate much capacity, as the spreads changed suddenly making further bidding uneconomic. Fortunately, such instances are rare, but it reinforces the need for TSOs to anticipate congestion and set large enough price steps between ASC auction rounds to minimise overly extended bidding periods.

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

- Yes
- No

1.2.1 If yes, please elaborate on how this could be improved:

1.3 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?**

- 1
- 2
- 3
- 4
- 5

1.3.1 Please elaborate on your rating

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).

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

- Yes
- No

1.4.1 If yes, please elaborate on how this could be improved:

In addition to implementing the EFET proposal we see room for improvement in the auction calendar for withing 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.

2. Do the current runtimes of the standard capacity products provide sufficient flexibility to transport gas across the European Union? Please elaborate:

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.

2.1 Do the current runtimes of the standard capacity products still reflect the commercial need to exchange on commodity markets? Please elaborate:

Yes. Standard IP capacity products generally reflect the most liquid tenors in commodity markets.

3 Please provide any additional comments on the current capacity allocation rules and elaborate:

None

Section 2

This section contains questions aimed at collecting feedback on the [proposal posted by EFET](#). We ask you to evaluate the EFET proposal based on your previously identified needs and consider whether the proposal would meet those needs in a satisfactory way. This will help us assess if the EFET proposal is a suitable solution for meeting the overall market needs.

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

For questions 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'

4. Do you agree with the problem EFET has described in the posted FUNC issue?

- Yes
- No

4.1 Please elaborate on your answer:

There are plenty of examples of profitable price spreads existing between EU markets both before and after the point where it is currently possible to acquire IP capacity under NC CAM, and where price spreads do not support arbitrage at the point when auctions are actually held.

5. 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?

- 1
- 2
- 3
- 4
- 5

5.1 Please elaborate on your rating

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.

6. 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?

- 1
- 2
- 3
- 4
- 5

6.1 Please elaborate on your rating

Monthly IP capacity is, perhaps, the most appealing for arbitrage purposes because the front month tends to be the most liquid tenor in commodity forward markets, even in those which are less developed. Monthly products also require less collateral to be posted vis-à-vis the commodity and capacity cost, so making it more readily available benefits small shippers as well as large ones.

7. 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?

- 1
- 2
- 3
- 4
- 5

7.1 Please elaborate on your rating

Quarterly IP capacity is also appealing for arbitrage purposes and can also be used to underpin seasonally related flows, e.g. for cross-border use of storage.

8. 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?

- 1
- 2
- 3
- 4
- 5

8.1 Please elaborate on your rating

Of all the IP capacity products EFET proposes to make available via supplementary UPA auctions yearly capacity is, perhaps, the least essential. This is because yearly arbitrage opportunities are less frequent and more costly in terms of collateral. Also, the period of time between front (gas) year capacity being first offered in July and it being available to purchase in supplementary UPA allocation auctions thereafter, is relatively short compared to its duration. Nevertheless, affording shippers the opportunity to book front year capacity much closer to the point where it becomes usable may help shippers who have yearly supply and portfolio commitments over this period. These commitments may not be fully clear in July when the ASC auction takes place.

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

- Voluntary
- Mandatory

9.1. Please explain your reasoning:

In an ideal world, additional UPA auctions should be mandatory and applied at all EU IPs. However, as there may be resistance to this from some less forward looking TSOs and booking platforms, along with negative criticism about the time and cost involved in implementing the proposal for “dubious” or unquantified benefits a voluntary approach would overcome these potential barriers. We think there will be many TSOs that realise the benefits that come from allowing shippers more opportunities to book IP capacity (as IUK and BBL have demonstrated). If the proposal can be implemented quickly (possibly even without having to change NC CAM) this will create the necessary momentum for others to follow suit.

10. In case any additional auctions would be implemented on a voluntary basis, how can we assure that the bundling principle is followed? Please elaborate:

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.

11. What are, from your point of view, the **positive aspects** of the supplementary uniform price allocation (UPA) auctions for yearly, quarterly, and monthly IP capacity proposed by EFET, as compared to the current CAM NC rules on capacity allocation? Please elaborate:

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.

12. What are, from your point of view, the **negative aspects** with the supplementary uniform price allocation (UPA) auctions for yearly, quarterly, and monthly IP capacity proposed by EFET, as compared to the current CAM NC rules on capacity allocation? Please elaborate:

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.

13. Which elements of the EFET proposal may be advantageous for your company and why? Please elaborate:

The opportunity of bidding for front month IP capacity earlier in the preceding month (by bringing forward the date of the ASC auction) combined with the ability of bidding for whatever remains until the end of the preceding month (via supplementary UPA auctions) will create more opportunities for us to undertake efficient price arbitrage via spread trades. This is particularly the case in less developed markets, where low levels of liquidity make it harder to unwind spread trades and so IP capacity is needed to physical deliver gas.

Similarly, being able to bid for quarterly and yearly capacity outside of the set ASC auction windows (via supplementary UPA auctions) will also create more arbitrage opportunities, but not as many as for monthly capacity.

14. Which elements of the EFET proposal may be disadvantageous for your company and why? If you have any, please include suggestions to improvements of the proposal. Please elaborate:

We do not see any disadvantages arising from the EFET proposal.

Section 3

This section contains questions aimed at exploring other options to increase flexibility in capacity bookings, besides the EFET proposal. If you previously indicated a need for change in the current capacity allocation rules, and identified problems with the EFET proposal, this section would allow you to propose alternative ways to meet your needs.

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

- Season
- Balance of month
- Weekend
- Other
- No other products are desirable

15.1 Please specify, if other:

Balance of the month, Weekend, Working days next week and Monday capacity sold on Friday

15.2 Please elaborate on why these products are desirable or not desirable:

Other short term standard IP capacity products could be offered that directly align with products traded in commodity markets provided they can be integrated into the existing auction calendar and do not risk undermining day-ahead auctions, which are important for balancing.

Balance of the month, working days next week, weekend and Monday capacity (sold on Friday) would all have benefits if they could be accommodated alongside the supplementary UPA auctions envisaged in EFET's proposal.

Seasonal IP capacity products have little added value, as seasonal capacity can often be acquired by a combination of quarterly capacity products. If quarterly capacity products were offered more regularly through supplementary UPA auctions, this increases opportunities for seasonal capacity booking as well.

16. 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.

- Yes
 No

17. If yes, which products would you like to be able to book/offer further in advance?

- Monthly
 Quarterly
 Other

17.1 Please elaborate, if other:

17.2 Please elaborate on your answer and indicate how much further in advance each product would be desired to be booked/offered.

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.

18. 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?

- Yes
 No

18.1 Please elaborate on your answer and if possible, provide suggestions for how implicit allocation methods could be further developed.

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. So the challenge of replicating this across the EU for non-merchant 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.

Implicit allocation of IP capacity in EU gas markets represents a solution looking for a problem. The theoretical benefits it is claimed to deliver could be achieved far more effectively and quickly instead, by adapting the current explicit allocation process, as described in EFET's proposal.

19. Do you have any **alternative proposals** on how to improve the current offer of capacity products and the rules on capacity allocation? Please elaborate:

See our response to question 1.4.1.

20. What other concrete changes, within the scope of the current FUNC issue, could improve the access to transmission capacity and contribute to better cross-border competition and market integration? Please elaborate:

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, as stated in our response to question 17.2, 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.

Thank you!

Contact

support@gasncfunc.eu

Public Consultation – FUNC issue “Greater flexibility to book firm capacity at IPs”

Fields marked with * are mandatory.

Introduction

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Extract of the reported issue

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)
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In order to get a better understanding of the needs of the market, ACER and ENTSOG are launching this public consultation to collect stakeholder input.

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substantiating your answers, to allow us to better understand your needs, the scale of the issue, and all potential benefits or costs. We would also like to highlight that this is the first consultation for this FUNC issue and, based on the responses received, further consultations might be required in the future.

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Supporting Documents:

[CAM Network Code](#)

[EFET Issue supporting documents](#)

[ACER Congestion management report 7th edition](#)

General information

Your name:

Email address:

Company name:

Country:

If other country, not in the list above:

My answers:

- can be published with my organisation's information
- can be published provided that my organisation remains anonymous

Please specify your role (multiple answers are possible):

- Capacity Booking Platform Operator
- Network User
- Other

If other, please specify below

If you are a network user, please indicate on how many markets (entry/exit-systems) you are active on and have booked capacity in the last gas year:

- 1
- 2-4
- more than 4

If you are a network user, please indicate which standard capacity products you booked in the last gas year (multiple answers are possible)

- Yearly
- Quarterly
- Monthly
- Day ahead / Within day

I have read, understood and I accept the terms of the ACER and ENTSOG privacy policies and I consent, in particular, on [ACER/ENTSOG](#) processing my personal data (above-mentioned) for this public consultation.

Section 1

The first version of the NC CAM of 2013 had been in place until the amended NC CAM came into force in April 2017 and repealed it. 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 standard capacity products at 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 reduced contractual congestion, narrowing spreads and more liquidity across EU gas market.

This section contains questions aimed at identifying the degree of satisfaction regarding current capacity allocation mechanisms. It also aims at collecting the market need(s) for greater flexibility to book firm capacity at IPs, if any. You will be asked to evaluate the existing capacity allocation rules in the NC CAM and elaborate on which areas you feel need improvement or which areas are currently satisfactory to meet your needs. Your answers will be used to analyze if the current NC CAM limits opportunities for optimizing capacity allocation and improving market functioning.

For questions 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'

1. 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?**

- 1
- 2
- 3
- 4
- 5

1.1 Please elaborate on your rating

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.

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

- Yes
- No

1.2.1 If yes, please elaborate on how this could be improved:

PRISMA European Capacity Platform is not directly facing problems with the current obligations and requirements of NC CAM, but some critical situations for monthly auctions could be object of a specific analysis.

The ascending clock algorithm can cause unexpected results during monthly auctions in some specific cases auctions, due to initial high levels of demand, go on for several days. It happened that after several days in which a monthly auction was running, the market conditions changed and all, or the majority of, the shippers decided to step-out of the auction without buying gas transmission capacity.

It also happened that due to an extremely high demand the monthly auctions ran until the delivery period started and it had to be cancelled. The unsold capacity was offered in the subsequent daily auctions.

1.3 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?**

- 1
- 2
- 3
- 4
- 5

1.3.1 Please elaborate on your rating

With regard to the products defined by NC CAM, stakeholders voluntarily mentioned to PRISMA European Capacity Platform that they would have been interested in buying additional kind of products as: end of the month, end of the week or weekend since similar products are available, as commodity products, on gas exchanges.

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

- Yes
 No

1.4.1 If yes, please elaborate on how this could be improved:

PRISMA European Capacity Platform is not directly facing problems with the current obligations and requirements of NC CAM, but stakeholders voluntarily expressed opinions that the auction calendar of NC CAM could be improved. Stakeholders commented that in some situation they would have liked, or even needed, to buy - in the case of market participants - or to sell - in case of Transmission System Operators - but the obligations introduced by the NC CAM would not have allowed it, due to the fixed calendar. This is relevant for the allocation of Yearly, Quarterly and Monthly products that have limited occasions, defined by the calendar defined in the regulation, in which capacity will be offered to the market. Changes could be done to increase flexibility for market participants.

2. Do the current runtimes of the standard capacity products provide sufficient flexibility to transport gas across the European Union? Please elaborate:

PRISMA European Capacity Platform doesn't have enough information to answer this question.

2.1 Do the current runtimes of the standard capacity products still reflect the commercial need to exchange on commodity markets? Please elaborate:

The gas commodity products and the gas transmission capacity products are not completely in line. For duration under the Gas Year, more commodity products are traded on gas exchanges.

3 Please provide any additional comments on the current capacity allocation rules and elaborate:

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.

[For an illustrative representation, please refer to the sent pdf document]

Section 2

This section contains questions aimed at collecting feedback on the [proposal posted by EFET](#). We ask you to evaluate the EFET proposal based on your previously identified needs and consider whether the proposal would meet those needs in a satisfactory way. This will help us assess if the EFET proposal is a suitable solution for meeting the overall market needs.

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

For questions 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'

4. Do you agree with the problem EFET has described in the posted FUNC issue?

Yes

No

4.1 Please elaborate on your answer:

In specific situation, as mentioned in the answer to question 1.4, stakeholders commented that they were looking for buying/selling gas transmission capacity but the calendar would not have allowed it.

5. 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?

- 1
- 2
- 3
- 4
- 5

5.1 Please elaborate on your rating

6. 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?

- 1
- 2
- 3
- 4
- 5

6.1 Please elaborate on your rating

As mentioned in the previous answer to question 3, the experience with the quarterly auctions indicates that having more moment in time during the year in which capacity is offered increase the interest in the related capacity products.

The methodology for marketing this product shall be agreed between all the interested stakeholders.

7. 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?

- 1
- 2
- 3
- 4
- 5

7.1 Please elaborate on your rating

Please refer to answer to question 6.1

8. 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?

- 1
- 2
- 3
- 4
- 5

8.1 Please elaborate on your rating

Please refer to answer to question 6.1

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

- Voluntary
- Mandatory

9.1. Please explain your reasoning:

Additional solutions could be implemented if previously approved by the relevant National Authorities. The current obligations of the NC CAM could be considered as minimum mandatory requirements. Additional marketing processes, that don't conflict with the mandatory requirements, could be allowed if previously approved by the relevant National Regulatory Authorities.

10. In case any additional auctions would be implemented on a voluntary basis, how can we assure that the bundling principle is followed? Please elaborate:

Any additional process shall be approved by the relevant National Regulatory Authority(ies).

11. What are, from your point of view, the **positive aspects** of the supplementary uniform price allocation (UPA) auctions for yearly, quarterly, and monthly IP capacity proposed by EFET, as compared to the current CAM NC rules on capacity allocation? Please elaborate:

No specific position

12. What are, from your point of view, the **negative aspects** with the supplementary uniform price allocation (UPA) auctions for yearly, quarterly, and monthly IP capacity proposed by EFET, as compared to the current CAM NC rules on capacity allocation? Please elaborate:

No specific position

13. Which elements of the EFET proposal may be advantageous for your company and why? Please elaborate:

No specific position

14. Which elements of the EFET proposal may be disadvantageous for your company and why? If you have any, please include suggestions to improvements of the proposal. Please elaborate:

No specific position

Section 3

This section contains questions aimed at exploring other options to increase flexibility in capacity bookings, besides the EFET proposal. If you previously indicated a need for change in the current capacity allocation rules, and identified problems with the EFET proposal, this section would allow you to propose alternative ways to meet your needs.

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

- Season
- Balance of month
- Weekend
- Other
- No other products are desirable

15.1 Please specify, if other:

A specific assessment shall be done taking in consideration which commodity products are today offered in the most liquid European hubs.

15.2 Please elaborate on why these products are desirable or not desirable:

No specific position

16. 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.

- Yes
- No

17. If yes, which products would you like to be able to book/offer further in advance?

- Monthly
- Quarterly
- Other

17.1 Please elaborate, if other:

No specific position

17.2 Please elaborate on your answer and indicate how much further in advance each product would be desired to be booked/offered.

No specific position

18. 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?

- Yes
- No

18.1 Please elaborate on your answer and if possible, provide suggestions for how implicit allocation methods could be further developed.

PRISMA European Capacity Platform analyzed a new algorithm that can allocate gas transmission capacity at the same time implicitly and explicitly; activities done in the past showed that this algorithm could be implemented.

19. Do you have any **alternative proposals** on how to improve the current offer of capacity products and the rules on capacity allocation? Please elaborate:

No specific position.

20. What other concrete changes, within the scope of the current FUNC issue, could improve the access to transmission capacity and contribute to better cross-border competition and market integration? Please elaborate:

No specific position.

Thank you!

Contact

support@gasncfunc.eu



Public Consultation – Main Results

Public Consultation - FUNC issue ID 01/2020 'Greater flexibility to book firm capacity at IPs'

ACER 

Public Consultation - FUNC issue ID 01/2020 'Greater flexibility to book firm capacity at IPs'

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.

Consultation period: 18 December 2020 – 5 March 2021

The public consultation was divided into three sections:

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

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

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

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’

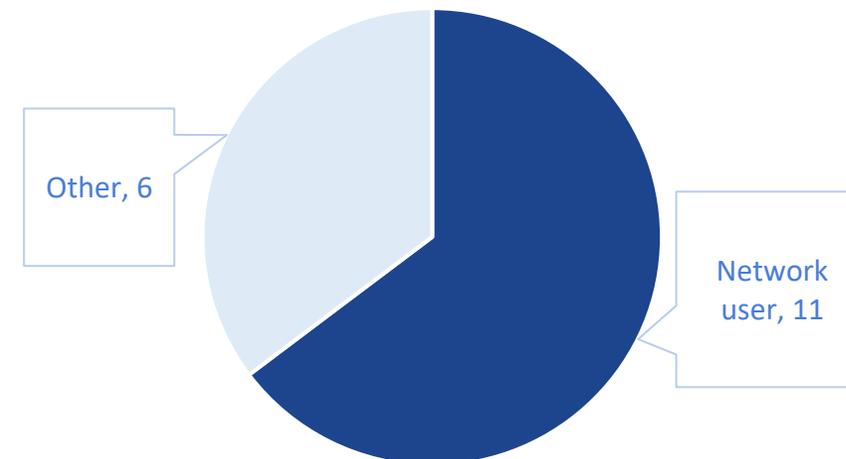
For all questions in section 2 of the consultation containing a scale from 1 to 5:

- 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**’

General overview of participants

| Participant name | Country |
|--|----------------|
| Anonymous participant 1 | NA |
| Anonymous participant 2 | NA |
| Anonymous participant 3 | NA |
| Anonymous participant 4 | NA |
| 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 |

Roles



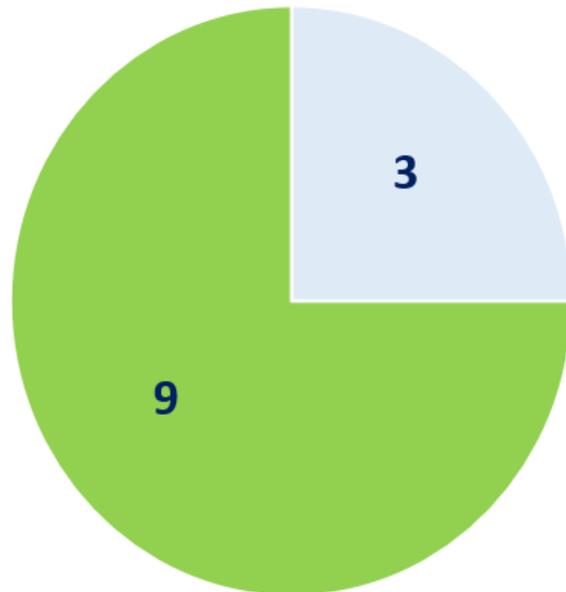
Other:

- 2 Business Associations (EFET and BDEW)
- 2 TSOs (IUK and National Grid)*
- 1 Exchange Association (Europex)
- 1 Capacity Booking Platform Operator (PRISMA European Capacity Platform GmbH)

*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 ENTSONG.

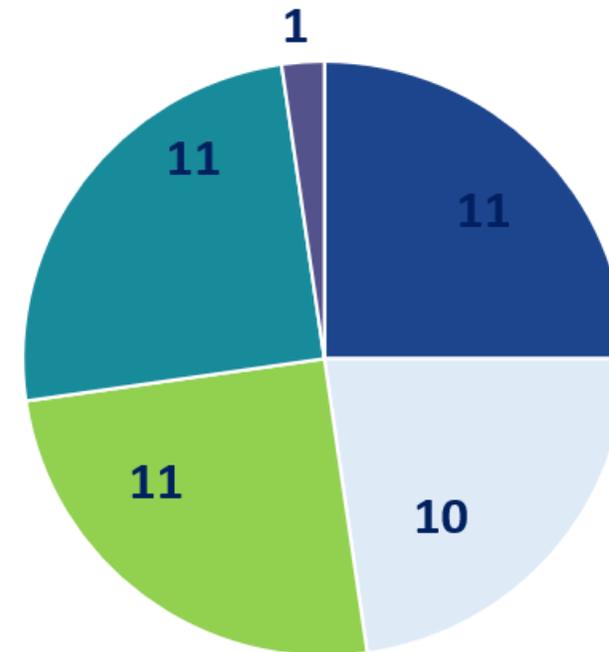
Additional questions for Network Users (12)

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



■ 1 ■ 2-3 ■ More than 4

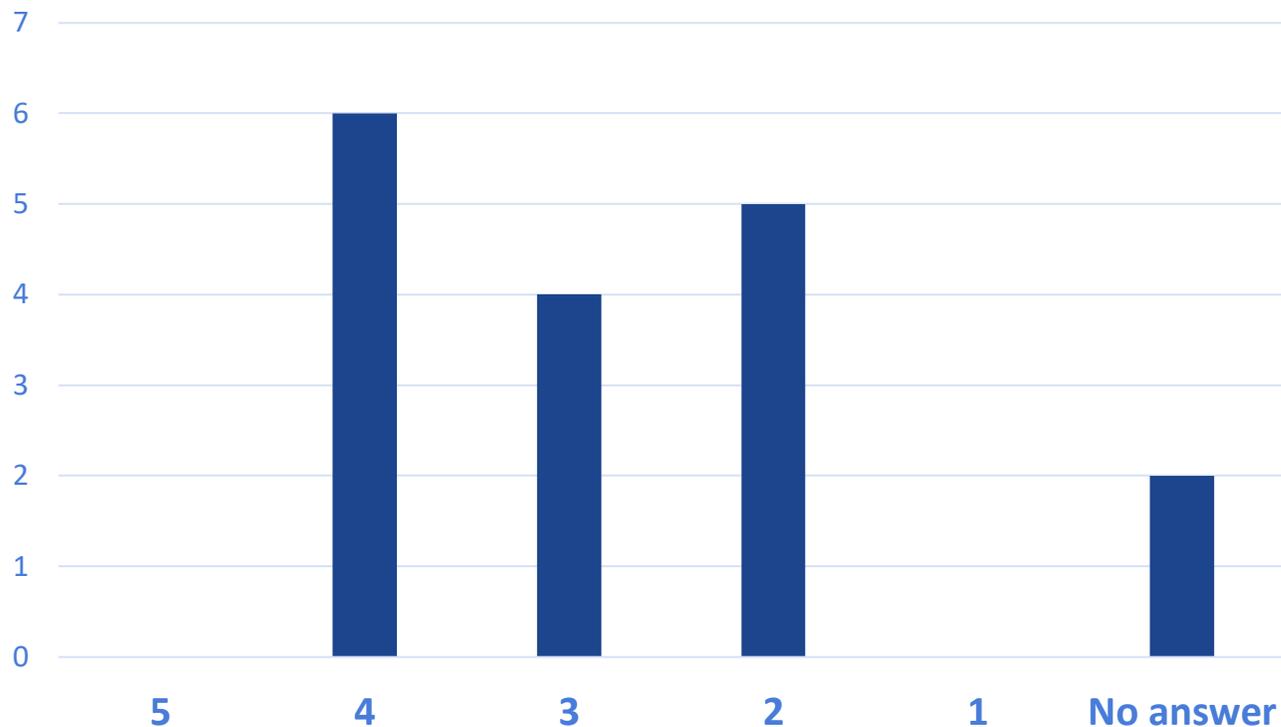
Which standard capacity products did you book in the last gas year (multiple answers were possible)



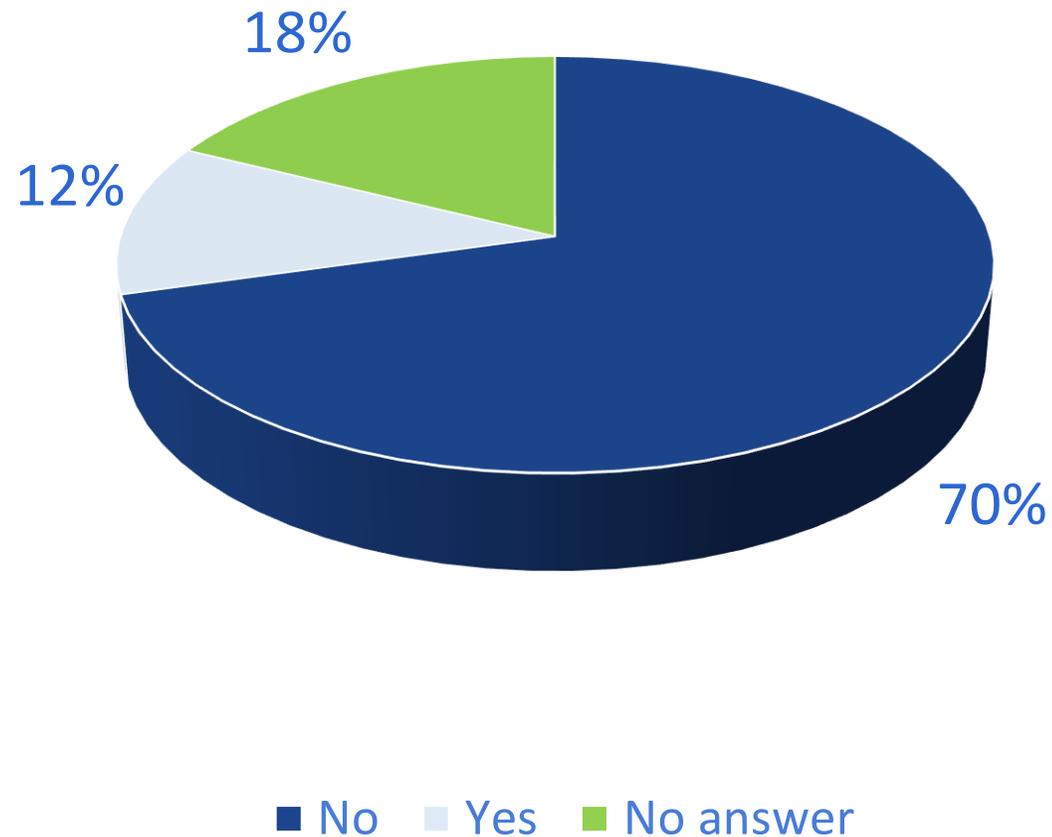
■ Yearly ■ Quarterly ■ Monthly ■ Day ahead / Within day ■ No answer

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

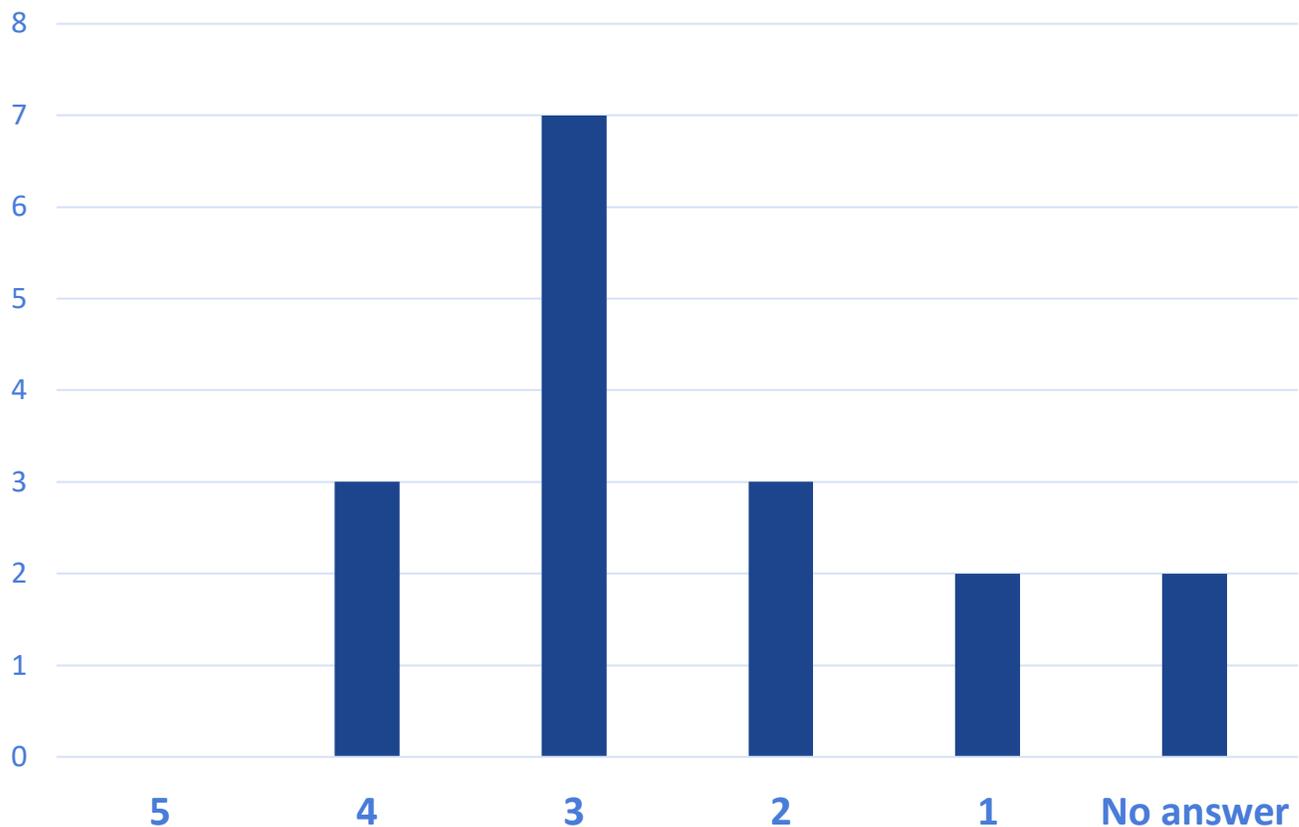
How do you generally evaluate the current rules for capacity allocation according to NC CAM regarding the design of the auction algorithms as defined in Articles 16-18 NC CAM?



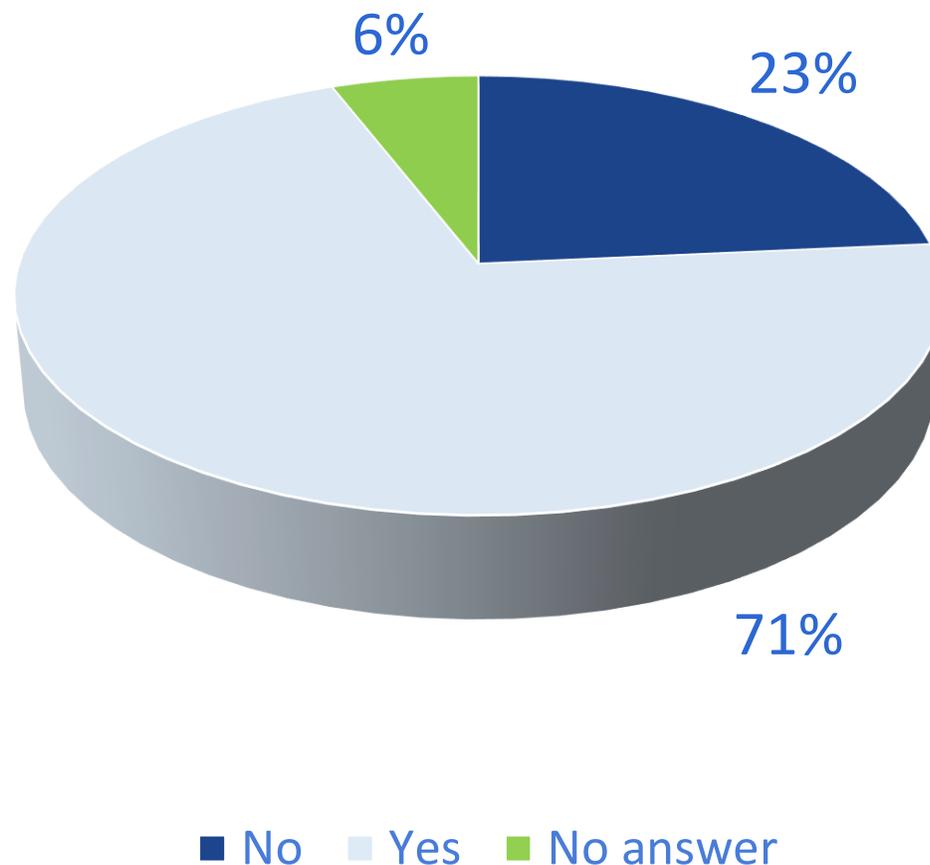
Are you facing any specific problems with the current auction algorithms?



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?



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



'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 bookings. Flexibility provided by runtimes of capacity auctions will only be fully exploited if auctions are held when spreads prices are wide enough.'

Anonymous participant

'Somewhat sufficient; a broader range of products may create more benefit and efficiency for the entire market.'

OMV Gas Marketing and Trading

'The yearly basis 'gas year' does not fit to the standard trading product 'calendar year' on the wholesale market.'

EnBW

'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.'

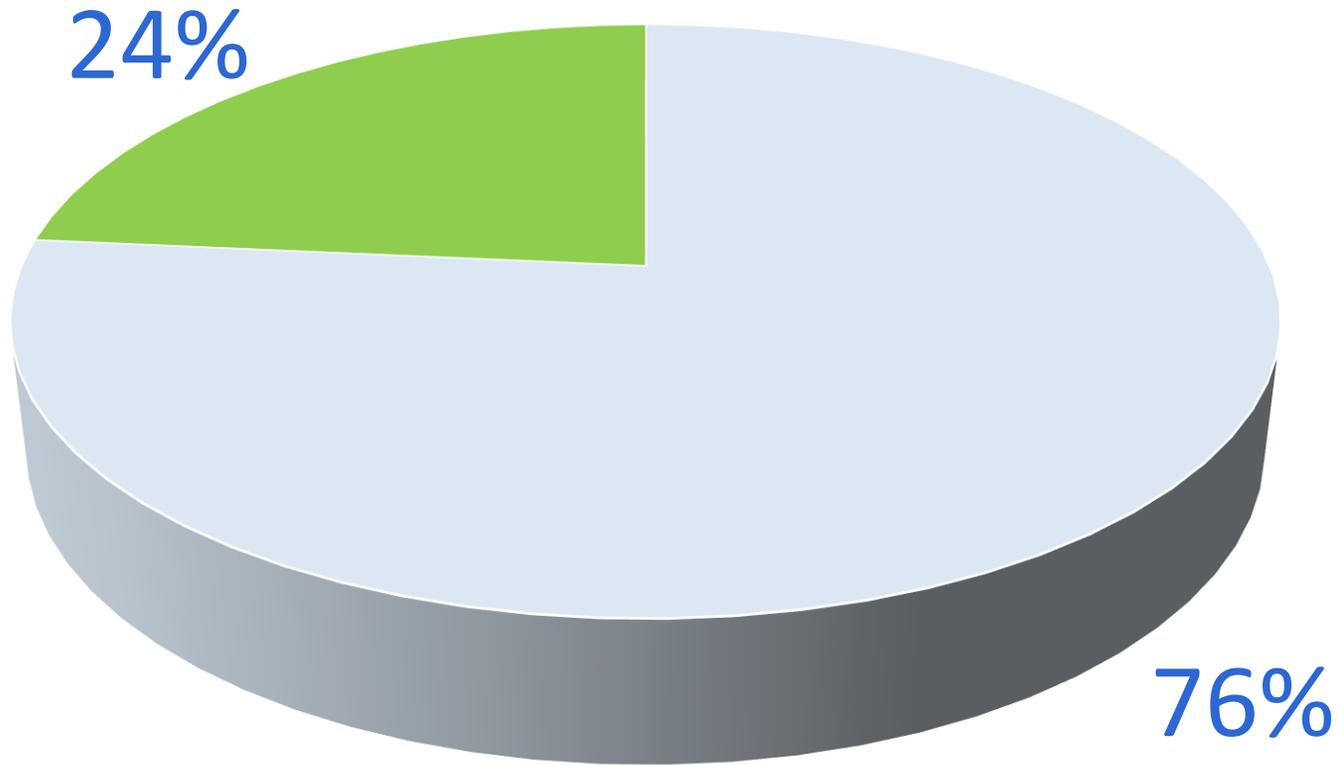
Anonymous participant

'Runtimes are sufficient, provided TSOs are able to anticipate congestion and set large enough price steps between ASC auction rounds.'

EFET and RWE Supply & Trading

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

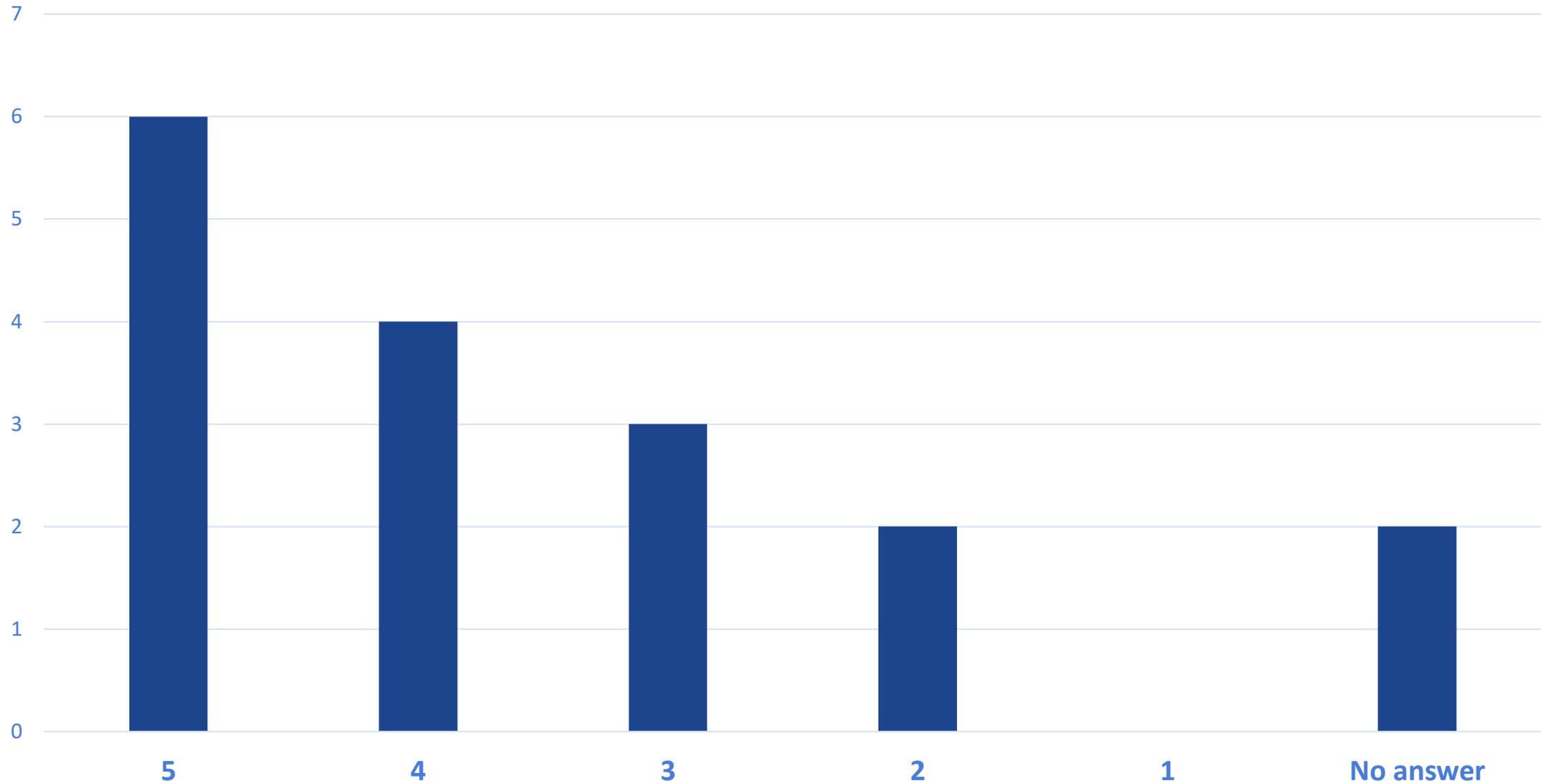
Do you agree with the problem EFET has described in the posted FUNC issue?



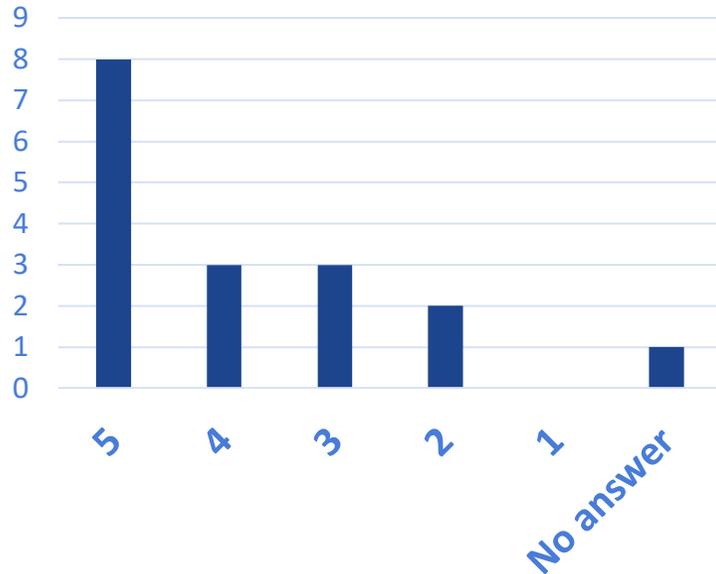
■ No
 ■ Yes
 ■ No answer

| No Answer | |
|--|----------------|
| Bord Gáis Energy Ltd | Ireland |
| Eni | Italy |
| NATURGY | Spain |
| PRISMA European Capacity Platform GmbH | Germany |
| Yes | |
| BDEW Bundesverband der Energie- und Wasserwirtschaft | Germany |
| EFET | Netherlands |
| EnBW | Germany |
| Equinor ASA | Norway |
| Europex | Belgium |
| Interconnector UK LTD | Belgium |
| National Grid | United Kingdom |
| OMV Gas Marketing & Trading GmbH | Austria |
| RWE Supply & Trading | Germany |
| 4 anonymous participants | |

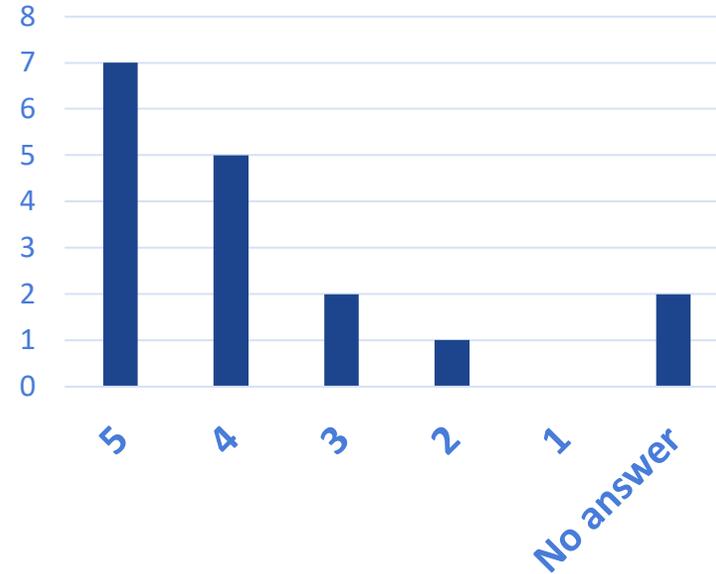
Do you consider the EFET proposal to introduce a supplementary uniform price allocation (UPA) auctions, for yearly, quarterly and monthly products, to be an appropriate improvement to the current system of allocation of capacities according to the CAM NC?



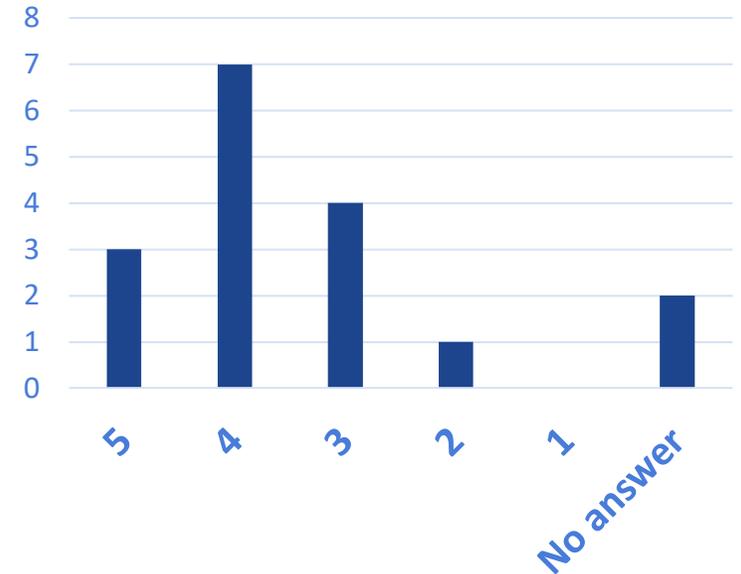
Monthly



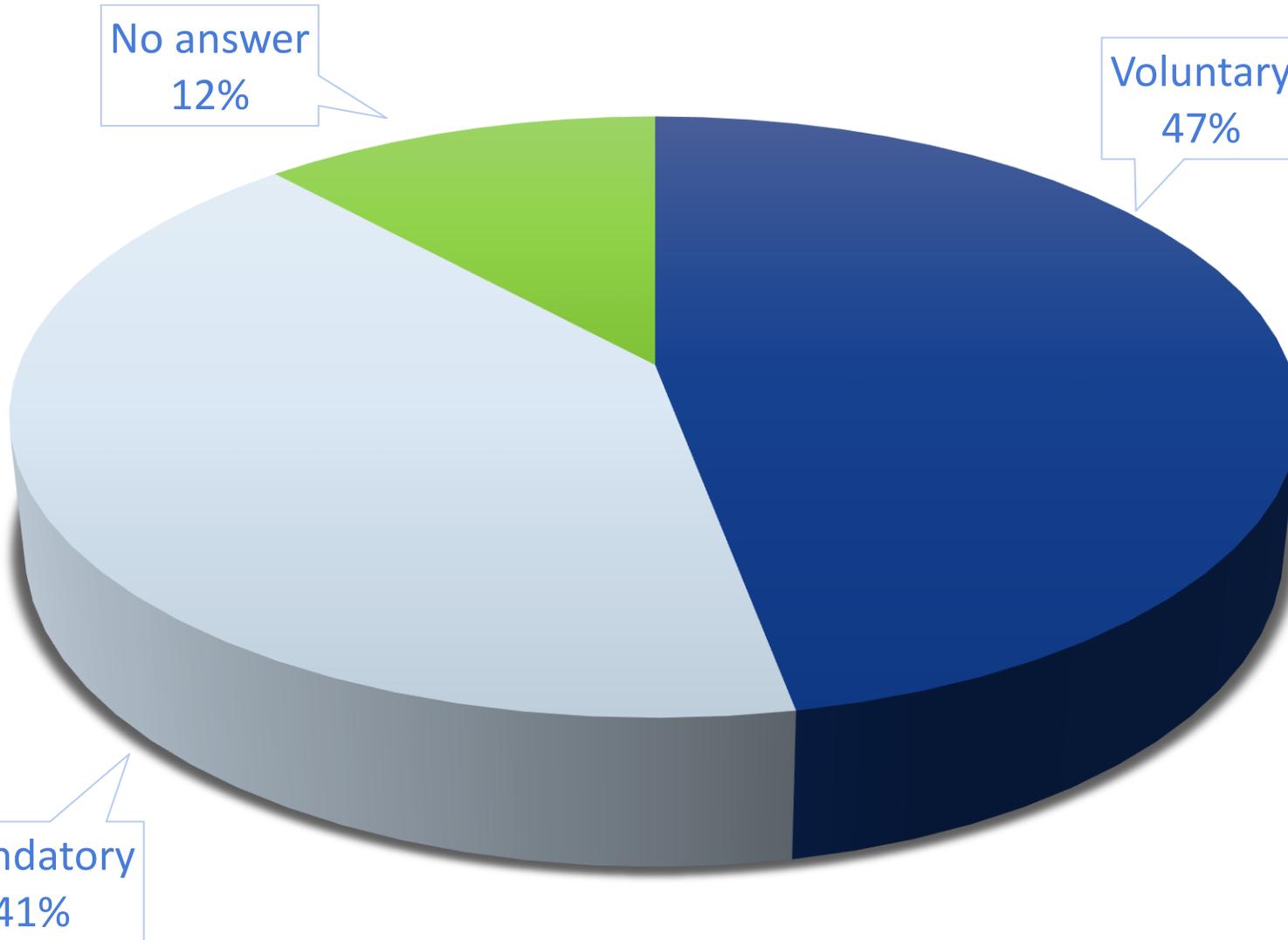
Quarterly



Yearly



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

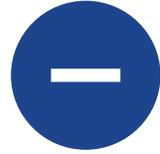


| No Answer | |
|--|-------------|
| Bord Gáis Energy Ltd | Ireland |
| NATURGY | Spain |
| Mandatory | |
| BDEW Bundesverband der Energie- und Wasserwirtschaft | Germany |
| Eni | Italy |
| EnBW | Germany |
| Equinor ASA | Norway |
| 3 anonymous participants | |
| Voluntary | |
| Interconnector UK LTD | Belgium |
| EFET | Netherlands |
| Europex | Belgium |
| RWE Supply & Trading | Germany |
| National Grid | UK |
| OMV Gas Marketing & Trading | Austria |
| PRISMA European Capacity Platform GmbH | Germany |
| 1 anonymous participant | |



Positive aspects

- *Additional auctions 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 (Interconnector UK LTD)*
- *Narrowing price spreads between EU gas markets and reinforcing price correlation (EFET and RWE Supply & Trading)*
- *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 (Anonymous participant)*
- *Improve operational processes by spreading auction-led activity peaks (Anonymous participant)*
- *Potential to increase booking and revenue certainty for TSOs (Anonymous participant)*

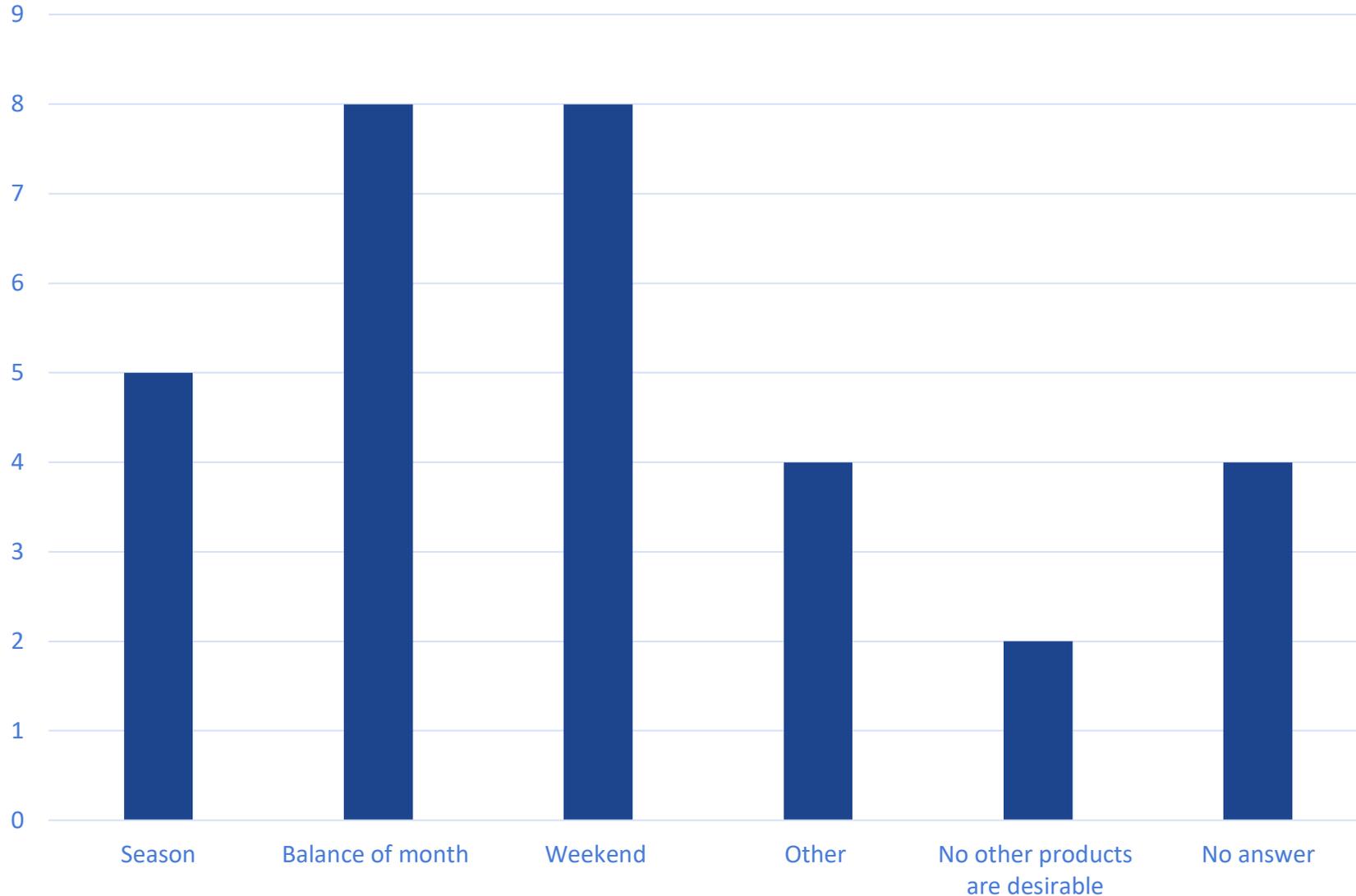


Negative aspects

- *Substantial administrative and operational burden/costs creating additional risks to the booking platforms, transparency issues and unnecessary complexity to book capacity (Anonymous participant)*
- *Whilst the UPA auctions go a long way in creating extra opportunities to book capacity, the products on offer are still restricted to the current Gas Year (Interconnector UK LTD)*
- *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)*
- *Substantial improvement to the proposal needs to be made related to the surrender possibility (and the re-allocation of surrendered capacity) and capacity conversion mechanism (OMV Gas Marketing & Trading)*

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

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



Other:

“Weekly” products

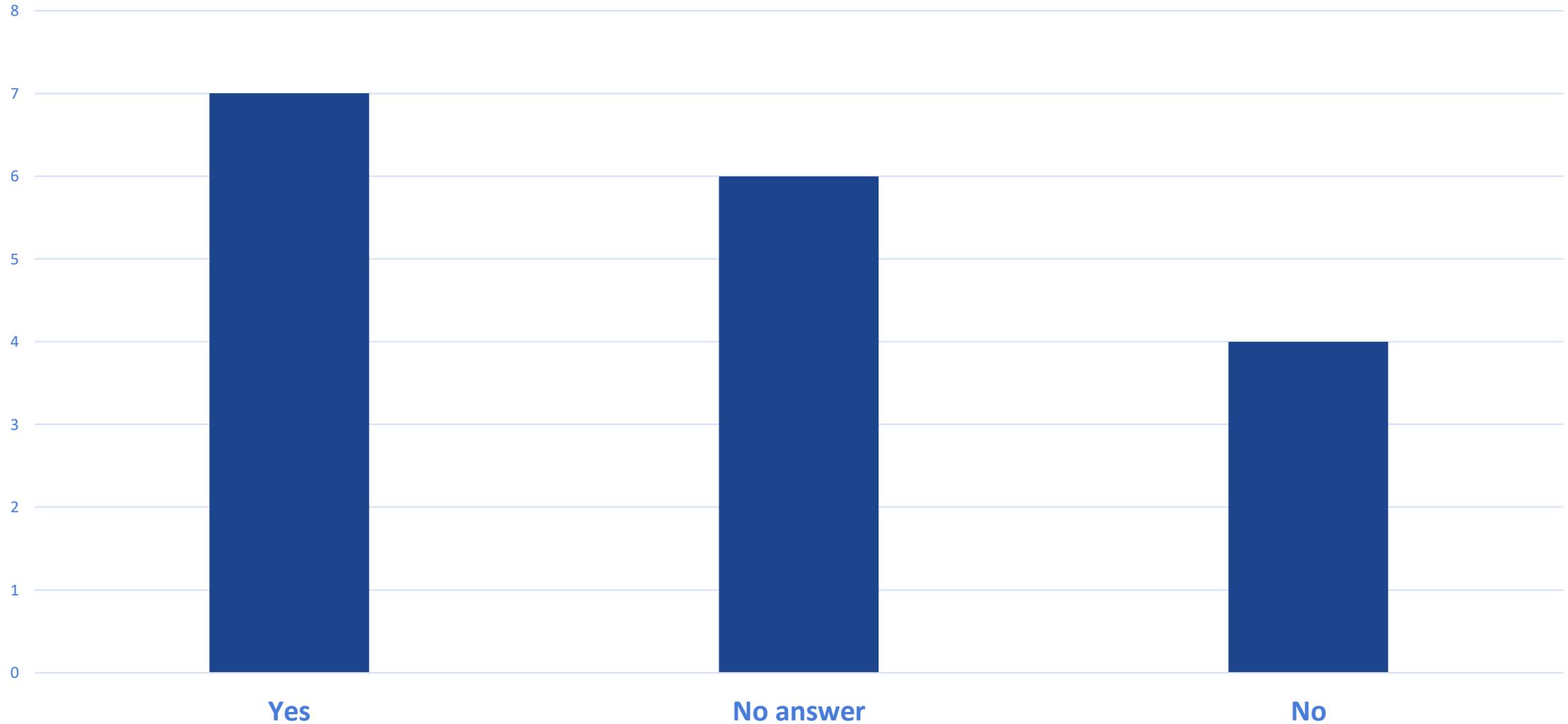
“Working days” products

Monday daily capacity sold on Friday.

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?



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?



ACER - ENTSOG Public Consultation

on

**the FUNC issue: how to ensure greater flexibility to
book firm capacity at interconnection points**

PC_2022_G_06

Evaluation Report

11 October 2022

1. INTRODUCTION

1.1 Background

The evaluation of the responses was prepared following the survey of ACER/ENTSOG in the framework of the workshop held on 27 June 2022 on the FUNC issue ID 01/2020: “How to ensure greater flexibility to book firm capacity at interconnection points”. The link to the survey is the following:
https://surveys.acer.europa.eu/eusurvey/runner/EFET_WSsurvey

1.2 Purpose and objectives

This survey was designed to collect data and information from stakeholders to evaluate options presented at the workshop and collect additional information.

1.3 Intended users and use

The workshop discussions and the information collected through this survey form input, in addition to other materials and the legal framework, for ACER and ENTSOG to complete the FUNC issue in the form of a solution note.

1.4 Evaluation team composition

Evaluation team consists of ACER and ENTSOG.

1.5 Timeline

The survey lasted from 1 July to 18 August 2022.

2. PROCESS

On 27 June 2022, the EU Agency for the Cooperation of Energy Regulators (ACER) and the European Network of Transmission System Operators for Gas (ENTSOG) hosted a **workshop** to discuss possible solutions to address the FUNC issue: “How to ensure greater flexibility to book firm capacity at interconnection points”. Additionally, the urgency of making a change in capacity allocation was also discussed.

To assist in the decision-making process, ACER and ENTSOG opened a public consultation to continue the collection of more detailed inputs from stakeholders. Feedback on the points mentioned below was particularly welcomed:

- how to assess the potential costs and benefits of the proposed solutions
- how to assess the examples demonstrating how a change would benefit the market
- assessment of how a more adequate capacity allocation can address the current gas market challenges

3. STAKEHOLDER ANSWERS

10 responses were received, out of which 2 were excluded from analysis

- 1 TSO
- 1 fake participant

The 8 valid responses were provided by:

- 6 shippers (Equinor, Engie, ENI, and 3 respondents who wish to remain anonymous)
- 1 association (EFET)
- 1 gas exchange platform

The public consultation included both questions where the participants were asked to provide a rating or vote (statistical question) and questions where participants were asked to provide free text answers that were then interpreted by ACER and ENTSOG to categorise them (interpreted question). The different types of questions, 'statistical' or 'interpreted', have been marked throughout the report.

The respondents were asked to evaluate the different proposals to have greater flexibility for booking firm capacity at interconnection points.

EFET proposal: Supplementary Uniform Price Algorithm (UPA) auctions for yearly, quarterly, and monthly products would be held for any capacity remaining unsold after the first relevant CAM NC Ascending Clock Algorithm (ACA) auction, up to the point where the capacity becomes usable. Monthly ACA auctions are scheduled earlier, on the 1st Monday of the month.

ENTSOG Proposal 1 – Shorten the bidding rounds of ACA: With shorter bidding rounds¹, 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.

ENTSOG Proposal 2 – “Light” alternative to EFET proposal: Adjust the CAM NC auction calendar dates by postponing the annual yearly, quarterly and monthly ACA auction closer to the start of the product. Can be combined with:

- 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))

ENTSOG Proposal 3 – “Full” alternative to EFET proposal (respecting current cascading rules): Follow the current CAM NC calendar for yearly, quarterly and monthly products and introduce additional auctions. Maintain auctioning through ACA of the annual yearly auction, then offer yearly products on a continuous² basis till the auction date of the

¹ 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.

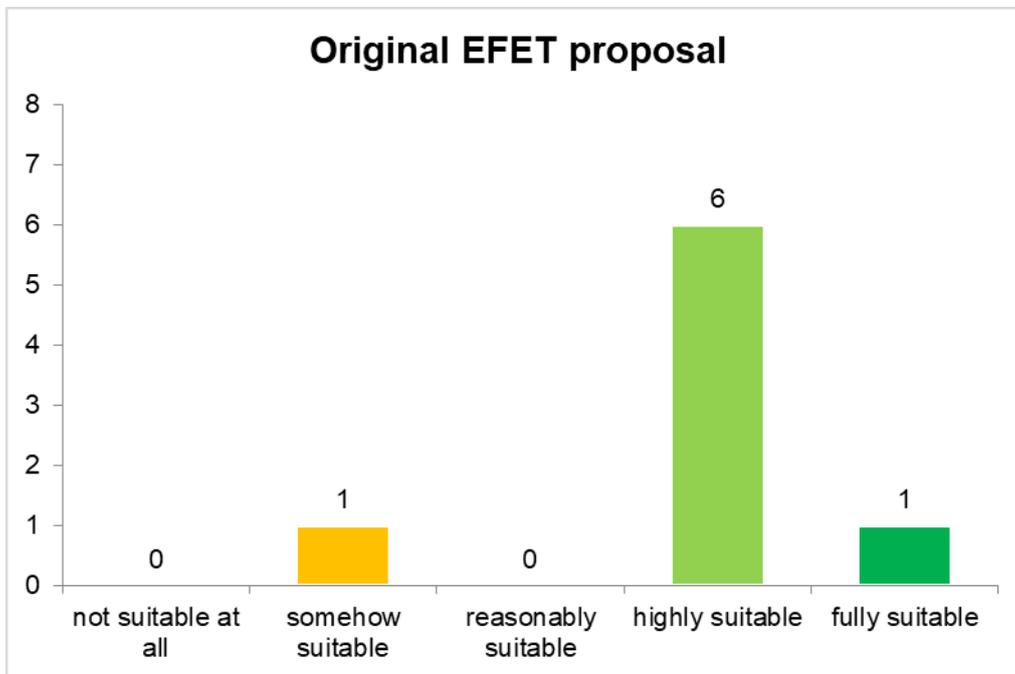
² Continuous auctions = while there is still available capacity, sell in successive sessions – continually – after the initial ACA.

next shortest product starts. Monthly³ 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.

Q.1.1. Original EFET proposal: please rate the proposal from 1 to 5. How do you evaluate the proposal? (statistical)

- 1 “somewhat suitable” (Equinor)
- 6 “highly suitable” (AP1, AP2, EFET, Engie, ENI, AP4)
- 1 “fully suitable” (AP3)

The EFET proposal provides the most flexibility/opportunity (all), one respondent was in favour of having M auctions organised as early as possible in M-1 (AP2) while another prefers having M auctions in the second half of M-1 (ENI), another participant stressed that too repetitive UPA can weaken competition (AP4).



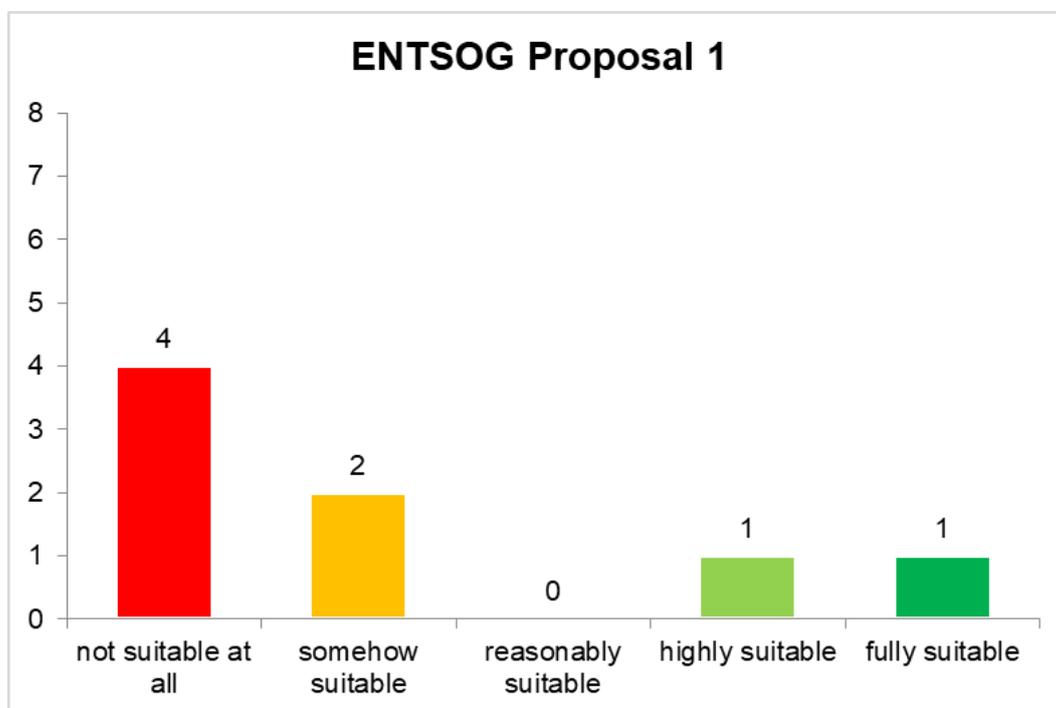
Q.1.2. ENTSOG Proposal 1 “Shorten the bidding rounds of ACA”: please rate the proposal from 1 to 5. How do you evaluate the proposal? (statistical)

- 4 “not suitable at all” (Equinor, EFET, Engie, ENI)
- 2 “somehow suitable” (AP2, AP4)
- 1 “highly suitable” (AP3)
- 1 “fully suitable” (AP1)

Some participants are in favour of shorter bidding rounds (AP1, AP3), others not (Equinor, AP2, Engie, ENI, AP4) as it could become challenging for shippers bidding at several IPs, and also makes the

³ The auctions for the monthly products cover the period of the previous longer-term product, e.g., after ending the offer of Q4, M10, M11, M12 would be offered at the same time (at ‘original’ offer date of M10).

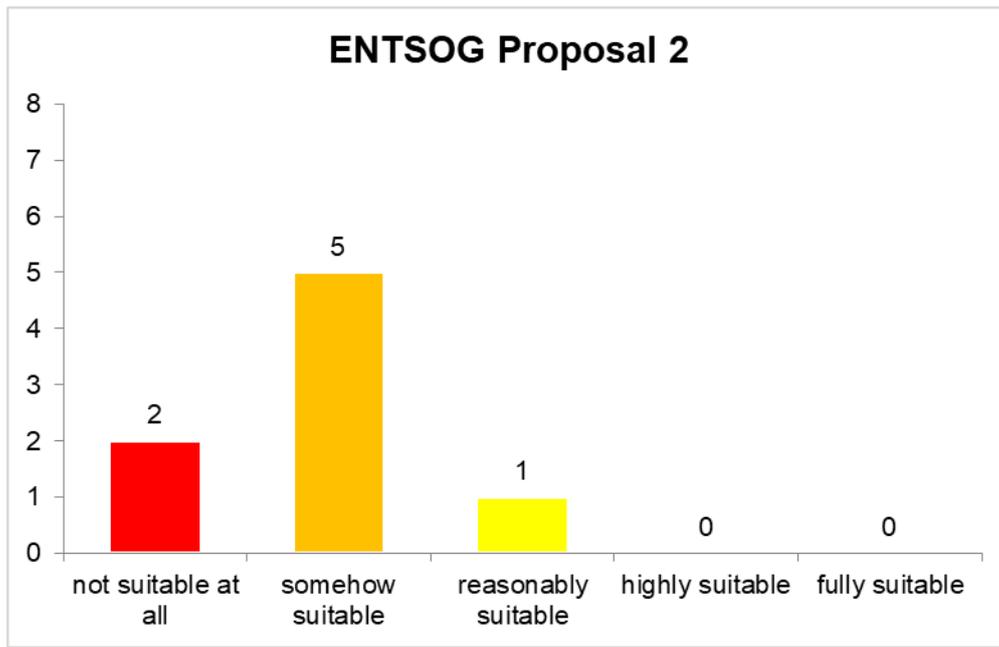
allocation process more vulnerable to errors. Some participants have mentioned that revised price steps are better to tackle the issue of ACA lasting too long (EFET, Equinor).



Q.1.3. ENTSOG Proposal 2 “Light” alternative to EFET proposal”: please rate the proposal from 1 to 5. How do you evaluate the proposal? (statistical)

- 2 “not suitable at all” (Equinor, AP4)
- 5 “somehow suitable” (AP2, EFET, Engie, ENI, AP3)
- 1 “reasonably suitable” (AP1)

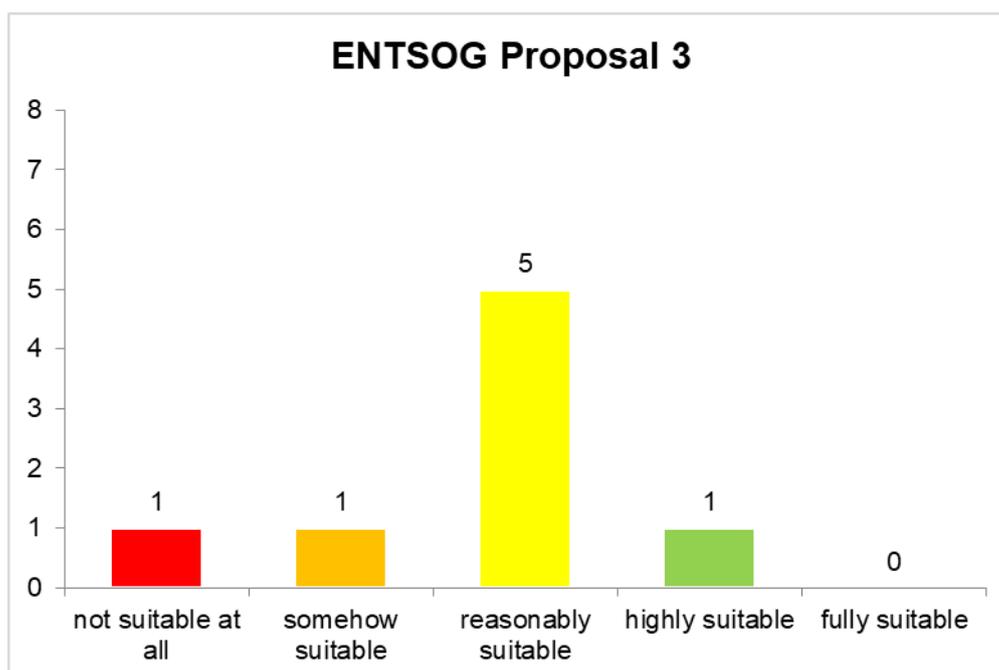
Most participants are not in favour of postponing ACA auctions (Equinor, EFET, Engie, AP3, AP4, AP2, ENI), some believe it is better to keep the initial dates and add additional auctions (EFET, Engie). Some respondents expressed themselves in favour of postponing Y & Q (ENI) and even M auctions (AP2).



Q.1.4. ENTSOG Proposal 3 “Full” alternative to EFET proposal: please rate the proposal from 1 to 5. How do you evaluate the proposal? (statistical)

- 1 “not suitable at all” (Equinor)
- 1 “somehow suitable” (AP1)
- 5 “reasonably suitable” (AP2, EFET, Engie, ENI, AP4)
- 1 “highly suitable” (AP3)

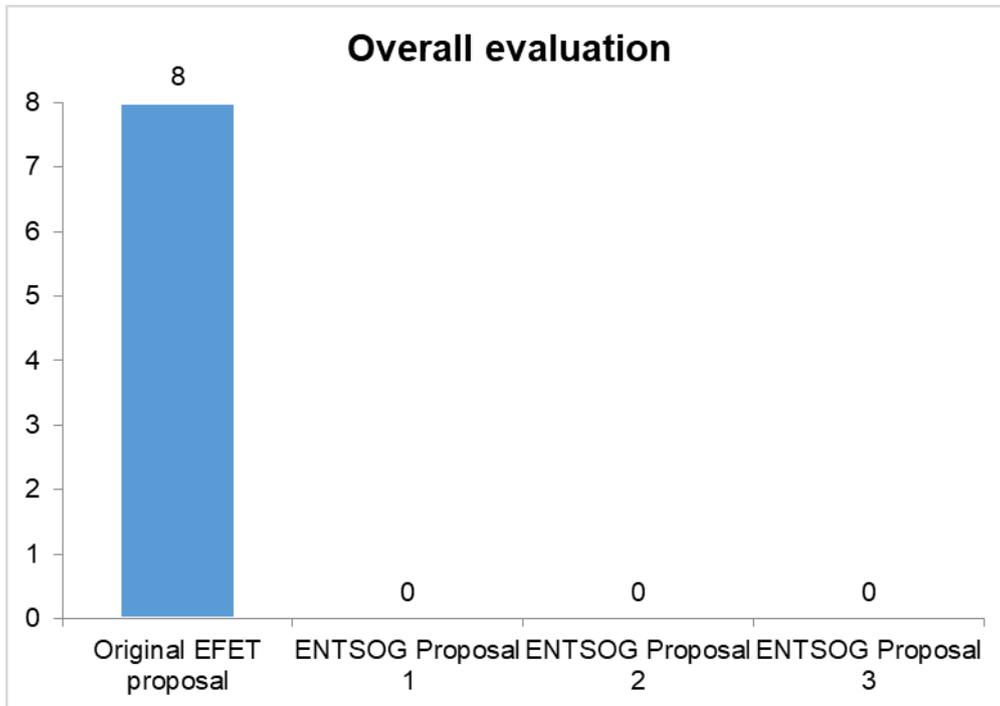
Although some participants are positive to aspects of the proposal (additional auctions, additional UPA on continued basis), all oppose replacing the initial ACA with UPA, as it removes the element of price discovery & bid adjustment (highly valued by shippers). Some participants especially welcome the proposal to auction of all M products within a Q after the initial offer of that Q (EFET, Engie, and ENI).



Q.2. Overall, which proposal covers your needs in the best way? (statistical)

All respondents believe the EFET proposal overall covers their needs in the best way.

The EFET proposal is considered by the participants as striking the right balance and offering additional opportunities and flexibility for shippers while safeguarding the current CAM rules.



Q.3. Do you believe any of ENTSOG's additional proposals could optimise capacity allocation in the current market situation?

Brief introduction to ENTSOG's additional proposals:

- 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

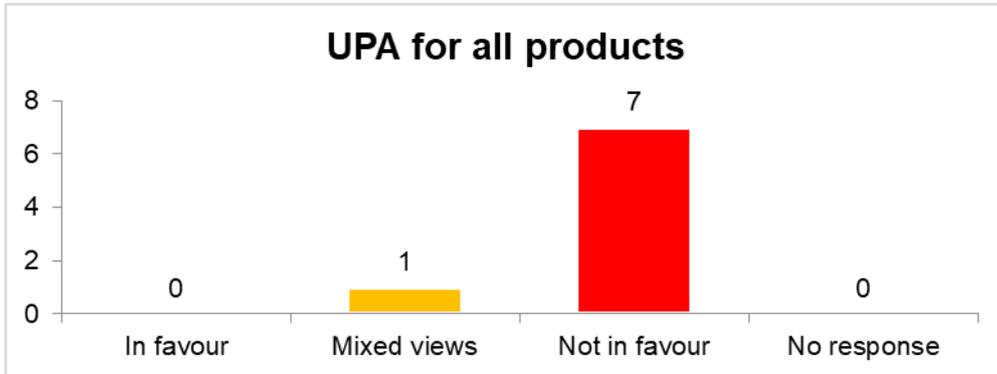
Options addressing request for seasonal products and additional runtimes:

- Add auctions for remaining days of the month on a day-ahead basis
- Auctions spanning 2 gas years

Q.3.1. UPA for all products from the beginning (replacing ACA), but no additional auctions. (interpreted)

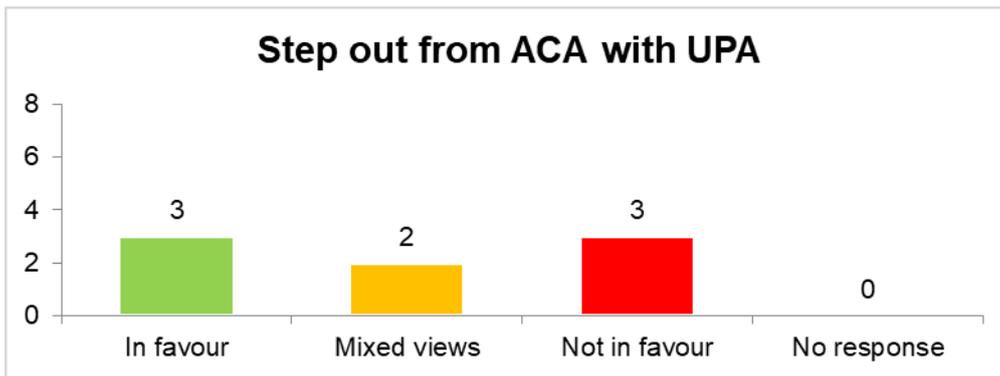
All but one (AP4) of the respondents are opposed to eliminating the ACA auctions and replacing it with UPA. There is a clear consensus to keep ACA as it is seen as providing elements of price detection and bid adjustments, which is highly valued by shippers and

traders. AP4 expressed mixed views, estimating that removing ACA could optimize the allocation process by accelerating it.



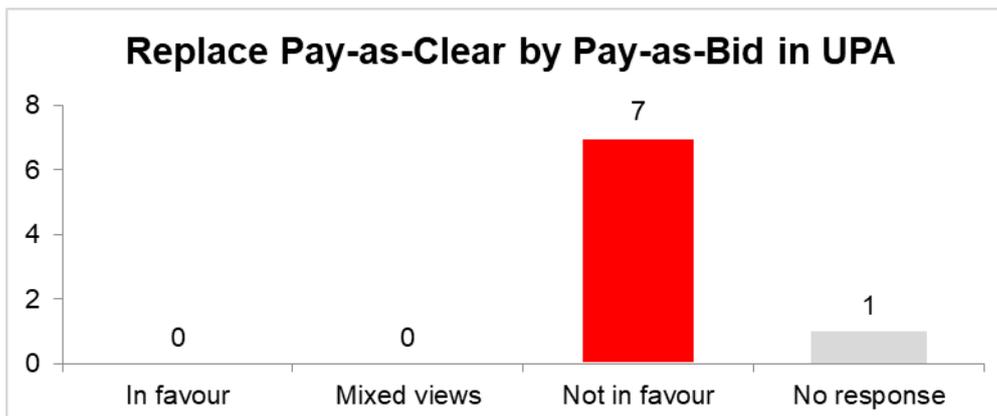
Q.3.2. For ACA with long duration, step out from the ACA, opening a UPA (interpreted)

3 respondents tend to agree with this proposal, stating it is worth analysing (AP2, AP3) or a highly suitable proposal (AP4). 3 respondents are not in favour (AP1, Equinor, ENI) and 2 have no clear opinion (EFET, Engie), the reason being that they consider more appropriate and efficient to have a more dynamic approach to the setting of the level of price steps.



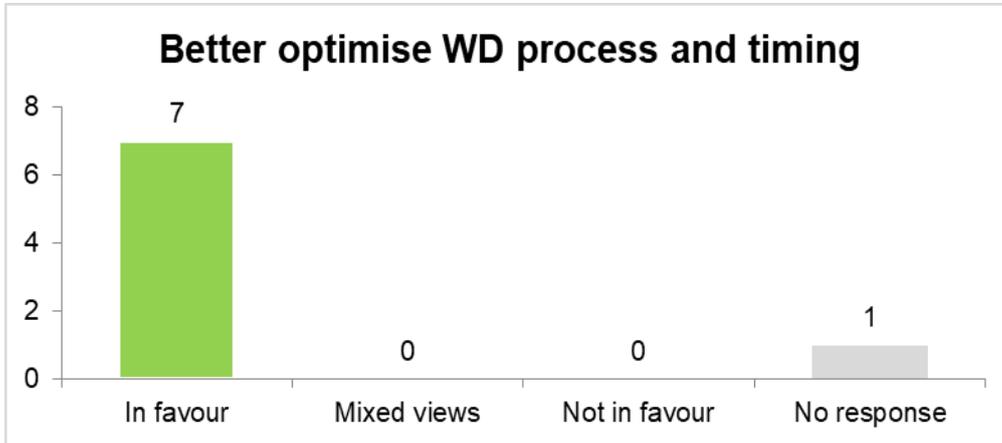
Q.3.3. UPA rules: replace pay-as-clear (UPA) with single round pay-as-bid or pay-as-clear UPA with one bid (interpreted)

None of the respondents is in favour of moving away from pay-as-clear in UPA auctions. There is a clear consensus to keep pay-as-clear in UPA auctions: pay-as-bid would end-up allocating the same product at different prices (Equinor, EFET, Engie, AP3) which is considered discriminatory (EFET, Engie, AP3, AP4).



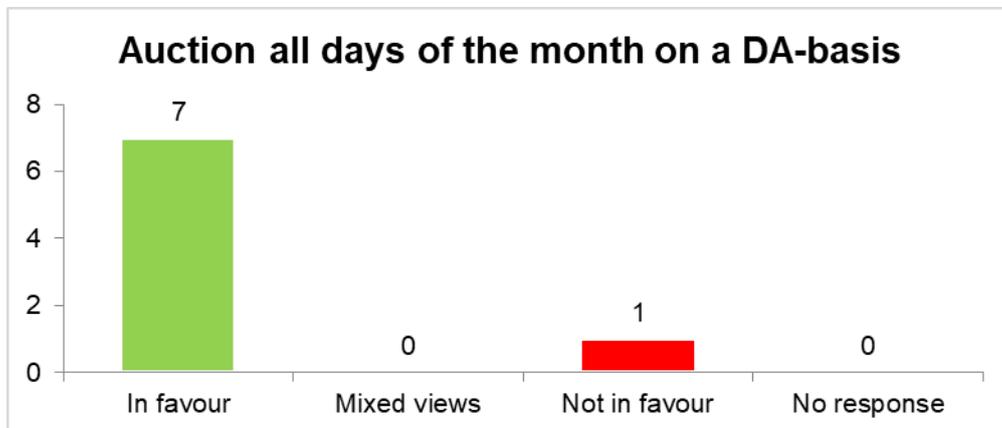
Q.3.4. WD auctions: first round of WD auction for 24h products to finish earlier and introduce additional WD24 after (interpreted)

All but one of respondents are in favour of reviewing the WD auctioning timing in order to better optimise it. AP4 has no opinion as it states it does not participate to WD process.



Q.3.5. Options addressing request for seasonal products and additional runtimes: Add auctions for remaining days of the month on a day-ahead basis (interpreted)

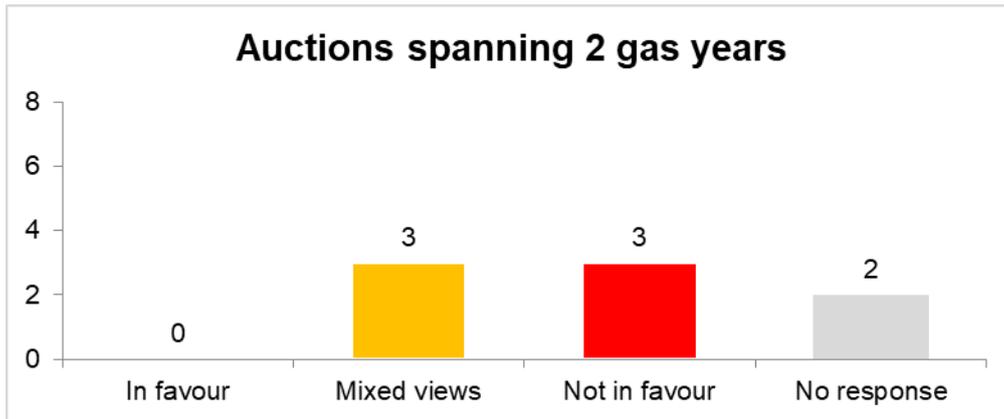
All but 1 of the respondents are in favour of introducing auctions for all remaining DA products within a month, seen as enhancing capacity booking flexibility and allowing a better matching with commodity markets. Only one respondent is not in favour of this proposal, as it sees it as introducing too much complexity (Equinor).



Q.3.6. Options addressing request for seasonal products and additional runtimes: Auctions spanning 2 gas years (interpreted)

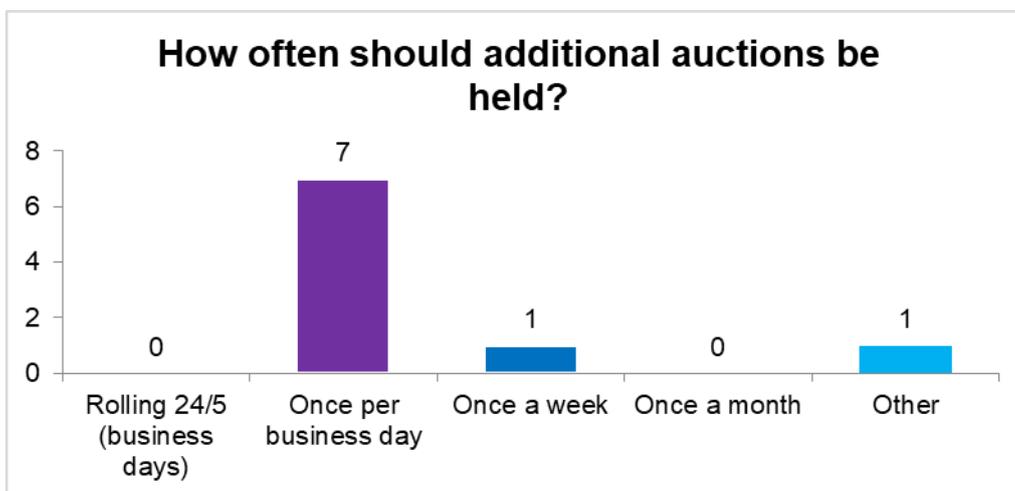
3 respondents are clearly not in favour of this proposal (AP1, Equinor, AP3). Among the 3 other respondents, EFET and ENI see merit in auctioning Q products up to 2 years in advance, but see this would undermine the cascading principle. AP2 does not understand the novelty of the proposal (already possible to book multi annual Y products).

Overall, no clear favourable opinion was expressed, however, given the nature of some responses, some respondents might have partially misunderstood the proposal.



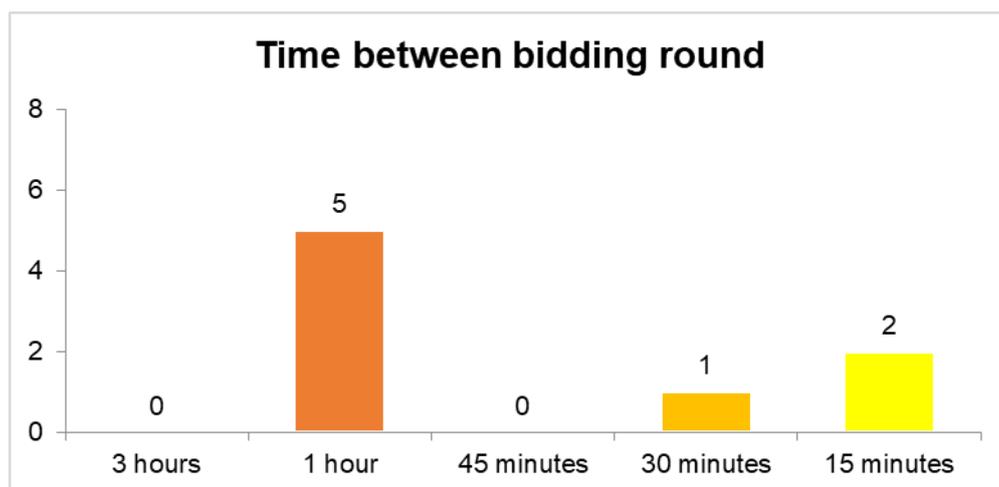
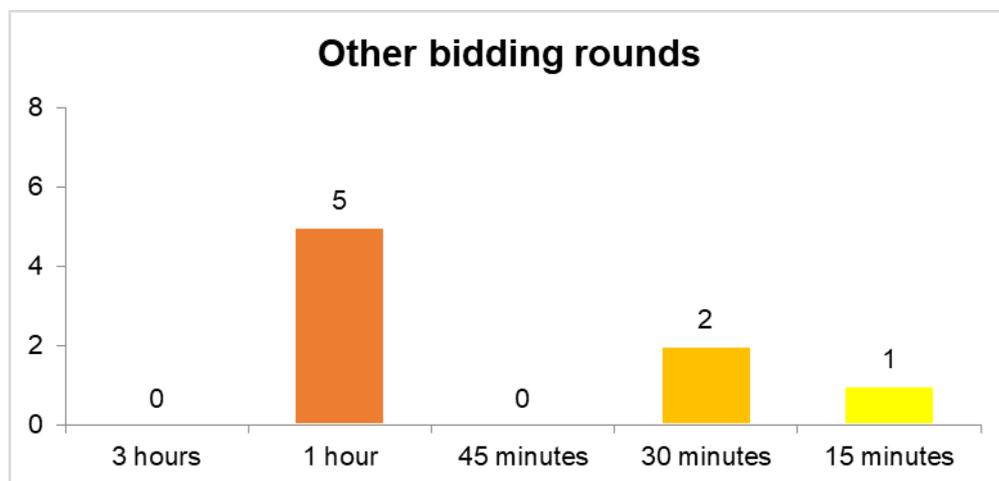
Q.4. If additional auctions were to be introduced, how often should they be held? (statistical, multiple choice)

Most of the respondents are of the opinion that additional auctions should be held once per business day; it is seen as striking the right balance, in line with the day-to-day evolution of spreads, allowing to react to price signals. While most respondents only chose one option, AP4 answered “once per business day” but also “once a week”. EFET proposes, alternatively, to have additional auctions “once a week” for Y&Q, and “once a business day” for M products, if it is deemed too complex to implement once a business day for all products. EFET also sees “rolling 24/5” as equivalent to a first-come-first-served (FCFS) allocation. One respondent (AP1) believes the frequency should depend on the product.



Q.5. Most appropriate sequence of bidding rounds to organise an ACA. (statistical)

Overall, respondents consider current timings as appropriate (Equinor, AP2, EFET) and see more value in better-set price steps (EFET, Engie). Only AP3 calls for shorter bidding rounds as a better option than larger price steps.



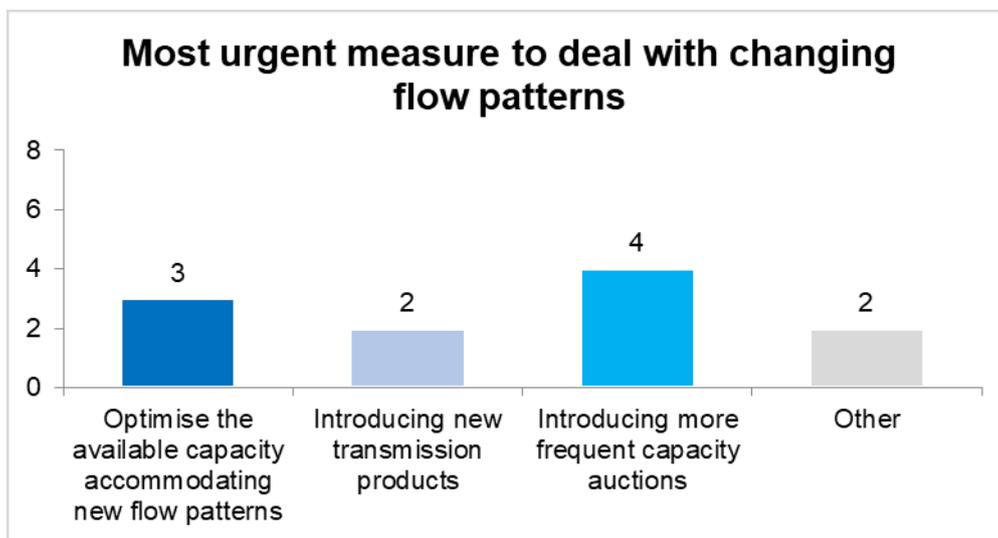
Q.6. What challenges do you see in the changed supply pattern that increasingly relies on LNG imports? How could CAM & CMPC rules optimise the use of the existing transmission network to bring LNG to the markets in case of changed flow patterns? Which measures would help to facilitate increased LNG imports? (interpreted)

- Dynamic reallocation of capacity is considered appropriate by 2 respondents (AP1, AP2), while one (Equinor) finds it not sufficient to cope with the issue, calling for more investments in new capacity.
- One respondent (AP1) considers systematic use of DA-UIOLI relevant.
- For two respondents (Equinor, EFET), current allocation rules are seen as largely fit for purpose to cope with changing supply/flow patterns.
- One respondent (ENI) sees an issue with transport products not matching with regasification schedules.
- One respondent (Engie) points at the need for enhanced transparency on reallocation of capacity and on LNG terminals, and generally calls for a level-playing-field between pipe&LNG flows.

Q.7. Most urgent element to address in transmission capacity auctions to deal with changing flow patterns (e.g. due to LNG imports)? (statistical, multiple choice)

Although the question asked for the most urgent element, most participants picked more than one option. This made the results difficult to interpret, the results were the following;

- **Optimise the available capacity accommodating new flow patterns** was picked 3 times,
- **Introducing new transmission products** was picked twice,
- **Introducing more frequent capacity auctions** was picked 4 times,
- **‘Other’** was picked twice.



Q.8. What benefits have been missed due to the current allocation processes and how could additional flexibility of capacity allocation have unlocked those benefits? (interpreted)

2 respondents pointed at missed opportunities in the past:

- EFET points at missed opportunities during auctions at FR-ES IP Pirineos

- AP3 explains there have already been cases in the past of missed arbitrage possibilities, which kept spread artificially high.

The other respondents did not specifically address the question of missed benefits but provided general comments:

- Current allocation process and calendar are appropriate (Equinor), if additional auctions may provide more flexibility, transparency and predictability should be preserved.
- Implicit allocation increases social welfare and should be applied to DA and WD products (AP2).
- Currently, TSOs bear no price risk and skim off most of the spreads while traders bear the whole of the risk (AP1).
- Transport capacity products should match regasification schedules (ENI).

Q.8.1 Have the missed benefits increased under the current market conditions? (interpreted)

Respondents did not point to clear examples of increasing missed benefits linked to CAM rules:

- Financial security required by TSOs should be revised in order to prevent shippers from having to deposit huge amounts (AP1).
- No missed benefits (Equinor, ENI).
- EFET's proposal to add auction dates would help boost liquidity and smooth the current volatile market conditions (AP2, AP3, EFET).
- Failure of allocation processes, ending up in allocation via DA auctions (Engie).

Q.9. Are there any measures related to capacity allocation that you want to bring to regulators' and TSOs' attention that can alleviate the effects of an extended and severe supply disruption (interpreted)

- Application of CMPs like the UIOLI (AP1) or OSBB (AP3).
- Need to build new interconnection capacity to link LNG terminals and resolve congestions (Equinor).
- Solidarity arrangements (AP2).
- More transparent and dynamic information from TSOs on capacity availability (Engie).
- Dynamic setting of price steps by TSOs, even between rounds (EFET).

Q.10. If only one change was to be made to the allocation rules, what would you like it to be? (statistical)

- Mandatory DA and WD implicit allocation (AP2)
- Introduction of additional auctions (EFET, Engie, ENI, AP3)

Q.11. Any other comments?

- Implementation of the EFET proposal on a voluntary basis, amendment of NC CAM after (EFET, Engie)
- Investigate implicit allocation (AP3)

4. MAIN TAKE AWAYS

From the answers to the survey, the following main takeaways can be drawn:

- A clear call is expressed for additional auctions – the EFET proposal is ranked 1st, followed by ENTSOG proposal 3, both proposals offer additional auctions
- The EFET proposal is seen as a way to enhance liquidity and reduce volatility, ENTSOG proposal 3 is also extending booking possibilities, but participants prefer to keep ACA for initial auctions
- There is a clear consensus to keep ACA for Y, Q and M CAM auctions
- The participants see more dynamic setting of price steps by TSOs as a more efficient mean for ACA auctions to work well, rather than shortening the bidding rounds or introducing UPA to close the ACA process
- There is a preference to keep pay-as-clear UPA, compared to pay-as-bid which is considered discriminatory by some of the survey participants because the same product would be sold at different prices
- A review of WD auction timings is welcomed by several participants
- A strong support is expressed for introducing auctions for all remaining days of the month, on a DA basis
- Respondents believe additional auctions should be organised once per business day. As an alternative, if too complex, Y and Q auctions could be held once a week while M auctions should be organised once a day
- There is a consensus that the current ACA timing of rounds is appropriate, suggesting no change is required
- Many respondents argued that changes to CAM NC would reduce pressure in current market conditions. However, only few of them did provide concrete examples or elements to support an *urgent* need of a change of the CAM rules
- Participants have also suggested measures that could be taken within the current legal framework (such as, e.g., a more dynamic (re)allocation of capacity at IPs, a more dynamic setting of price steps in ACA auctions to ease capacity allocation in high-spreads context, make use of CMP mechanisms to ensure availability of unused capacity).

Annex I: List of Respondents

| No. | Organisation | Role |
|-----|---------------------------------------|-----------------------|
| 1 | Anonymous participant 1 (AP1) | Shipper |
| 2 | Equinor ASA | Shipper |
| 3 | Anonymous participant 2 (AP2) | Gas exchange platform |
| 4 | European Federation of Energy Traders | Association |
| 5 | ENGIE | Shipper |
| 6 | Eni S.p.A. | Shipper |
| 7 | Anonymous participant 3 (AP3) | Shipper |
| 8 | Anonymous participant 4 (AP4) | Shipper |

| My response: | MS | Company | 1.1. Original EFET proposal: please rate the proposal from 1 to 5. How do you evaluate the proposal? |
|--------------|----|---------|--|
|--------------|----|---------|--|

- can be published provided that my organisation remains anonymous - Anonymous participant 1 (AP1) 4: highly suitable

- can be published with my organisation's information Norway Equinor ASA 2: somehow suitable

- can be published provided that my organisation remains anonymous - Anonymous participant 2 (AP2) 4: highly suitable

- can be published with my organisation's information European Federation of Energy Traders 4: highly suitable

- can be published with my organisation's information France ENGIE 4: highly suitable

- can be published with my organisation's information Italy Eni S.p.A. 4: highly suitable

- can be published provided that my organisation remains anonymous - Anonymous participant 3 (AP3) 5: fully suitable

- can be published provided that my organisation remains anonymous - Anonymous participant 4 (AP4) 4: highly suitable

| | | |
|--|--|---|
| <p>1.1.1. Please explain your perceived benefits and drawbacks with this proposal (e.g., elements you find particularly pertinent or elements you would substitute with an alternative):</p> | <p>1.2. ENTSOG Proposal 1 "Shorten the bidding rounds of ACA": please rate the proposal from 1 to 5. How do you evaluate the proposal?</p> | <p>1.2.1 Please explain your perceived benefits and drawbacks with this proposal (e.g., elements you find particularly pertinent or elements you would substitute with an alternative):</p> |
|--|--|---|

provides for more options for shippers to get transport capacity. UPA can be used for remaining capacities from the initial auction.

5: fully suitable

Shortening the bidding rounds of ACA ensures that auctions last for weeks but for days only, especially in combination with price steps which reflect the current market conditions as wide spreads and small LPS lead anyway to superlong auctions even with shorter round durations.

Current CAM NC booking schedule is cost effective, well-functioning and provides transparency and predictability for shippers and markets. For capacity that is not in high demand and unsold in the standard initial ACA auction for yearly, quarterly, monthly products, we can support more flexibility by offering the capacity in additional UPA auctions until the next product is to be offered, without disrupting the CAM NC standardized arrangements. Earlier schedule of Monthly ACA auctions (1st Monday of the month) will provide less market information available at the decision point.

1: not suitable at all

Shortening the bidding rounds will not contribute to more flexibility and would make the process more vulnerable to errors. The problem of long ongoing ACA auctions could be mitigated by TSOs aligning the price steps more with the prevailing market conditions.

The original EFET proposal would be a major improvement enhancing liquidity. The proposal would result in a better timing, which is more in line with commodity markets. The current CAM NC makes derivative spread trading difficult, thus we generally agree with the proposal. It would be nice to have these auctions even more in line with exchange's trading calendar, i.e. monthly auctions for the respective month as soon as possible to trade (keeping in mind the rules of cascading).

2: somehow suitable

Shorter bidding rounds and breaks might be timely challenging for participants booking parallel on different IPs at the same time. The idea of announcing the auction time together with the auction calendar is worth considering.

Still, any CAM NC modification should elaborate fine details on the guidance of how to use implicit capacity allocation.

EFET's proposal seeks to provide more opportunities for shippers to book firm IP capacity outside of the long-established CAM NC auction timetable. This will allow more efficient price arbitrage and more time to hedge positions, thus helping to increase liquidity and narrow the price spreads between markets, benefiting European end consumers. The proposal does this in a way that does not disrupt the CAM NC capacity allocation arrangements, which shippers have become used to over the last 7 years, but complements it with supplementary uniform price auctions, which TSOs and booking platforms already use to allocate daily and within day capacity products. We see no drawbacks with the proposal and based on feedback provided by booking platform operators the proposal could be implemented quickly and with limited resources. This would significantly help scarce gas supplies to flow more efficiently to where they are most valued in the currently high price and volatile market conditions.

1: not suitable at all

Whilst some large shippers could easily accommodate shorter bidding rounds and may welcome them, particularly in volatile markets, other smaller shippers may not. ENTSOG's Proposal 1 offers no new opportunities for shippers to buy capacity outside of the CAM NC auction timetable and instead seems intended to address the problem of ascending clock auctions failing to clear within a timely manner. This problem, whilst important, would be better addressed by TSOs taking a more proactive approach to setting auction price spreads that are more reflective of the price spreads between interconnected markets.

Given the volatility and potential significant changes in gas market prices, we do believe that we need urgently new tools for coping with such current dynamics. Therefore, we support EFET proposal. For instance, market conditions can evolve largely between monthly auction and the start of month, or between quarterly and monthly auctions, new booking windows may address these new needs if capacities remain available. Additional uniform price auctions - which TSOs and booking platforms already use to allocate daily and within day capacity products - seem the most suitable solution.

1: not suitable at all

Shortening the bidding rounds of ACA does not provide additional opportunities to buy capacities and therefore does not answer the most critical need. Our need as a market participant is to have opportunities to book capacities outside of the NC CAM calendar, which is crucial in the current market environment.

Setting up appropriate large price steps is key in order to minimize the length of ACA as clearly stated in NC CAM: "The determination of the large price step shall seek to minimise, as far as reasonably possible, the length of the auction process. The determination of the small price step shall seek to minimise, as far as reasonably possible, the level of unsold capacity where the auction closes at a price

The EFET proposal is designed to give more flexibility and to answer to the issues raised by shippers regarding the current network code. However, we believe that moving earlier the date of the monthly auction at the 1st Monday of M-1 represents a huge constraint in term of having a clear view of the price market, so we are against it. As shipper we would prefer the auction for monthly capacity to take place on the second part of the month, in order to have a clearer view on our capacity needs.

1: not suitable at all

Since all the auctions for different routes take place at the same time, reducing the bidding time is particularly risky and challenging for shippers that are interested in more auctions. We are therefore against such proposal. Shortening the bidding would be suitable only for the first round (e.g. from 3h to 1h). We believe that this solution doesn't give more flexibility or additional opportunities outside the auctions calendar.

In details, IP capacities need to be more available and shippers need more opportunities to buy unsold capacities outside of the currently foreseen auctions dates. On the other hand, considering the EFET proposal, we recognize that this would require a particularly efficient IT structure to allow yearly, monthly, quarterly auctions to be held in the same day and this could turn into a challenge (cascading logic between different products -Y/Q/M- could be a good compromise).

The EFET proposal provides an appropriate balance between maintaining the primacy and integrity of the established NC CAM auction processes and allowing capacity to be offered more flexible.

4: highly suitable

In order to avoid the cancellation of auctions, shorter auction rounds are better suited than larger price steps. The latter bears the risk that parts of the capacities offered are not allocated.

(+) The EFET proposal creates additional opportunities for market participants to exploit market spreads. The proposal maintains the benefits of the ACA (gradual price/volume discovery) during the initial round, while offering additional auction windows under an UPA, which drastically shortens the allocation process in the supplementary rounds through UPAs.

(-) UPA auctions are prone to manipulation under paid-as-cleared regime (e.g. two parties colluding: one party bids for a very low volume, e.g. 1kW, at a price of zero and the other party bids for the remaining capacity at a reasonably high price, resulting in clearing price of zero and full allocation of the high price bid).

(-) The repetitive nature of the auctions would require a constant monitoring / participation, knowing that the capacity could be allocated during any given UPA auction. Further, iterative auctions could potentially weaken competition when compared to a single auction date that shippers can focus on.

2: somehow suitable

(+) acceleration of auction process.
 (-) shortening bidding rounds requires enhanced monitoring and preparation and leaves less room for operational errors, especially for less experienced auction participants.
 (-) Does not offer additional key issue to acquire capacity outside of current CAM calendar

| 1.3. ENTSOG Proposal 2 "Light" alternative to EFET proposal": please rate the proposal from 1 to 5. How do you evaluate the proposal? | 1.3.1. Please explain your perceived benefits and drawbacks with this proposal (e.g., elements you find particularly pertinent or elements you would substitute with an alternative): | 1.4. ENTSOG Proposal 3 "Full" alternative to EFET proposal: please rate the proposal from 1 to 5. How do you evaluate the proposal? |
|---|---|---|
|---|---|---|

3: reasonably suitable

Compromise in terms of timing.

2: somehow suitable

1: not suitable at all

We strongly oppose the proposals to replace the initial ACA with UPA for yearly, quarterly, monthly products - this will take away the element of capacity price detection and bid adjustment for the longer term products. Postponing the initial auction dates for standardized yearly, quarterly and monthly capacity products may result in missed opportunities and less predictability. Additional monthly auctions may enable timely reactions upon price signals, but will add complexity and potentially block shippers with shorter term capacity booking needs.

1: not suitable at all

2: somehow suitable

The idea of additional auctions for M products is welcome, but on its own not sufficient. More occasions should be provided for booking Y and Q products as well to enhance flexibility. Postponing the Y, Q, M ACA auctions closer to the start of the product is welcome, but on its own not sufficient.

3: reasonably suitable

2: somehow suitable

ENTSOG's Proposal 2 moves the dates for yearly and quarterly capacity auctions nearer to the start of the product. However, there is no guarantee that spreads will support capacity booking at this later date and pushing the date back may result in missed opportunities to book capacity earlier. In our view it would be more efficient to keep the original auction dates for these products but to then offer supplementary auctions for any unsold capacity remaining afterwards, when spreads may support new bookings. Whilst the proposal does envisage the possibility of additional uniform price auctions for monthly capacity products, this seems only to be for an extra week and could require a move away from the current ascending clock auction mechanism currently used to allocate monthly capacity initially.

3: reasonably suitable

2: somehow suitable

As a market player, we consider that the dates of the yearly ACA NC CAM are convenient and can remain unchanged. Having these dates postponed closer to the start of the gas year would be detrimental to our ability to cover our risks in advance and would probably delay tariff decisions, so for these reasons we do not favor this proposed evolution. We do prefer keeping ACA first and then switching to daily UPA for unsold capacities – also for efficiency purposes.

3: reasonably suitable

2: somehow suitable

As a general principle, delaying capacity auction dates until closer to their start dates doesn't provide additional flexibility. A more suitable solution might be to consider a postponement for quarterly or yearly auctions (within the range of a month).

3: reasonably suitable

2: somehow suitable

Pushing the Y and Q capacity auction dates back closer to their start dates may suit in some years but in other not. The Proposal not really offers more flexibility.

4: highly suitable

1: not suitable at all

(+) Postponing the auction dates closer to the delivery start could provide shippers with a clearer view on their final capacity needs for their portfolio.
 (-) This proposal does not address the primary urgency to increase auctions windows to exploit market opportunities and increase market efficiency.
 (-) Postponing auctions would reduce the time window for additional UPA auctions and as such effectively reduces the window to exploit market opportunities.

3: reasonably suitable

| 1.4.1. Please explain your perceived benefits and drawbacks with this proposal (e.g., elements you find particularly pertinent or elements you would substitute with an alternative): | 2. Overall, which proposal covers your needs in the best way: | 2.1. Please comment: |
|---|---|---|
| Substitution of ACA with UPA. | Original EFET proposal | EFET proposal is the suitable one, but FCFS with strict UILOI measures would also be suitable. Reason: Currently TSOs who bear no risk, skim off most of the spreads while traders have to bear the costs, whole risk and end up with small margins. The financial security requirements of some TSOs should be revised and adapted to the current market situation in order to prevent shippers from having to deposit enormous sums upfront. |
| Current CAM NC booking schedule is cost effective, well-functioning and provides transparency and predictability for shippers and markets. We strongly oppose the proposals to replace the initial ACA with UPA algorithm for quarterly and monthly products - this will take away the element of capacity price detection and bid adjustment for these products. | Original EFET proposal | Current CAM NC booking schedule is cost effective, well-functioning and provides transparency and predictability for shippers and markets. The EFET proposal to introduce supplementary auction is partly supported as it would provide possibility to book capacity not in high demand in the initial standardized auctions and more flexibility to react upon price signals. However, moving the initial monthly ACA auctions earlier will provide less market information available at the decision point. |
| In general, more frequent UMA auction opportunities following APA auctions are more in line with commodity markets. Replacing initial ACA auctions with UPA auctions for Q & M capacity removes the element of capacity price discovery and bid adjustment, which some shippers/traders value highly. | Original EFET proposal | EFET's proposal would allow the highest flexibility. Implicit capacity allocation would enhance derivative spread trading the most and thus increase liquidity on commodity markets. |
| ENTSOG's Proposal 3 provides shippers with additional opportunities to book capacity which is consistent in principle with the EFET proposal. However, unlike the EFET proposal it fails to provide opportunities for shippers to book yearly capacity beyond the point of the first quarterly capacity ascending clock auction. It also removes the element of demand and price discovery from quarterly and monthly capacity allocation by relying solely on the uniform price auction algorithm for these products. Under this proposal monthly products in each successive quarter can be booked earlier than under the EFET proposal, which could have advantages in terms of locking in future spreads. But this means shippers who are used to traditionally booking monthly capacity in the preceding month would have to adapt by booking it earlier and under the uniform price allocation algorithm. | Original EFET proposal | EFET's proposal strikes the right balance between the fundamental principles and framework for IP capacity allocation, as established by the CAM NC, and offering shippers/TSOs new supplementary opportunities to buy/sell capacity more flexibly, in response to changing market conditions. |
| We welcome the proposal to offer higher flexibility to market players via the auctions for the monthly products covering all remaining months of the quarter (= in sept you can book MA products for oct, nov, dec) although this will need an adaptation for market players vs the traditional monthly booking strategies. | Original EFET proposal | We believe EFET proposal strikes the right balance responding to shippers needs. |
| We do prefer keeping ACA first and then switching to daily UPA for unsold capacities for QA/MA products. | | |
| Even though the solution proposed by ENTSOG provides additional auction possibilities, the implementation of UPA from the first auction is an element of concern and risk and we don't support it. Keeping ACA is the most suitable option for yearly, quarterly and monthly auctions. The ENTSOG proposal provides less flexibility compared to the EFET one. It would only be preferable if the EFET proposal is not feasible from an IT/logistic point of view. It also fails to provide opportunities for shippers to plan yearly capacity beyond the point of the first quarterly capacity ascending clock auction. We welcome the possibility to offer monthly products for the duration of the quarterly one as this would further increase the flexibility for shippers. | Original EFET proposal | The EFET proposal entails additional auctions to the CAM NC, providing flexibility particularly needed in the current market conditions. |
| UPA auctions on a continuous basis after the initial ACA auction is consistent with EFET's proposal but does not allow for yearly capacity UPA auctions after the first quarterly ACA auction. So EFET proposal offers more flexibility. Replacing ACA with UPA auctions removes the element of capacity price discovery and bid adjustment. (+) Iterative ACA auctions for yearly products appears reasonable expands booking opportunities for this product. (-) Mandatory UPA auctions for monthly and quarterly products from the beginning would circumvent a gradual process of price / volume discovery associated with ACA auctions. No inferences on market demand / level of competition could be made prior clearing in terms of price and total volume requests. (-) needs for change in CAM NC (?) due to non-compliance of cascading principle and delays implementation (-) The proposal may not materially improve opportunities to hold additional auctions for the first month in the relevant Quarter if the relevant monthly auction is to be held on the third Monday of the month. --- Could initial ACA auctions be maintained for Q, M products but with a minimum reserve price of say x% of the market spread and adequate large price steps, instead of replacing ACA by UPA altogether for those products ? | Original EFET proposal | The EFET proposal provides the best balance between maintaining the primacy and integrity of the now established NC CAM auction processes and allowing capacity to be offered more flexible. Proposal 3 is the second best. Original EFET proposal, because: □ Creating additional UPA auction opportunities comes without the potential disadvantage of shortened ACA bidding rounds □ Comes without abolishing ACA altogether for Q and M products; hence gradual process of price discovery is maintained, which is valuable to adjust bid volume / bid price and anticipate clearing price. □ Creation of additional auction windows addresses the key shortcoming in the CAM NC under current market conditions. |

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| <p>3.1. UPA for all products from the beginning (replacing ACA), but no additional auctions. Please comment:</p> | <p>3.2. For ACA with long duration, step out from the ACA, opening a UPA. Please comment:</p> | <p>3.3. UPA rules: replace pay-as-clear (UPA) with single round pay-as-bid or pay-as-clear UPA with one bid. Please comment:</p> |
|---|--|---|

We do not support this proposal as regulated tariffs also ensure predictability of transport costs in case demand is below or in line with offer, furthermore it seems to be more non-discriminatory.

We do not support this proposal.

In principal we would prefer pay-as-clear compared to pay-as-bid UPA.

No support: as per option 2 and 3, replacing ACA with UPA systematically would take away the element of capacity price detection and bid adjustment for the longer term products.

Long ACA auctions can be tackled with setting more suitable price steps which enable prompt auction clearing.

Replacing the UPA rules to pay-as-bid would be strongly disadvantage, as shippers may have to pay different surcharges for the same product in the same auction round.

Replacing initial ACA auctions with UPA auctions removes the element of capacity price discovery and bid adjustment, which some shippers/traders value highly.

This proposal is worth considering.

ACA auctions provide an important element of demand and price discovery, whereby the demand and price shippers are prepared to pay for capacity is visible to all on an ongoing basis. This can have an influence on price spreads and should not be lost.

This could be a back stop measure if TSOs fail to set appropriate auction price steps that allow auctions to clear in a timely manner. Allowing price steps to change dynamically mid auction, with due notice and transparency, could also address this.

Pay-as-bid requires shippers to bid blind and could lead to the same capacity being allocated at different prices in the same auction round, even absent any congestion. Arguably this constitutes discrimination and it should not be pursued.

Market players are used to ACA. ACA allows for capacity price discovery and bidding adjustment during the auction which is valuable for some markets and some players.

This might be considered assuming TSOs do not improve in setting appropriate large price steps reflecting relevant market conditions. Allowing price steps to change dynamically mid auction, with due notice and transparency, could also address this

We advocate for keeping the current rules. Capacities should be allocated at the same price on a non discriminatory basis.

From our point of view, replacing ACA auctions with UPA auctions is not a feasible solution. ACA auctions allows the willingness to pay to emerge in a more efficient way.

Differently, it could be set a mechanism where, in case of a congestion in the 1st round, TSOs could increase the large/small steps depending on the congestion degree at closing round 0.0, to reduce the bidding rounds and avoid long auctions' durations

As far as UPA rules are concerned, the current system already works efficiently, so no changes are necessary at this stage.

UPA auctions replacing ACA auctions from the beginning removes the element of capacity price discovery and bid adjustment, which some shippers/traders value highly.

Such a step would make sense in order to avoid the cancellation of auctions.

UPA auctions run as pay-as-bid rather than pay-as-clear are not appropriate, particularly for Y, Q and M products, as they would allocate the same capacity at different prices (discriminatory?)

Yes, it could optimize the allocation process by drastically accelerating the auction process. But it will also abolish a gradual process of price/volume discovery.

Yes, we view this option as highly suitable

This is highly discriminatory and we don't see the merit of this option in rendering the allocation process more efficient.

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| <p>3.4. WD auctions: first round of WD auction for 24h products to finish earlier and introduce additional WD24 after. Please comment:</p> | <p>3.5. Options addressing request for seasonal products and additional runtimes: Add auctions for remaining days of the month on a day-ahead basis. Please comment:</p> | <p>3.6. Options addressing request for seasonal products and additional runtimes: Auctions spanning 2 gas years. Please comment:</p> |
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This proposal is fully supported.

Yes, this proposal is supported as it seems to adapt requirements of changed market conditions.

No, we do not support this proposal: We do not see any advantage in 2-year-products especially as this seems to overcomplicate marketing resp. allocation of LT capacity (competition 1-year-product to 2-year-product).

We support the option to finish earlier the first round WD auction for 24h products and subsequent auction rounds.

We do not support adding balance of month products as it will create unnecessary complexity.

We do not support this option as having auctions spanning over 2 gas years may increase the possibility of capacity hoarding and contractual congestion.

This could increase the liquidity of DA commodity products, thus worth considering. However, introducing obligation of implicit capacity allocation for WD products would increase higher social welfare.

Adding an auction for the remaining days of the month equals to a Balance-of-Month (BoM) product, which is highly traded among various market participants, thus this idea is worth considering.

It's already possible to book further gas years, so it's hard to understand the novelty of the option.

This has merit, but the first round WD auction for 24h products (and subsequent auction rounds) should be priced based on the relevant day-ahead multiplier, not the within day multiplier which can be significantly higher.

As stated in our response to the previous consultation we do see merit in adding a BoM product provided they can be integrated into the existing auction calendar and do not undermine day ahead auctions.

As stated in our response to the previous consultation there could be merit auctioning yearly and quarterly products up to two gas years out, but this could undermine the cascading principle and require more substantial changes to the CAM NC.

Could be merit in offering separate bidding rounds between 19:00 and 02:00 CET, but as additional DA auctions not WD auctions using accordingly the appropriate multipliers (+ additional interruptible capacities auctions might be interesting)

Creating additional capacity products (weekend, next week products, BoM...) can contribute to enhance capacity booking flexibility. Week-end and Day-Ahead auctions on Friday would be very interesting for Friday auctions - to be prioritised)

This could be a suitable option as it would add flexibility to the auctions calendar, in addition with other measures.

Additional products (at least BOM, Weekend, WDNW and weekly products) would be a suitable option as it would add flexibility to the auctions calendar, in addition with other measures.

There could be merit auctioning yearly and quarterly products up to two gas years out, but this could undermine the cascading principle and require a more substantial change to the CAM NC.

Offering additional separate bidding rounds between 19:00 and 02:00 CET would be appreciated. However, these should be defined as additional day-ahead auctions, as they contain the entire gas day and therefore only the day-ahead multiplier applies.

Additional run times for Balance-of-Month (BOM) would have a positive effect as it helps to anticipated new market developments within the month.

Auctions spanning 2 gas years may only add complexity to the auction calendar and are not necessary.

We do not participate WD auctions and do not have a particular opinion on this.

Yes we would support this option as these capacity offerings would be in line with tradable gas products and as such could improve allocation efficiency based on price signals of the underlying BOM / seasonal gas products.

| 4. If additional auctions were to be introduced, how often should they be held? | 4.1. Please specify if other: | 4.2. Please explain your perceived benefits and drawbacks with the option you picked: |
|---|-------------------------------|---|
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| | | |
|------------------------------------|--|--|
| Other | That would depend on the respective product. | That would depend on the respective product. |
| Once per business day | | Introducing additional auctions with a daily frequency would be sufficient as it would allow shippers to optimize capacity bookings and react to price signals. |
| Once per business day | | This frequency suits the most the trading flexibility of commodity markets. Capacity auction calendars should be in line with major commodity exchange trading calendars and only derive in case of rare exceptions, i.e. holidays. |
| Once per business day | | Holding supplementary UPA auctions for yearly, quarterly and monthly capacity each business day after the close of the respective ACA auctions for such products maximises the opportunities for capacity to be made available on days where spreads exceed the cost of capacity. Holding such UPA auctions at set times each business day (excluding non-auction days as proposed in the EFET proposal) allows all shipper to bid on a level playing field basis, unlike rolling 24/5 business days (which is more akin to a FCFS click and book system) which may favour larger shippers. We do not see any drawbacks with holding once per business day UPA auctions, particularly now booking platform operators have indicated this can be relatively easily accommodated. However, if this is perceived as a significant problem for TSOs, booking platforms or shippers which could potentially delay early implementation, then holding UPA auctions on a weekly basis for yearly and quarterly products (but not monthly products) might be a way of overcome this. |
| Once per business day | | Once per day seems a right balance for additional auctions between a frequency sticking to market dynamics & current habits while taking into account IT costs and potential complexity. |
| Once per business day | | As foreseen in EFET proposal, holding supplementary UPA auctions for yearly, quarterly and monthly options each business day after the close of the respective ACA auctions for such products maximises the opportunities for capacity to be made available on days where spreads exceed the cost of capacity. However, we believe that moving earlier the date of the monthly auction at the 1st Monday of M-1 represents a huge constraint in term of having a clear view of the price market, so we are against it. |
| Once per business day | | Price spreads between markets change from day to day and therefore capacity should also be offered daily. |
| Once per business day; Once a week | | (+) provides opportunities to book additional capacity on a daily basis. (-) requires continuous monitoring |

| 4.3. Please explain your perceived benefits and drawbacks with each of the other options: | 5. What is, according to you, the most appropriate sequence of bidding rounds to organise an ACA? Bidding rounds of ACA procedures are set in Article 17(2) of CAM NC [CAM NC]. 'Bidding round' means the period of time during which network users can submit, amend and withdraw bids (Article 3(7) of CAM NC): 5.1 Length of the initial bidding round | 5. What is, according to you, the most appropriate sequence of bidding rounds to organise an ACA? Bidding rounds of ACA procedures are set in Article 17(2) of CAM NC [CAM NC]. 'Bidding round' means the period of time during which network users can submit, amend and withdraw bids (Article 3(7) of CAM NC): 5.2 Length of subsequent bidding rounds |
|---|---|---|
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That would depend on the respective product.

3 hours

30 minutes

Adding auctions with a weekly or monthly frequency would not bring much benefit in terms of flexibility. Rolling auctions 24/5 would bring unnecessary complexity.

3 hours

1 hour

We did not add any "Other" option.

3 hours

1 hour

Once a week or once a month UPA auctions unnecessarily restrict the added flexibility sought by the EFET proposal and significantly lessens the chances of a supplementary auction being held on a day when the prices spread exceeds the cost of transport. Once systems are adapted to accommodate supplementary auctions there should be no drawbacks or barriers to holding these auctions as frequently as possible.

3 hours

1 hour

Holding additional UPA auctions for yearly, quarterly and monthly options each business day after the close of the respective ACA auctions maximises the opportunities to book unsold capacities where spreads are higher than the reserve prices.

3 hours

1 hour

Once a week or once a month UPA auctions unnecessarily restrict the added flexibility sought by the EFET proposal and significantly lessens the chances of a supplementary auction being held on a day when the prices spread exceeds the cost of transport. Furthermore, concerning ENTSG proposals, since all the auctions for different routes take place at the same time, reducing the bidding time is particularly risky and challenging for shippers that are interested in more auctions. Also, the implementation of UPA from the first auction is an element of concern and risk that we don't support.

1 hour

1 hour

Profitable arbitrage opportunities may not exist at days when capacity is auctioned, whereas they may well exist at other days.

30 minutes

15 minutes

More frequent auctions (24/5) would require intense monitoring and resources. Less frequent auctions (once a month) limit opportunities for acquiring extra capacities based on market signals.

3 hours

30 minutes

| 5. What is, according to you, the most appropriate sequence of bidding rounds to organise an ACA? Bidding rounds of ACA procedures are set in Article 17(2) of CAM NC [CAM NC]. 'Bidding round' means the period of time during which network users can submit, amend and withdraw bids (Article 3(7) of CAM NC).: 5.3 Waiting time between bidding rounds | 5.4. Please comment on your selected times | 6. What challenges do you see in the changed supply pattern that increasingly relies on LNG imports? How could rules for capacity allocation and congestion management optimise the use of the existing transmission network to bring LNG to the markets in case of changed flow patterns (e.g. West-to-East flows replacing East-to-West flows)? Which measures (e.g. systematic use of day-ahead use-it-or-lose-it mechanism, dynamic reallocation of capacity away from unused IPs) would help to facilitate increased LNG imports? Please explain: |
|--|---|--|
| 30 minutes | | <p>Dynamic reallocation of capacity away from unused IPs ensures more transport capacity at IPs where it is needed for future additional LNG transports. In addition systematic DA UIOL mechanisms ensure that as much capacity as possible is offered to the market.</p> |
| 1 hour | <p>The current sequence of bidding rounds works well and is not an issue for shippers. Shorter timeframes would add complexity.</p> | <p>In general the rules set in the CAM NC are sufficient to react on any changes in supply/flow pattern. An increase in LNG imports is mostly triggered by market dynamics and availability of transport capacity to transport the gas to where it is needed. It may also be needed to invest into infrastructure to increase the available capacity and resolve any congestion.</p> <p>Regarding dynamic reallocation, we would like to emphasize that security of supply can only be increased if the gas can be physically transported to the consumers in addition to existing import routes. To achieve this, transport capacities in the gas grid must be allocated in such a way that the removal of the unused quantities is guaranteed without being at the expense of the existing import points. A mere shift/reallocation of capacities, whether through network planning or actual reallocation, is not sufficient to bring additional gas volumes into the market.</p> |
| 1 hour | <p>Could stay as it is currently with the option of leaving a lengthy ACA for a shorter UPA.</p> | <p>dynamic reallocation of capacity away from unused IPs</p> |
| 1 hour | <p>Reducing the timings of auction rounds might be a "nice to have" for some shippers. But there is no evidence that the current timings are causing significant problems for shippers, so they should not be changed. Runtimes of ACA bidding rounds should always be harmonised for all products and not differ between interconnection points. Increasing the number of auction rounds per day may help auctions to close more quickly and prevent the unfortunate situation of auctions timing out without any highly sought after capacity being allocated. But if TSOs were more attentive to price spreads that existed pre-auction and set auction price steps appropriately this should not be a problem. If it did become one, TSOs could potentially adjust price steps dynamically mid auction or between publishing details of the auction and the start of the auction (both with due transparency and notice) as the CAM NC does not specifically prohibit this.</p> | <p>Except for the need to make IP capacity bookings more flexible, as per the EFET proposal, the current EU capacity allocation and congestion management rules are largely fit for purpose. The challenges arising from a changed EU supply pattern that increasingly relies on LNG imports relate more to physical gaps and bottlenecks in the interconnected EU gas transmission system and the shortage of global liquefaction capacity than to failings with existing EU gas market rules. Day ahead use-it-or-lose-it can already be applied under the CMP guidelines, where relevant, although it has delivered little in the way of tangible benefit where it has been applied. And to the extent capacity is able to be reallocated away from IPs which are no longer used to provide additional capacity at IPs, where new flows are envisaged, this can already be accommodated under Article 6 of the CAM NC. TSOs national network plans and competing auctions.</p> |
| 1 hour | <p>Setting up appropriate large price steps is the crucial point. We consider that setting up higher large price steps dynamically/during the same auction is doable if necessary (demand more than X times offer). We experienced during these last months inappropriate large price steps - in particular in markets where wholesale prices are visible/published - and a lack of coordination between TSOs. Therefore we are asking again the TSOs to take a more proactive approach in order to define large price steps that are more reflective of the price spreads between interconnected markets. We can elaborate on some concrete examples if deemed necessary.</p> | <p>Rules related to NC CAM discussed previously. Rules dedicated to NC CMP: this is new topic addressed here - a broader discussion is required. Need for a level playing field between pipe & LNG flows ; optimizing flows at IPs do not distinguish the origin of the gas. Need to inform all market participants in an appropriate timing if dynamic reallocation of capacities is performed - ideally including firm products - and not only interruptible. Enhance the transparency on all LNG terminals (secondary capacity markets...) Monitor that enough space is dedicated to booking opportunities for LNG spot cargoes</p> |
| 1 hour | <p>The current 3 hours bidding rounds are not necessary, on the other hand implementing a period of less than 1 hour could be challenging for shippers.</p> | <p>The biggest challenge regarding LNG import is the fact that transport capacity products do not match regasification schedules: it is necessary to create products that allow for easier regasification by optimising schedules.</p> |
| 15 minutes | <p>In order to avoid the cancellation of auctions, shorter auction rounds are better suited than larger price steps. The latter bears the risk that parts of the capacities offered are not allocated.</p> | <p>-</p> |
| 15 minutes | <p>the initial 3h bidding window is important to us because it leaves enough safety margin to place the bid and ensure participation in the auction. 30min for subsequent rounds with 15min break appears enough. This still leaves 45min to adjust the bid, which we consider sufficient.</p> | <p>we are not involved in the LNG business and cannot make any qualified statements on this topic.</p> |

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| <p>7. What is the most urgent element to address in transmission capacity auctions to deal with changing flow patterns (e.g. due to LNG imports)?</p> | <p>7.1. Please explain:</p> | <p>8. In your view/experience, what benefits have been missed due to the current allocation processes and how could additional flexibility of capacity allocation have unlocked those benefits? Please provide examples for the different products (yearly/quarterly/monthly/day-ahead/within-day products).</p> |
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| <p>Optimise the available capacity accommodating new flow patterns</p> | <p>Increase of transport capacity options for shippers.</p> | <p>Currently TSOs bear no price risk, skim off most of the spreads while traders have to bear the whole risk.</p> |
| <p>Other</p> | <p>The aim of the CAM NC is to achieve the harmonization of capacity allocation at all interconnection point across the EU through the establishment of rules regarding the offer and allocation of firm and interruptible transmission capacity. In addition, the CAM NC's purpose is to ensure a non-discriminatory third-party access to the gas transmission networks. According to Article 2(1) of the CAM NC, the code does not apply – amongst others – to entry points from LNG terminals and production facilities. In order to ensure non-discriminatory access to the gas networks, we believe that it should be clarified that this exclusion does not apply to competing capacities, i.e. to situations where the entry point from an LNG terminal competes for capacity with another closely located interconnection point with pipeline gas.</p> | <p>Overall, we believe that the current allocation process is appropriate and the auction calendar is well organized. While additional auctions may provide more flexibility, transparency and predictability of market spreads is needed and should be preserved.</p> |
| <p>Introducing new transmission products (other than the standard products currently defined in CAM NC);Introducing more frequent capacity auctions</p> | <p>The highest flexibility would in itself solve the mentioned problems.</p> | <p>The current CAM NC only mentions, but does not include details on the usage of implicit capacity allocations. Just as on the power markets or in the Baltic states, implicit capacity auctions increase the social welfare significantly. Day-Ahead capacity allocations should be implicit after 16:00 GMT and Within-Day capacity auctions should be solely implicit once there's an established Within-Day market – trading platform according to BAL NC – on both side of the border.</p> |
| <p>Introducing more frequent capacity auctions</p> | <p>Reducing dependency on Russian gas will fundamentally change flow patterns that typically have existed within the interconnected EU gas transmission network and place significantly more emphasis on flows coming into existing and new LNG terminals, for onward transmission within the EU. A recent example of this is capacity bookings made by a Czech market participant at the new Dutch LNG terminal in Eemshaven, to replace gas previously supplied by pipelines from Russia. Introducing more flexibility into the IP capacity booking process will ensure transmission capacity can be used to optimum effect and booked more efficiently as an when the need arises and in response to continually adjusting EU demand and supply dynamics, which are reflected in price spreads between market areas.</p> | <p>Being able to access capacity more flexibly enables shippers to undertake efficient price arbitrage and to hedge positions earlier (or later) than dictated by the CAM NC auction calendar, which will influence forward curve price determination more dynamically. For example, 38 GWh/d of Q2 22 capacity and 48 GWh of Q3 22 capacity Spain>France was auctioned in February 2022, but failed to sell as the spreads on the day of the auction (7/2/22) supported a France>Spain flow. However, throughout March (when Q2 capacity was not available) the Q2 spreads consistently reversed and on occasion were up to seven times the cost of capacity. And throughout April (when Q3 capacity was not available) the Q3 spreads consistently reversed to levels where they exceeded the cost of capacity and expanded to similar levels seen for Q2 into mid-May. Other examples will no doubt apply historically in relation to monthly products and between other hubs (e.g. Germany-Austria, Belgium-Germany, Netherlands-Germany, France-Belgium, Italy-Austria), but particularly as regards CAM NC auctions held for products relating to this gas year.</p> |
| <p>Optimise the available capacity accommodating new flow patterns;Introducing more frequent capacity auctions</p> | <p>This topic deserves a broader discussion. For instance we read in the last ENTSOG summer outlook that new optimizations between TSOs have been taken into account for cross border capacities flows from west to east. Nevertheless we regret the lack of data currently published. One of the main issue is probably the computation of firm capacities in national entry/exit systems, that are often based on probable/historical flow patterns. Should these flows change dramatically (eg Germany) the capacities should be recalculated, and the rules to contract and use these capacities modified accordingly.</p> | <p>Already addressed previously</p> |
| <p>Introducing new transmission products (other than the standard products currently defined in CAM NC)</p> | <p>Referring to what already suggested in point 3.5, additional products (BOM, Weekend, WDNW and weekly products) would be a suitable option as they would optimise regasification schedules.</p> | <p>Transport capacity products do not currently match the regasification schedules. A synergy between the two elements is needed.</p> |
| <p>Optimise the available capacity accommodating new flow patterns;Introducing more frequent capacity auctions</p> | <p>.</p> | <p>From our point of view, there have been market situations of short duration in the past that would have made additional transport bookings possible but could not be carried out. In such times, the price differences between the markets are kept artificially higher.</p> |
| <p>Other</p> | <p>NA</p> | <p>a</p> |

| | | |
|---|--|--|
| <p>8.1. Have the missed benefits increased under the current market conditions? Please offer concrete examples and evidence:</p> | <p>9. Are there any measures related to capacity allocation that you want to bring to regulators' and TSOs' attention that can alleviate the effects of an extended and severe supply disruption? Please explain:</p> | <p>10. If only one change was to be made to the allocation rules, what would you like it to be?</p> |
|---|--|--|

The financial security requirements of some TSOs should be revised and adapted to the current market situation in order to prevent shippers from having to deposit enormous sums upfront.

A consistent implementation resp. application of the UIOLI rules especially on the 'new' supply routes from West to East should be ensured.

We would prefer that in capacity auctions for capacity with a runtime of more than one day, the first round starts with a regulated tariff. In case of overdemand the capacity should then be auctioned via UPA with pay-as-clear principle.

No missed benefits.

As a response to current market conditions, capacity is being shifted from pipeline entry points towards LNG terminals. Bringing additional LNG volumes into the market is not a solution if not coupled with investments in new transmission capacity, since existing transport capacity is already fully booked. There is a need to build new connections with LNG terminals and resolve grid congestion into the downstream grid.

Yes, as volatility increased significantly nowadays. Implicit allocations can smooth out spot price volatility just as it did on the power markets after the CORE market coupling project go-live in June. Furthermore EFET's proposal would greatly help to facilitate efficient arbitrage trading between EU hubs and boost liquidity in extremely challenging market conditions.

Solidarity arrangements

Introduction of mandatory Within-Day and optional Day-Ahead implicit capacity allocation processes between established trading platforms, just as on power markets.

Price spreads between have increased significantly during the course of this gas year and exponentially since the Russian invasion of Ukraine. This applies across all trading tenors (yearly, quarterly, monthly and daily) and between most market areas as traders react to rapidly changing news events, policy decisions and demand and supply dynamics. Spreads exceeding €15MWh have been seen between the EU's two most liquid markets, Netherlands and Germany, and exceeding €20 MWh between France and Spain. It is also not uncommon to see €5Mwh changes in daily spreads and spreads reversing from one day to the next. Traders have responded to these unprecedented events by booking significantly more capacity in yearly, quarterly and monthly CAM NC auctions than in previous years, which suggests they are using the available capacity to undertake price arbitrage. However, in market conditions as volatile and illiquid as we are currently experiencing, there will inevitably be opportunities to increase price arbitrage if opportunities to book capacity more flexibly were available.

Not all TSOs are setting appropriate price steps in ACA auctions which reflect the price spreads between market areas, as the latest auctions for yearly exit capacity at Ollingue demonstrate. TSOs should therefore consider including provisions to dynamically adjust price steps mid ACA auction (subject to due notice and transparency) if the number of auction rounds exceed a predetermined threshold (e.g. 15 rounds). As far as we can determine this would not require the CAM NC to be amended.

Full and rapid implementation of the EFET proposal.

Already addressed previously - please refer to our answer (5.4)
One example we can mention relates to the failure in a monthly auction translating into capacities sold on day-ahead basis & preventing to decrease price spreads between hubs on the forward curve.

We would like to have transparent information in due time from TSOs on capacity availabilities if optimization is performed in order to cope/to max out the capacities based on the new flows configuration.

Robust ACA ensuring capacities are sold efficiently/quickly and implement EFET proposal rapidly.

No.

The proposals presented by EFET and partially by ENTSOG would increase shippers' flexibility. However, in case of gas disruption/shortage we do not see further measures that could help alleviating the negative effects.

Additional auctions for unsold products.

With the current extremely high price volatilities, it would be particularly important to continuously offer capacity. The demand in this year's annual auctions was so high that the subsequent hedging on the markets caused significant price shifts after their end.

Offering of additional capacities through greater use of congestion instruments (e.g. buy-back).

Daily continuous auctioning, best implementation would be the EFET proposal

a

no

11. Any other comments?

It is now two and a half years since EFET submitted its FUNC proposal to introduce greater flexibility to book firm capacity at IPs. Since then, ACER's/ENTSO's initial consultation and the recent workshop have shown it has strong support from shippers and booking platform operators have confirmed they can implement the changes required to their process relatively easily and quickly. One booking platform operator has, we understand, written to all TSOs inviting them to work with them to help develop the changes necessary to the front end booking screens and the back end capacity allocation interfaces to implement the EFET proposal, which we very much welcome. Some TSOs also increasingly see the benefit of the proposal as it provides new opportunities for them to sell more capacity, potentially at a premium, and recover more revenue to offset their operational costs, which have increased dramatically over the last nine months, thus mitigating some of the expected substantial increase in transmission charges. Despite this however, this current survey is still seeking views on other change options, some of which are unrelated to the EFET proposal, which risks further complicating and delaying any future implementation. The EFET proposal is fundamentally consistent with the principles of capacity allocation laid down in the CAM NC but is not strictly compliant with the legal text. Whilst EU policymakers have shown it is possible to make rapid changes to EU gas legislation to counter the very challenging market conditions we are currently experiencing, there is currently no indication that this is likely to apply vis-à-vis the EFET proposal. As such we strongly urge ACER and the Commission to publicly give their approval for TSOs and booking platform operators to implement the EFET proposal on a voluntary time limited basis (e.g. 12 – 18 months), should they so choose, and that by doing so they will not be subject to any risk of enforcement action. We cannot afford to wait another two and a half years for the CAM NC to be amended, possibly including additional or alternative options, in order to officially allow the EFET proposal to come into effect.

We would like to see the opportunity for TSOs/booking platforms to implement/test EFET proposal on a voluntary basis – before new dedicated legal/regulatory texts are fully agreed and adopted.

Maybe we should also have a look into implicit capacity allocation mechanism as with that there is a continuous offering of capacity together with the commodity on the gas market.

Gas Network Codes Functionality Process Issue Solution

| Issue details | |
|---|--|
| Number: | 01/2020 |
| Name: | Greater flexibility to book firm capacity at IPs |
| Reporting party: | EFET |
| Network Code / Guidelines concerned: | Network Code on Capacity Allocation Mechanisms, Commission Regulation (EU) 2017/459 (CAM NC) |
| Article of the Network Code / Guidelines | Articles 8.3, 11.2, 12.2, 13.2 and 13.4 |
| Category: | European Issue |
| <p>Abstract: The EFET proposal for solving the issue aims to make firm IP capacity more readily available to shippers by enabling TSOs to offer it for sale in uniform price algorithm (UPA) auctions outside the CAM NC auction timetable dates.</p> <p>EFET proposes supplementary UPA auctions for yearly, quarterly, and monthly IP capacity that would be held for any capacity remaining unsold after the first relevant CAM NC ascending clock algorithm (ACA) auction, up to the point where it becomes usable. The relevant yearly, quarterly, and monthly CAM NC auctions would be held first, before any supplementary UPA auction takes place.</p> <p>The 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 on the dates specified by ENTSOG in the auction calendar.</p> <p>EFET suggests TSOs and booking platforms could choose to implement supplementary UPA auctions or not, possibly on an initial trial basis.</p> <p>See the full description of the issue and solution proposal, including possible auction timescales and example auction calendar on the FUNC Platform.</p> | |

Issue solution(s)

Publication date:

11 May 2023

This FUNC process aims at taking the necessary time to investigate the possible options and solutions, therefore, a public consultation (December 2020 – March 2021) covered not only the EFET proposal on the auction calendar, but also the auction algorithms, the product runtimes, and other issues. The aim was to assess the general evaluation by stakeholders of the CAM NC rules.

Additional and alternative proposals to EFET's were presented during an online public workshop held on 27 June 2022 during which all stakeholders were invited to participate and provide their assessment of the proposed measures.

A survey was then conducted during the summer (July-August 2022), following the workshop, to gather written feedback and provide views on precise questions.

Based on the EFET proposal, the contributions received to the public consultations and public workshop, and internal discussions held between NRAs and TSOs, ACER and ENTOSOG been working on proposals to improve the CAM rules.

ACER and ENTOSOG propose the following main measures be taken into consideration to provide an appropriate solution for the issue reported by EFET on the one hand, and also to improve the CAM NC rules and make them more adapted and adaptable to the market conditions and market participants' needs, on the other hand:

- Introduce additional booking opportunities.
- Allow for advance booking of monthly and daily capacity products.
- Improve the efficiency of the allocation process
- Introduce more flexibility in the CAM rules.

For detailed description of the options discussed by ACER and ENTOSOG and of the proposals provided, please refer to the Issue Solution Supporting Note document (Annex I).

For detailed amendment proposals of the CAM NC, please refer to the Amendment Proposals to CAM NC document (Annex II, mainly suggesting the modifications to the Chapter III on Allocation of the Firm Capacity Products of the CAM NC).

Annex 1 – Issue Solution Supporting Note

Evaluation of FUNC Issue 01/2020

“Greater flexibility to book firm capacity at IPs”

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1. INTRODUCTION

On 27 January 2020, the European Federation of Energy Traders (EFET) reported an issue on the Gas Network Codes Functionality Platform (FUNC platform).

The issue reported by EFET concerns the transmission capacity auction process, which is one of the fundamental aspects of Commission Regulation (EU) 2017/459¹ (Capacity Allocation Mechanisms Network Code – ‘CAM NC’). The case review has merited a thorough analysis and the issue has been scrutinised by the Agency for the Cooperation of Energy Regulators (ACER) and the European Network of Transmission System Operators for Gas (ENTSOG), in cooperation with national regulatory authorities (NRAs) and transmission system operators (TSOs). Two public consultations and one public workshop were organised to collect input and feedback from market participants.

Initially, a review of the CAM NC was intended to be undertaken once the Hydrogen and Gas Markets Decarbonisation Package², proposed by the European Commission, is adopted by the European Council and Parliament.

Yet, during the analysis of this FUNC issue, market conditions have changed drastically and rapidly. First, the Covid-19 pandemic impacted the economies of the EU Member States, with consequences on the evolution of gas consumption. It was followed early 2022 by the Russian Federation’s war in Ukraine which led to a major gas supply disruption severely impacting the European gas markets. Especially the latter called for several EU Emergency Regulations³, so called ‘fast-track’ instruments, to address the deteriorated market conditions. And although it is acknowledged that the changed market conditions relate to the commodity supply issue and is not a consequence of current capacity allocation rules, these conditions have been factored into the considerations made by ACER and ENTSOG while proposing the solutions for this issue.

This paper reflects the evaluation and interpretation of the relevant regulatory framework by ACER and ENSTOG. The paper also incorporates the inputs from national regulators, TSOs, Booking Platforms and other stakeholders consulted along the process. The definite interpretation of Union law is ultimately up to the Court of Justice of the European Union.

Please note that any final amendments of the CAM NC may deviate from the proposals for amendments as additional procedures are required beyond the FUNC process.

¹ Commission Regulation (EU) 2017/459 of 16 March 2017 establishing a network code on capacity allocation mechanisms in gas transmission systems and repealing Regulation (EU) No 984/2013.

² The review and revision of the Gas Directive 2009/73/EC and Gas Regulation (EC) No 715/2009 is referred to as the ‘Hydrogen and gas markets decarbonisation package’, published by the European Commission in December 2021.

³ Article 122(1) of the Treaty on the Functioning of the European Union (‘TFEU’) which applies to situations of “severe difficulties arising in the supply of certain products, notably in the area of energy”.

2. ISSUE AS DESCRIBED BY EFET AND POSTED ON THE FUNC PLATFORM

Issue subject as described by EFET on the FUNC platform:

Greater flexibility to book firm capacity at IPs

Abstract on the FUNC platform:

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.

Summary of Issue description as reported on the FUNC platform:

The EFET proposal for solving the issue aims to make firm IP capacity more readily available to shippers by enabling TSOs to offer it for sale in uniform price allocation (UPA) auctions outside the CAM NC auction timetable dates.

EFET proposes supplementary UPA auctions for yearly, quarterly, and monthly IP capacity that would be held for any capacity remaining unsold after the first relevant CAM NC ascending clock auction (ACA), up to the point where it becomes usable. The relevant yearly, quarterly, and monthly CAM NC auctions would be held first, before any supplementary UPA auction takes place.

The 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 on the dates specified by ENTSOG in the auction calendar.

EFET suggests TSOs and booking platforms could choose to implement supplementary UPA auctions or not, possibly on an initial trial basis.

See the full description of the issue and solution proposal, including possible auction timescales and example auction calendar on the [FUNC Platform](#).

Suggested solution or actions by EFET on the FUNC platform:

Adjustment of implementation.

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.

3. BACKGROUND AND CURRENT MARKET CONTEXT

The EFET proposal provided an opportunity for ACER and ENTSOG to launch a comprehensive review of the CAM NC auction rules, and to reassess whether they still fit the purpose of the EU internal gas market.

A Network Code amendment process is lengthy, requires appropriate consultations, and needs to undergo the comitology adoption process⁴. This FUNC process aims at taking the necessary time to investigate the possible options and solutions and offer a comprehensive review and assessment before such process starts. In that regard, a public consultation was launched in December 2020 covering not only the EFET proposal on the auction calendar, but also the auction algorithms, the product runtimes, and other issues. The aim was to assess the general evaluation by stakeholders of the CAM NC rules.

Based on the EFET proposal and the contributions received to this public consultation, NRAs and TSOs have through ACER and ENTSOG been working on proposals to improve the CAM rules. Additional proposals to EFET's were presented during an online public workshop held on 27 June 2022 during which all stakeholders were invited to participate and provide their assessment of the proposed measures. A survey was then conducted during the summer, following the workshop, to gather written feedback.

The Russian war in Ukraine, and the gas supply disruption that followed, produced an unprecedented gas market crisis. The Russian gas supply disruptions and cuts led to a sharp increase of the gas price, to high price spreads between gas hubs, and to a change in the gas flow patterns in the EU. In this context, LNG and non-Russian pipeline deliveries became more prominent along with more gas flows from the West and South of the continent to reduce the disruptions caused.

This sudden supply crisis has had consequences on the allocation of cross-border capacity after the East-to-West gas flows were radically reduced. The EU gas system has had to allocate capacity according to different supply routes, facing certain infrastructural bottlenecks and supply shortages. In this context, the value of several IP capacity increased way over the regulated reference price due to auction premia, resulting in generalised delays in the allocation process for yearly, quarterly, and monthly products under the ascending clock auction (ACA) algorithm.

In this regard it is important to stress that both capacity allocation mechanisms and congestion management procedures are tools that can ease the market pressure, which however will not solve the supply crisis. Nevertheless, market conditions can change rapidly, and it is within this context ACER and ENTSOG have evaluated the issue.

⁴ https://ec.europa.eu/info/law/law-making-process/adopting-eu-law/implementing-and-delegated-acts/comitology_en

4. EVALUATION OF THE ISSUE

4.1. Overview of the current legal framework

One of the aims of Regulation (EC) N°715/2009 (Gas Regulation)⁵ is to set non-discriminatory rules for access to the gas transmission systems in order to ensure the proper functioning of the internal market.

For this purpose, Article 16 of the Gas Regulation provides the principles for capacity allocation and congestion management. In particular, paragraph 2 provides that capacity allocation mechanisms shall:

- be non-discriminatory and transparent,
- provide appropriate economic signals for the efficient and maximum use of technical capacity, facilitate investment in new infrastructure, and facilitate cross-border exchanges,
- be compatible with market mechanisms including spot markets and trading hubs, while being flexible and capable of adapting to evolving market circumstances.

Article 6 of the Gas Regulation also provides the legal basis for network codes to be established, in a process involving ENTSOG, ACER and the European Commission. The targeted rules in the various network codes should work as tools to reach the Regulation's goals, respecting the key principles. This includes to enhance competition through liquid wholesale markets for gas and non-discriminatory rules for access conditions. Hence, the CAM NC also aims to provide harmonized allocation procedures to enhance transparent, foreseeable, and equal access to capacity.

4.2. Assessing the CAM NC's key provisions

The CAM NC has allowed network users within the EU to acquire standard capacity products, through harmonized auction processes, which follow the same auction calendar, at every interconnection point within the EU⁶. As generally acknowledged by stakeholders – and also pointed out by EFET in the issue submitted – these rules have fostered competition, improved market efficiency and generated greater liquidity in EU gas markets.

The review at hand is therefore not targeted at exploring a completely new gas transmission capacity allocation framework, but rather at understanding what flexibility or restrictions the current rules have in meeting the issue request posted by EFET on the Functionality Platform, while still respecting the fundamental principles of the Gas Regulation. ACER and ENTSOG have therefore not reviewed the entirety of the CAM NC but have focused on several key

⁵ Regulation (EC) No 715/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the natural gas transmission networks and repealing Regulation (EC) No 1775/2005

⁶ Exceptions apply at interconnection points where implicit allocation is applied.

provisions which determine the possibilities for offering additional capacity auctions and at improving the current auction rules.

One of the most important features is the so-called ‘cascading principle’, laid down in Article 8 of CAM NC, according to which the standard capacity products shall follow a logical order by which products covering yearly capacity shall be offered first, followed by the product with the next shortest duration for use during the same period.

Among the key aspects, there are also the auction frequencies, allocation methodology and timings, which are very precisely defined in Articles 11 to 15 of CAM NC, as provided in the following table.

| | Yearly | Quarterly | Monthly |
|-------------------------------|--|---|---|
| Frequencies | The yearly capacity auctions <i>shall be held once a year</i> | Four annual quarterly capacity auctions <i>shall be held during each gas year</i> | The rolling monthly capacity auction <i>shall be held once a month</i> |
| Allocation methodology | Each yearly standard capacity product <i>shall be auctioned</i> through the annual yearly capacity auction <i>using an ascending-clock auction algorithm</i> | Each quarterly standard capacity product <i>shall be auctioned</i> through the annual quarterly capacity auctions <i>using an ascending-clock auction algorithm</i> | Each monthly standard capacity product <i>shall be auctioned</i> through the rolling monthly capacity auction <i>using an ascending-clock auction algorithm</i> |
| Timings | The annual yearly capacity auctions <i>shall start on the first Monday of July each year unless otherwise specified in the auction calendar</i> | The annual quarterly capacity auctions <i>shall start on the first Monday of August, November, February and May, unless otherwise specified in the auction calendar</i> | The rolling monthly capacity auctions <i>shall start on the third Monday of each month for the following monthly standard capacity product unless otherwise specified in the auction calendar</i> |

Both frequency and allocation methodology are set in a way that does not allow for deviation. The number of auctions and the methodology through which the products are offered can therefore not be modified without first amending the CAM NC. Also, the preparatory

documents for the CAM NC support the notion that capacity allocations shall not take place outside the harmonised allocation procedures defined by the code⁷.

The only room for divergence is for the timings, for which alternative dates can be specified by ENTSOG when establishing the auction calendar every year. In theory, this would allow for the auctions to be moved, for example, closer to the start date of the product. In practice however, this possibility has only been used so far to avoid having auctions on EU public holidays or when following the CAM NC dates would lead to having auctions too close to the start date of the product. It nevertheless does not allow for conducting multiple auctions at different points in time for a given capacity product. This possibility only exists for quarterly products, where e.g. the last quarter (Q4) is offered four times, as explicitly specified in the code, since its amendment in 2017.

Besides the possibility to use implicit allocation (as provided for in Article 2(5) of CAM NC), and thereby not apply certain allocation rules, there is no foreseen way to allow for deviations from the rules stipulated in the CAM NC. At all IPs the same auction design shall apply, and the relevant auction processes shall start simultaneously for all concerned IPs⁸. This would also mean that even for the auction timings, for which some flexibility exists in terms of setting the auction dates, the timings must be the same at all IPs – thus excluding any form of non-harmonized or voluntary implementation of additional auctions or different auction designs. The exemption is for interruptible capacities where, if an auction of firm capacity has not closed on the scheduled start day for the interruptible auction, the interruptible auction shall open no later than the next business day after the closing of the respective auction of firm capacity – thus leaving the possibility for interruptible auctions to start on different days.

Lastly, the issue request did not specify a need for a revision of the current standard capacity products. However, as can be read in chapter 4.3 below, stakeholders in the public consultations have overall expressed positive opinion towards additional product types. The standard capacity products were heavily debated and scrutinized at the introduction of the first CAM NC in 2013 and again in the 2017 revision, as evidenced by the preparatory documents⁹. Also, this debate resulted in a well-defined list of standard capacity products TSOs should offer in accordance with Article 9 of CAM NC: yearly, quarterly, monthly, daily and within-day products. Any new or adapted *standard* products would have to be added to this list by an amendment to the CAM NC.

4.3. Market feedback from Workshop and Public Consultations

1st Public consultation (18 Dec. 2020 - 5 Mar. 2021)

⁷ [Framework Guidelines on Capacity Allocation Mechanisms for the European Gas Transmission Network](#) FG-2011-G-001 of 3 August 2011

⁸ Article 8(2) CAM NC

⁹ [Analysis of ENTSOG decisions for the Capacity Allocation Mechanisms \(CAM\) Network Code](#), 6 March 2012

To get a better understanding of the needs of the market, ACER and ENTSOG jointly conducted a public consultation to collect stakeholders' general assessment of the CAM rules as well as their input on EFET's proposal. The consultation was launched on 18 December 2020 and was open for responses until 5 March 2021. 17 responses were received, the responses and the public consultation report can be found on the FUNC Platform following this [link](#). The main take-aways of the answers received are summarized below:

○ *Regarding the auction algorithms*

- There was no unanimous opinion on how suitable the auction algorithms are to the respondents' needs. However, only a low number of participants (12%) indicated that they are facing problems with the current CAM auction algorithms.
- Concerns and critics were expressed regarding the ascending clock auctions (ACA) that can, under certain circumstances, lead to an undersell of capacity and even to allocate no capacity at all, which negatively affects the efficiency of the capacity allocation.

○ *Regarding the auction calendar*

- Respondents were proportionally less satisfied with the auction calendar compared with the algorithms. Most respondents (71%) indicated they were facing problems with the calendar.
- $\frac{3}{4}$ of respondents agreed with the issue identified by EFET, the rigidity of the current auction calendar, as well as the fact that capacity can only be acquired on few occasions, which is considered suboptimal.
- Overall, the majority of respondents support EFET's proposal:
 - On the advantage side, respondents pointed at the increased opportunities for shippers and the proposal to use the UPA algorithm for additional auctions (rather than ACA).
 - On the drawback side, respondents particularly pointed at the increased complexity and lower readability of the auction calendar, due to the increased number of auctions in the EFET proposal, which raised concern of several respondents who consider it problematic to handle by market participants.
- Additionally, increased within-day capacity booking windows were requested by several respondents.

○ *Regarding the capacity products*

- The respondents were, overall, satisfied with the current capacity products provided under the CAM NC, but the majority of respondents called for additional runtimes (only 2 respondents considered no other product is desirable).
- In particular, respondents have shown a strong interest for products allowing a better alignment with commodity products, and they expressed their interest in runtimes such as 'Balance-of-Month', 'Weekend' and 'Season'.

- However, more capacity products would inevitably lead to a more complex capacity allocation calendar and one respondent would see merit in leaving TSOs offer additional runtimes if the market requires so.
- Still, it was pointed out that it would make sense to book capacity more often (i.e. have additional auctions organised) through additional runtimes or products booked further in advance.
- *Regarding the use of implicit allocation*
 - While some respondents pointed at the benefits of implicit allocation at those IPs where it is applied, others highlighted that this method has worked on a small scale in special situations and would not necessarily improve the capacity allocation across the whole EU market.
- *Regarding voluntary vs. mandatory changes*
 - Respondents were divided on this issue:
 - Those in favour of a voluntary approach pointed at the fact that it would be a sensible and cost-effective approach, reflecting the fact that some European markets are more advanced than others.
 - Others expressed concerns about any voluntary application of the proposed measures, which could have distortive effects on competition at cross-border points. They consider that harmonisation should be safeguarded under the CAM NC.

Workshop (27 June 2022)

On 27 June 2022, ACER and ENTSOG jointly hosted an online public workshop, opened to all stakeholders, aimed at presenting and discussing the various proposed measures to make the CAM rules more aligned with the current market needs.

Presentations were made by ENTSOG, ACER, EFET and all 3 Booking Platforms (GSA, Prisma, RBP). Attendees were able to answer to poll questions and could ask questions during the workshop. A Q&A session concluded the workshop.

In its presentation, ENTSOG put forward three alternatives to EFET's proposal for how more efficient and additional auctions could be achieved. ENTSOG stressed that EFET's proposal was in general well received by the TSO community, supported and acknowledged as a clear request from the market for additional auctions. The alternative proposals presented by ENTSOG were primarily targeted at improving some operational aspects of EFET's proposal and at making it compatible with the core principles of capacity allocation, such as the cascading rule. ENTSOG's proposals also offered measures with varying levels of NC impact and complexity to get a better understanding of the different needs and preferences within the stakeholders' community.

In a nutshell, the main proposals presented by ENTSOG were:

- Proposal 1 aims at shortening the duration of bidding rounds under the ACA algorithm, in order to accelerate the auctioning process for yearly, quarterly and monthly products;
- Proposal 2 (“Light” alternative to EFET proposal) consists in organising auctions closer to the runtime start of Y, Q and M products, with the possibility of organising additional auctions for M products;
- Proposal 3 (“Full alternative to EFET proposal) aims at organising additional Y auctions under UPA on a continuous basis for any capacity remaining unsold after the July CAM ACA Y auctions, until the quarterly auction date. In addition, Q and M products would no longer be auctioned via ACA, but via UPA, and would be proposed on a continuous basis.

Additional proposals were also presented, that can come in addition to any of the 3 main proposals. They deal with addressing ACA and UPA issues, optimising the WD allocation process, and addressing the request for more capacity products.

The three European Booking Platforms (GSA, Prisma, RBP) were invited to share their views on the proposals discussed during the workshop. While the expected implementation efforts would vary from one proposed measure to the other, all 3 BPs believed there would be no strong difficulty in implementing them. Emphasis was however put on the fact that the auctioning system and calendar should strike the right balance between frequency of auction on the one side and technical and procedural complexity on the other. The first cost estimates provided by the BPs (i.e. not including TSOs and/or shippers costs) seem relatively reasonable. Regarding the algorithms, it was pointed out that having both ACA and UPA to auction the same product could be challenging, both in IT development terms, but also in terms of pricing.

All presentations, as well as the recording of the workshop, are available [here](#).

2nd Public consultation (1 July - 18 Aug. 2022)

Following the workshop, ACER and ENTSOG launched a joint public consultation aimed primarily at gathering feedback from the market on the proposals presented during the workshop (EFET’s proposal and ENTSOG’s alternative proposals) and to gather input on the potential need to advocate for changes in the CAM rules to ease the current market turmoil. 8 responses were received; the responses and the public consultation report can be found on the FUNC Platform following this [link](#).

The following conclusions were drawn from the answers received:

- *Regarding the introduction of additional auctions*
 - Respondents clearly call for additional auctions.
 - Respondents believe additional auctions should be organised once per business day. As an alternative, if too complex, Y and Q auctions could be held once a week while M auctions should be organised once a day.

- *Regarding the auction algorithms*
 - There is a clear consensus to keep ACA for Yearly, Quarterly and Monthly CAM ‘primary’ auctions.
 - There is a consensus that the current ACA timing of rounds is appropriate, suggesting no change is required.
 - The participants see more dynamic setting of price steps by TSOs as a more efficient mean for ACA auctions to work well, rather than shortening the bidding rounds or introducing UPA to close the ACA process.
 - There is a preference to keep pay-as-clear UPA, compared to pay-as-bid which is considered discriminatory by some of the survey participants because the same product would be sold at different prices during the same auction.
- *Regarding the capacity products*
 - A strong support is expressed for introducing auctions for all remaining days of the month, on a DA basis.
 - A review of WD auction timings is welcomed by several participants, in particular scheduling the WD auctions earlier in the day.
- *Regarding measures aimed at alleviating the current market context*
 - Many respondents argued that changes to the CAM NC would reduce pressure in the current market conditions. However, only few of them did provide concrete examples or elements to support an urgent need to change the CAM rules.
 - Participants have also suggested measures that could be taken within the current legal framework (such as, e.g., a more dynamic (re)allocation of capacity at IPs, a more dynamic setting of price steps in ACA auctions to ease capacity allocation in high spreads context, the use of proper CMP mechanisms to ensure availability of unused capacity).

5. ACER AND ENTSOG'S ANALYSIS AND PROPOSED MEASURES

5.1. Introductory remarks

First, ACER and ENTSOG would like to acknowledge that the issue at hand is complex, even more so in the current crisis. A lot of information has been gathered and ACER and ENTSOG have dedicated a lot of time on analysing the proposals, feedback and information received these past three years, to meet the market requests. The rapid changes in the gas market context since early 2022 have shed new light on several aspects of capacity allocation and have made a thorough analysis even more important for ACER and ENTSOG to be able to prepare amendment proposals that can be fit for purpose.

While evaluating the issue and the current legal framework, ACER and ENTSOG have identified several core principles that they believe should be respected and upheld, to ensure that the CAM NC is still in line with the principles of capacity allocation provided for in the Gas Regulation. ACER and ENTSOG therefore consider that any amendment proposal to the CAM NC should strive to achieve a level of harmonisation that would safeguard non-discriminatory access to capacity, ensure transparency and foreseeability that will allow market participants to efficiently navigate the market and respect the cascading offer of products.

Also, ACER and ENTSOG are of the view that any voluntary implementation of the proposed measures would negatively impact the necessary harmonisation of capacity allocation rules and would undermine the efficient functioning of the internal gas market. Capacity allocation needs to be transparent and foreseeable; market participants need to be able to book capacity at each EU IP following the same rules, calendar, and timings to allow for an efficient flow across systems. A voluntary implementation could potentially also affect the offer of bundled capacity, create new bottlenecks, or distort competition when network users with less resources would not be able to cope with the complexities of varying allocations across the EU.

Nonetheless, ACER and ENTSOG do consider that introducing a degree of flexibility to several rules laid down in the CAM NC would be in line with the Gas Regulation Article 16(2) which provides that capacity allocation mechanisms shall be “flexible and capable of adapting to evolving market circumstances”. In the current market context, it has become even more evident that this flexibility is needed, and this has been taken into consideration for the CAM NC amendment proposals.

The proposals developed by ACER and ENTSOG are designed, on the one hand, to provide market participants with more opportunities to book transmission capacity (paragraph 5.2), to allow the possibility to book monthly and daily capacity products more in advance (paragraph 5.3), and to improve the general efficiency of several current CAM rules, in particular the ACA allocation algorithm (paragraph 5.4). On the other hand, these proposals aim at respecting the core regulatory principle that insure efficient and harmonised capacity allocation process within the EU. These proposals are designed to make CAM rules more in

line with the current needs of market stakeholders, while introducing a degree of flexibility necessary to adapt to future market evolutions (paragraph 5.5).

The sections 5.2 to 5.5 below cover ACER and ENTSOG's considerations and proposals topic per topic. They aim at explaining the amendments proposed to the CAM NC.

Considerations on costs

The implementation of the proposed measures will require IT developments which magnitude will not only vary depending on the degree of novelty of the measures, but also depending on the propensity of current IT software and hardware to cope with these measures.

Also, the costs will not only be borne by Booking Platforms – which will have to amend their auctioning systems – but also by TSOs and market participants. And the magnitude of these costs may also vary from one stakeholder to the other.

At the time this paper is issued, only the Booking Platforms were able to estimate the level of the costs that each of the measures (which were presented during the public workshop held on 27 June 2022) would entail. These estimates were provided for information purpose only, and additional analysis is needed for BPs to put costs more precisely on each measure.

ACER and ENSTOG therefore highlight the importance of performing a full cost analysis once the official EC amendment process is undertaken and there is more clarity on what the final amendments will look like.

Considerations on risks

The formal amendment process shall ensure that the new shippers' incentives are thoroughly analysed: these can include changed market behaviours and possible risk of manipulation due to new allocation rules.

Considerations regarding the degree of urgency of implementing the proposed measures

ACER and ENTSOG have always promoted open discussions on network code rules and believe improvements should be brought forward if analyses demonstrate clear benefits for the market's efficient functioning.

As explained in previous parts of this paper, the current crisis stems from a gas flow disruption and supply shortage. While many respondents in the second public consultation argued that changes to the CAM NC would reduce pressure in current market conditions, ACER and ENTSOG note that only few of them did provide the requested concrete examples and elements to support an urgent need of a change of the CAM rules.

Having regard to the safeguard of harmonised capacity allocation rules at the EU level, for the benefit of the efficient functioning the internal gas market (IGM), ACER and ENTSOG believe that the request brought forward by EFET to allow for a voluntary and temporary application of EFET's proposed measures cannot be supported.

While ACER and ENTSOG do believe that the proposed measures could likely contribute to improving the strained market conditions, they are of the view that other non-CAM related measures would be much more decisive – such as the implementation of efficient congestion management mechanisms, optimisation of existing capacity and investments in new capacities to meet with changed flow patterns (as highlighted by many respondents to the last public consultation).

ACER and ENTSOG therefore consider that a fast-track amendment of the CAM network code is not justified – the proposed measures need to be carefully analysed, undergo the necessary review and consultation process once the European Commission will decide to initiate the amendment process, and then go through the comitology process. ACER and ENTSOG do however believe that the CAM NC amendment process should be undertaken within a reasonable timeframe.

5.2. Introducing additional booking opportunities

Considerations

In line with EFET's proposal, ACER and ENTSOG believe there is a need for market participants to be able to book capacity on more occasions compared to what is currently possible. To do so, ACER and ENTSOG have worked on a proposal to introduce additional auctions under the UPA algorithm after the yearly, quarterly and monthly ACAs have taken place.

ACER and ENTSOG also considered what criteria would trigger the offer of UPAs. Two workable criteria exist. The first one, as proposed by EFET, is that the additional UPA auctions would not take place if the firm yearly, quarterly, or monthly capacity was sold at an auction premium, was sold out, or was not offered. The second one is that UPAs could take place even if the initial ACA was sold with auction premium, as there could still be firm capacity left over from such an ACA.

While ACER and ENTSOG recognise that there is a general interest of the market in introducing more occasions to book capacity at IPs, a greater interest has been observed during public consultations and discussions to increase booking windows for monthly products, compared to yearly and quarterly. Also, it emerged that a more dynamic offer of daily products would be beneficial. The importance of these options lays notably in facilitating the distribution of LNG shipments across the transmission network toward the various consumption centres.

As mentioned in 5.1, ACER and ENTSOG believe that the possibility for additional UPA auctions should be introduced at every IP within the EU, and not on a case-by-case basis. Any voluntary option would undermine the harmonisation achieved, since CAM rules are in place for the benefit of all market participants active on EU gas markets. It is however important that the allowed arrangements at certain interconnection points are not disrupted. In particular, where other capacity marketing methods, such as implicit allocation and specific arrangements, are used.

ACER and ENTSOG further consider that it is important to retain an auction process and calendar which can be handled easily by all market participants. A too complex auction calendar would be detrimental to the market functioning – the CAM NC amendment proposal is trying to strike a balance in this regard.

For the frequency of the additional UPA auctions two main options were therefore considered: to organise additional UPAs either once every business day or once a week. ACER and ENTSOG have also considered the possibility for different frequencies from one product to the other, most notably to have a lower frequency for yearly and quarterly products compared to monthly, based on the feedback from the public consultations.

There were also considerations to revise the current quarterly auction set-up to offer only one ACA opportunity for quarterly capacities (at the date of the first quarterly auction on the first Monday of August) and remove the three following ACA opportunities, only offering any remaining quarterly capacity through UPA. This proposal was however dismissed, as removing the later quarterly ACA opportunities would threaten to foreclose the capacity offer. Also changes to the current structure and offer of yearly capacity were considered, introducing more than one ACA opportunity for yearly capacity during the year. This proposal was not pursued as it was introduced very late in the process, but it could be analysed once the formal NC amendment process is initiated.

In addition, the interest for the quarterly and yearly capacities had been relatively low throughout the consultations for this issue, so such drastic changes to their structure would not seem warranted.

Proposals

If additional auctions are to be introduced, the first required amendment to the CAM NC is to introduce the concept of additional auctions by introducing two new definitions. ‘Initial auction’ referring to the initial ascending clock auctions for firm yearly, quarterly, and monthly products, and ‘additional auction’ referring to the additional uniform price auctions for these products.

The detailed rules of the additional auctions would have to be introduced in a new article that would foresee that after the closing of the initial capacity auction and subject to capacity being made available, yearly, quarterly, and monthly firm capacity products shall be offered, in separate auctions once a week until, at the latest, the day before the start day of the product or until the capacities offered for the initial auction of firm capacity with a shorter duration are published, unless otherwise specified in the auction calendar, using a uniform price auction algorithm in accordance with Article 18. ACER and ENTSOG chose to cover all additional auctions (yearly, quarterly, monthly) in the same article, it can however be split into separate articles covering each product if deemed appropriate by the Commission for the final amendment proposal.

It is important to highlight that the additional auctions would only be offered if there is capacity left after the initial auction, meaning that additional auctions might not be offered at all (V)IPs. The additional auctions shall also respect the set-aside rules established in article

8(7) CAM NC, meaning that after the initial yearly auction, the additional yearly auctions cannot offer capacities set aside for the initial quarterly auctions.

ACER and ENTSOG did consider whether there would be a need to revise also the set-aside rules, in order to avoid capacity for the shorter-term products from being sold-out. No concrete proposal has been put forward as the current wording of the Article already allows for greater shares to be set aside. It can however be considered for the official amendment process whether higher volumes of capacity should be set aside, and/or if a dedicated set-aside rule should be applied to each short-term product.

With regards the frequency of the additional UPAs, ACER and ENTSOG opted for proposing weekly auctions rather than daily ones for all products (yearly, quarterly, and monthly) as a start. This frequency could be increased in the future, especially for the monthly products, with the amendments proposed for the ENTSOG auction calendar after a dedicated assessment. Starting with additional UPAs once a week will allow TSOs and booking platform to implement and test the functioning of the additional auctions while keeping the auction timetable manageable for network users with limited resources. ACER and ENTSOG observe the market interest for monthly capacities, which is why it is also proposed to adapt the way the initial ACAs are organised to anticipate the offer of monthly products within a quarter, as described in paragraph 5.3.

The weekly additional auctions are proposed to be held on Thursdays, this is to allow for sufficient time for most initial ACA auctions to close and to not interfere with potential interruptible auctions. The timings of the additional auctions have been introduced following the initial proposal by EFET, with the additional yearly auctions being held between 10.00 UTC to 10.30 UTC (winter time) or 09.00 UTC to 09.30 UTC (daylight saving), the additional quarterly auctions being held between 12.00 UTC to 12.30 UTC (winter time) or 11.00 UTC to 11.30 UTC (daylight saving) and the additional monthly auctions being held between 14.00 UTC to 14.30 UTC (winter time) or 13.00 UTC to 13.30 UTC (daylight saving). Following the same structure as for current day-ahead auctions, the amount of capacity to be offered for the upcoming additional capacity auction will be published at the time the respective auction opens and the results from each auction would be published at the latest 30 min after the closing of the auction.

It should be stressed that to respect the current cascading rules, not all products will be offered for the entire year, the additional yearly UPAs will only be able to be offered until the initial quarterly ACAs are published, for the rest of the auction year there will be no additional yearly UPAs. The additional quarterly UPAs for Q1 will only be offered until the initial monthly ACA for M1 is published etc. In line with this, once a product has been offered through UPA, it cannot be offered through ACA at a later time. This is why, for example, even though all four quarters are offered through ACA in the first quarterly auction, it is only Q1 which is then offered through UPA. Allowing the remaining quarters to be offered through ACAs following the current auction schedule for quarterly capacities.

It is also important to stress that the initial capacity auction will have to close before the additional auctions can be held. As mentioned in paragraph 4.3, the preference by the market has been to allow the initial ACA to finish before proposing additional auctions. This could

however result in additional variations amongst IPs which enhances the complexity of the new auction process and would require enhanced transparency efforts by TSOs and greater observation efforts by network users. How to tackle the possible problem of long running ACAs have been explored further in paragraph 5.4.

5.3. Allowing for advance booking of monthly and daily capacity products

Considerations

During the course of the issue analysis, some stakeholders have called for the possibility to book capacity more in advance, especially for monthly capacity. Already in the initial EFET proposal, changes were proposed to the initial allocation of monthly capacity by introducing an earlier auction timing (from the third to the first Monday of each month). ACER and ENTSOG are of the view that there would be value for the market if participants were able to secure monthly capacity more in advance. Several different options have been analysed in this regard with varying levels of complexity (from moving the auction date from the third to the first Monday of each month to allowing all months to be auctioned at the beginning of each year). Also, stakeholders have overall welcomed the proposal to introduce several different products, primarily to align better the capacity products with the products available on the commodity markets, which are much more diverse.

ACER and ENTSOG believe introducing additional standard capacity products (beyond the already existing yearly, quarterly, monthly, daily and within-day products) may be complex; the degree of complexity would have to be weighed against the flexibility delivered to market participants. Regardless, a proposal has been elaborated to allow monthly and day-ahead products to be auctioned more in advance, which will increase the flexibility for shippers to build the new product types they need.

Proposals

ACER and ENTSOG have been working on the elaboration of three proposals in this regard:

- offer market participants the possibility to book all monthly products within a quarter;
- offer market participants the possibility to book, individually, all daily products within a month, either until the end of the month, or on a more limited horizon;
- offer market participants the possibility to book, in a single auction, all remaining days of the month (as an alternative to the point above).

While the first two proposals do not change the runtimes of the current standard products on offer, but are rather a different way of offering the products, allowing stakeholders to secure capacities further in advance and also to build alternative capacity profiles, the last proposal does create a new product.

- *Regarding the auctioning of monthly products within a quarter*

The 2017 revision of the CAM NC introduced an alternative auctioning calendar for quarterly products. Prior to 2017, each Q product was auctioned once a year. Now, as provided by

Article 12(3) of the CAM NC, all 4 quarterly products are auctioned since the beginning of the gas year:

- quarters 1 to 4 are auctioned in the first annual quarterly capacity auction;
- quarters 2 to 4 are auctioned in the second annual quarterly capacity auction;
- quarters 3 to 4 are auctioned in the third annual quarterly capacity auction;
- quarter 4 is auctioned in the fourth annual quarterly capacity auction.

Following this logic, but also respecting the cascading principle, monthly products within a given quarter would be available for upfront sale. The proposal put forward by ACER and ENTSOG will allow network users to acquire each monthly product of a quarter at the same time as the current date of the first initial monthly capacity auction of the quarter. For example, after the end of offer of quarter Q1, months M10, M11, M12 would be offered, individually, through ACA, at the time of the current offer date of M10 (third Monday of September). After the ACAs for M10, M11 and M12 have ended, each month will continue to be offered through the additional UPAs up until the day before the start of the product.

o *Regarding the auctioning of daily products*

ACER and ENTSOG have proposed a change to the offer of daily products that would allow stakeholders to build their own desired capacity portfolio with daily products such as Week, Weekends, Balance-of-Week or Balance-of-Month.

The initial reflections led ACER and ENTSOG to investigate possibilities that would have allowed the auctioning of all DA products within a month until the end of each month. However, this amendment in the DA capacity allocation rules would require very significant changes to the auctioning systems and could reveal very complex to handle for both Booking Platforms and TSOs. This proposal has thus been dismissed due to the associated complexity and potential IT constraints. Also, due to the 30 minutes bidding round the time available for shippers to calculate and book necessary daily capacities further in advance would be too short, potentially leading to a lot of auctions with no demand, especially at the far end of the month.

Based on the above, offering DA products seven days ahead was considered more reasonable, less complex and would also be better in line with the commodity market.

The change would allow for the daily offer of all individual daily capacity products for the following seven gas days on a rolling basis until the end of the relevant month. This means that during the first day-ahead auction of a month, all daily products for the upcoming seven days would be offered individually. The offer would be limited to the calendar month, meaning that at the end of the month the offer would decrease to the six days before the end of month, five days before the end of the month, etc.

This modification does however come with several risks, that would need to be addressed:

- When allowing network users to acquire the daily capacity products so far in advance, there is a possible risk that capacity will sell out early in the month, making the offer

of daily capacity less dynamic. In ACER and ENTSOG's opinion limiting this upfront booking of DA capacity to 7 days rather than to all remaining days within a month lowers the risk of capacity shortage.

- The number of simultaneous auctions that will take place can create a lot of traffic and possibly IT constraints, both for TSOs and Booking Platforms systems. A sufficient implementation and testing time is therefore necessary. Again, limiting this upfront booking of DA capacity to 7 days rather than to all remaining days within a month lowers the risk of IT constraints.

ACER and ENTSOG also considered the offer of a new product that would contain all the remaining days of the month – “Balance of the Month” (similar to how rolling within-day products work). This product would require less simultaneous auctions to be run. However, it would bring less flexibility than offering individual days, as the network user would have to commit for all the remaining days and could thus not opt for only individual days, weeks or weekends. This new product type would require the creation and implementation of a new product algorithm which could potentially also affect the existing product algorithms. It would have to be further investigated how complex from an IT perspective such a product would be, especially the need to update the product scope each day. A new product like the one described would also raise tariffication questions that could potentially also trigger amendments to the TAR NC.

Both proposals (namely the offer of DA products 7 days ahead and the offer of a Balance-of-Month product) could be analysed once the formal NC amendment process is initiated.

5.4. Improving the efficiency of the allocation process

- *On the types of algorithms used*

ACER and ENTSOG have not investigated the need to change the provisions covering the types of allocation algorithms. ACA and UPA algorithms are to remain the two options for capacity auctions.

It should also be clarified that the proposal for ENTSOG to deviate from the standard auction algorithms through the yearly publication of the auction calendar only refers to the switch between ACA and UPA. It does not allow for a completely new mechanism to be introduced without an amendment to the CAM NC.

- *On the ascending-clock auction (ACA) and uniform price auction (UPA) algorithms*

Considerations

The aim of introducing additional UPAs for yearly, quarterly and monthly products is to provide with the opportunity to all market participants to be able to acquire any remaining firm capacity at all IPs following the same rules and calendar. For this opportunity to be effectively provided at each IP, the rules need to be clear on how and when market participants can

expect additional UPA auctions to be held. This can be provided in different ways and ACER and ENTSOG have been discussing several options for this outlined below in the proposals.

ACER and ENTSOG observe a clear preference of stakeholders to retain the ascending-clock auction (ACA) algorithm for the initial offer of long-term products and to use the uniform price auction (UPA) algorithm for the additional auctions. The ACA process is highly valued by market participants as it provides important information for price discovery and bid adjustment. ACER and ENTSOG therefore believe it should be maintained and dismissed one of ENTSOG's initial proposals to hold auctions through UPA from the start.

However, ACER and ENTSOG acknowledge the ACA process can prove a very lengthy process in some circumstances, in particular in high spread and high volatility market conditions. Many cases of ACA auctions lasting for several days after tens of rounds have been brought to the regulators' attention, which has shed light on the inherent issues raised by the ACA process in a volatility context.

This issue of inefficient allocation under ACA has been highlighted during the consultation process. On this question – and based on the feedback from the public consultations and the workshop discussions – ACER and ENTSOG perceive that market participants are in general not in favour of adding a forced closing time to the ACA. Yet, ACER and ENTSOG believe that the maximisation of the market value of cross-border capacity should not be pursued to the detriment of the allocation of capacity – which is what happens when ACA process terminate after very numerous rounds with no capacity being allocated. In this regard, ACER and ENTSOG believe improvements could be made to make the ACA process more efficient. This can be achieved in several ways, e.g. by limiting the duration of ACA processes to a certain number of days, or to a certain number of rounds, or by setting a fixed termination date, or also by providing adjacent TSOs with the possibility to jointly agree to close any ACA auction process that would be failing to allocate capacity in due time.

The CAM NC provides full flexibility for TSOs to set the level of price steps, with the double objective of minimising the length of each process and to maximise the volume of allocated capacity (Article 17(11)). However, the level of price steps are fixed before the start of auctions.

Hence, the long running ACAs could also be tackled through the way price steps are set, for example by improving the way price steps are set (e.g. through dynamic algorithms) or by opening up for the possibility to adjust price steps during an auction (e.g. from one round to the other).

Regulators have been calling for a more dynamic setting of the level of price steps by TSOs, based on the most up-to-date anticipation of demand and of the price spread at each interconnection point. If this has in practice eased the situation at most IPs, ACER and ENTSOG still believe there is a risk of inefficient ACA process in very volatile situations. Indeed, even with a level of price steps set in line with the level of spreads before the auction starts, spreads can still evolve very substantially once the auction process has started – without any possibility

under current CAM rules to modify the level of price steps during an auction process. In such market circumstances, the ACA algorithm can therefore last for several days until offer and demand meet and can also likely not lead to capacity allocation by the time the capacity product starts, which ACER and ENTSOG see as an inefficiency in the allocation process.

It was therefore considered to introduce the possibility for TSOs to jointly agree, at each (V)IP, to review the level of price steps before the start of each auction round, allowing them to correct both the small price step (SPS) and large price step (LPS) if market conditions change during the auction process. This would however decrease the foreseeability of the auction process as a whole and could potentially lead to discriminatory practises and inconsistencies if TSOs were to agree at one (V)IP but not on another where conditions are the same. A fixed mechanism/algorithm based on spreads between adjacent hubs that would trigger an adjustment of price steps could also be considered to insure consistency.

In addition, ACER and ENTSOG also discussed the option of including a pro-rata allocation of capacity for ACAs that would fail allocating capacity in due time or in case an ACA results in an undersell after initial overdemand. The pro-rata mechanism would allocate any leftover capacity, to market participants active during the last round with overdemand, at the corresponding price level. This would not directly solve the issue of ACA taking a long time to close but could indirectly change the booking behaviour of market participants so that the auction could close faster and fully allocate the marketed capacity.

However, this option of a pro-rata allocation under ACAs was overall not considered optimal by NRAs and TSOs insofar as (i) it would require the ACA algorithm to be amended as its current parameters do not allow for this feature and as (ii) allowing for a change in the level of price steps during the auction process was deemed easier and more efficient. In any case, with additional UPAs taking place after ACAs, a pro-rata allocation will take place if demand exceeds offer, under already-existing UPA rules.

The option of pro-rata allocation under ACAs could still be investigated and evaluated by stakeholders once the formal NC amendment process is initiated.

Proposals

The main focus of the work conducted by ACER and ENTSOG in this exercise consists in adding opportunities within the CAM auction calendar for market participants to be able to book available firm capacity, under the UPA algorithm, subsequent to the ACA auctions for yearly, quarterly and monthly capacity products.

In order to maintain the needed degree of harmonisation in the CAM rules and keep the best possible functioning of the allocation system, ACER and ENTSOG believe the allocation rules and relation between initial ACA and additional UPA auctions need to be clearly structured in the CAM NC to provide transparency and foreseeability on the process.

To achieve this objective, clear tools should be provided by the CAM NC to tackle the inefficiencies of the ACA algorithm.

ACER and ENTSOG believe that the first necessary tool is to allow TSOs to jointly decide to modify the level of the small and large price steps during the auction process (for example before the start of each new bidding round) to be able to adapt to changing market conditions once the auction process has begun. In the current CAM NC provisions, this is not the case and price steps are determined before the auction starts.

Furthermore, and even if respondents to the public consultations have expressed a clear preference to let the initial ACA finish before moving to UPA, ACER and ENTSOG believe additional rules may be needed to ensure that additional UPAs do take place at those (V)IPs where firm capacity is still available. In this instance, rules may need to be included to provide automatic termination of ACA processes if they interfere with the holding of UPA auctions.

Automatic termination of ACA is the only rule that can ensure not only that the subsequent UPAs will effectively take place at each IP on the same date, when capacity is available, but also that market participants will actually have the opportunity to acquire capacity under UPA for a given capacity product if no capacity could be allocated under ACA.

The CAM NC (Article 17(22)) already provides for such a rule:

“If an ascending clock auction has not ended by the scheduled starting point (according to the auction calendar) of the next auction for capacity covering the same period, the first auction shall close and no capacity shall be allocated. The capacity shall be offered in the next relevant auction.”

Until now, this provision has been applied so that any ACA auction would have to terminate by the date set for the auction of the next (shorter-term) capacity product covering the same period (e.g. the ACA auction for a monthly product shall terminate before the date set for the UPA auction for the first DA product of this particular month).

This logic could very well be extended to subsequent UPA auctions so that any ACA auction for a given capacity product shall close by the scheduled starting point of the corresponding UPA auction for the same capacity product.

Consequently, ACER and ENTSOG propose that the possibility to include the automatic termination of ACAs be part of the possible amendments that will be discussed during the CAM NC review process when the EC decides to launch it.

The termination rule could either apply so that all ACAs would have to stop before the date set for the first UPA auction (the next Thursday following the ACA in this proposal), which would effectively ensure that any remaining firm capacity would be proposed under UPA on the same day at each concerned (V)IP.

Alternatively, the termination rule could apply so that ACAs would have to stop before the date set for the last scheduled UPA auction for each product – this solution would leave more time for ACAs to close while ensuring that at least one UPA auction will take place for each product. This option however allows for situations where a given capacity product is offered under UPA at some IPs while still being offered under ACA at other IPs; also, in cases of long-

lasting ACAs, it potentially limits the number of opportunities to book available capacity for market participants not active in the initial ACA.

○ *On the issue of allocating the same product with different auction processes*

Concerns have also been raised, in particular by Booking Platforms, on the issues that could arise from auctioning the same product on an ACA basis and then on an UPA basis. BPs particularly pointed at the issue of the reserve price. ACER and ENTSOG believe that both for the initial ACA auctions and for the additional auctions under UPA, the starting price should be the regulated reference price. ACER and ENTSOG do not foresee any particular issue in this regard. The price discovery process under the ACA auction will provide useful information for market participants to set their price and volume bids accordingly in the UPA process.

Also, ACER and ENTSOG do not see any particular problem having the same capacity product been auctioned at different prices from one auction process to the other. Indeed, these different price levels will result in different values being provided to this capacity product depending on the moment it was auctioned. This is currently the case, for example, for the quarterly products.

Still, ACER and ENTSOG agree with the general stakeholder view that a given capacity auction process should not give way to the same product being auctioned at different prices. Thus, ACER and ENTSOG believe pay-as-clear should be retained as the price settlement method for UPA processes, and not pay-as-bid.

○ *On the allocation rules for interruptible capacity*

ACER and ENTSOG believe the possibility to hold interruptible capacity auctions must be preserved. First of all, the amended auction calendar should allow enough time for the possibility to hold interruptible capacity auctions.

Also, ACER and ENTSOG share the view that the rules for putting interruptible capacity for sale may be too restrictive. In some instances, the volumes of firm capacity already allocated are very close to 100% and yet, firm capacity not being actually sold-out does not allow for the sale of interruptible capacity, although shippers ask for extra-capacity. In this respect, ACER and ENTSOG believe the introduction of additional UPA auctions for yearly, quarterly and monthly capacity will allow to allocate any left-over firm capacity that ACA has failed allocating. If the ACA does not sell out, and UPA is offered and sells out before the scheduled start of the interruptible auction, interruptible capacity could also be offered, if available.

In addition to these considerations, it may be appropriate to modify the algorithm used to allocate interruptible capacity for yearly, quarterly and monthly products, which is currently allocated using the same ACA algorithm as for firm capacity. Moving to UPA should allow a quicker allocation and avoid the cases of inefficiencies of ACA under certain market conditions – having in mind that the time available for interruptible capacity allocation is much shorter than for firm capacity.

However, as the core issue is about the request of additional auctions and there have not been any direct feedback from the market that a change in the algorithm for interruptible auctions would be warranted, ACER and ENTSOG have not proposed any changes in this regard but believe it should be further consulted during the official NC amendment process.

- *On the allocation rules for within-day capacity*

Considerations

ACER and ENTSOG have also observed a clear interest from the participants to the public consultations to modify the within-day auction timing. In particular, a call was made to organise the first round of the within-day auction so that it closes earlier, and possibly adding a second round afterwards. An earlier closing time would mean network users would know earlier if they were successful in acquiring capacity and it would give TSOs additional time during the night when system maintenance could be undertaken.

Proposals

ACER and ENTSOG propose to move the closing of the first bidding round, the so-called WD24, to 21.00 UTC D-1 (winter time), instead of the current 1.30 UTC (winter time). At this point in time, it is not proposed to add additional WD24 auctions after the initial one, but this could be considered in the future and easily implemented through the changes proposed for the ENTSOG auction calendar.

5.5. Introducing more flexibility in the CAM rules

Considerations

Article 16(2) of Regulation (EC) 715/2009 provides that capacity allocation mechanisms shall be “flexible and capable of adapting to evolving market circumstances”. The very fact that this FUNC issue was raised shows that the current CAM NC is not flexible enough to adapt to evolving market conditions.

ACER and ENTSOG have primarily focused on meeting the market request for additional auction opportunities, however, it has also proven opportune to consider additional ways to make the CAM NC itself more adaptable and future-proof. There are several ways such a flexibility could be introduced. ACER and ENTSOG have tried to find a solution which would offer flexibility while at the same time ensuring transparency and foreseeability for network users.

The proposed way forward would be to expand the possibilities that exist already today for the setting of the auction calendar dates, which ENTSOG establishes at the beginning of every calendar year. The default capacity allocation provisions could still be outlined in the CAM NC, with the possibility for ENTSOG to assess the need and propose to deviate from the standard auction dates, auction frequencies, bidding rounds and auction algorithms before publishing the auction calendar for the next calendar year. The scope of the possible changes, an exhaustive list of parameters and rules, as well as the process to trigger these changes should

be precisely established in the network code. Introducing such a change would make the allocation rules more adaptable from one year to another if the market conditions and market participants needs require so. the allocation rules would still be specified before the start of the auctions for the year ahead, and would not be able to be adapted to address brutal changes in market conditions during the year. A quicker reaction period will be very challenging, first of all for transparency reasons as publication of capacities takes place weeks or even a month before the auction starts. Secondly, if changes require IT adaptations, this might require procurement of services, coordination, testing and implementation efforts which take time.

Any proposal from ENTSOG to deviate from the standard CAM NC rules, and opt for the flexibility offered within the CAM NC rules, should be based on objective and transparent criteria and a stakeholder consultation should be undertaken to provide input to the assessment.

It is also important to allow for adequate time between the assessment and potential decision to adapt the auction calendar, the publication of the auction calendar, and the start of the auction year. Especially if greater changes are made to auction frequencies, adequate implementation time for TSOs and BPs must be ensured.

Proposals

ACER and ENTSOG propose to expand the possibilities for ENTSOG to propose to deviate from the standard auction dates, auction frequencies, bidding rounds and auction algorithms before publishing the auction calendar for the next calendar year. The process for allowing this flexibility deviating from the standard rules, as well as the scope and the exhaustive details of the possible changes, will have to be described in the CAM NC. This will ensure that any final decision will remain in the hands of the regulators, within the EU regulatory framework, including ACER's role.

The timing of the auction calendar is also proposed to be changed, to better match the current start of the auction year with the annual yearly auctions in July every year. The auction calendar is therefore proposed to span July-June, with the need to issue a bridging calendar for March-June the first year after this change is adopted.

The deadline for a decision to deviate from the CAM NC default rules, as well as the deadline for the publication of the auction calendar are proposed to be set to no later than January 1st of every calendar year for the auctions taking place during the period of July until June of the following calendar year, leaving network users and TSOs 6 months between January and July to implement and prepare for the changes.

6. CONCLUSIONS

General considerations

The EFET proposal provided an opportunity for ACER and ENTSOG to launch a comprehensive review of the CAM NC auction rules, and to reassess whether they still fit the purpose of the EU internal gas market.

The rapid changes in the gas market context since early 2022 have shed new light on several aspects of capacity allocation and have made a thorough analysis even more important for ACER and ENTSOG to be able to prepare amendment proposals that can be fit for purpose.

ACER and ENTSOG consider that any amendment proposal to the CAM NC should strive to achieve a level of harmonisation that would safeguard non-discriminatory access to capacity, ensure transparency and foreseeability that will allow market participants to efficiently navigate the market and respect the cascading offer of products.

ACER and ENTSOG are of the view that any voluntary implementation of the proposed measures would negatively impact the necessary harmonisation of capacity allocation rules and would undermine the efficient functioning of the internal gas market. Capacity allocation needs to be transparent and foreseeable; market participants need to be able to book capacity at each EU IP following the same rules, calendar, and timings to allow for an efficient flow across systems.

Nonetheless, ACER and ENTSOG do consider that introducing a degree of flexibility to several rules laid down in the CAM NC would be in line with the Gas Regulation Article 16(2) which provides that capacity allocation mechanisms shall be “flexible and capable of adapting to evolving market circumstances”. In the current market context, it has become even more evident that this flexibility is needed, and this has been taken into consideration for the CAM NC amendment proposals.

The proposals developed by ACER and ENTSOG are designed, on the one hand, to provide market participants with more opportunities to book transmission capacity, to allow the possibility to book monthly and daily capacity products more in advance, and to improve the general efficiency of several current CAM rules, in particular the ascending-clock auction (ACA) algorithm. On the other hand, these proposals aim at respecting the core regulatory principle that ensure an efficient and harmonised capacity allocation process within the EU. These proposals are designed to make CAM rules more in line with the current needs of market stakeholders, while introducing a degree of flexibility necessary to adapt to future market evolutions.

The implementation of the proposed measures will require IT developments which magnitude will not only vary depending on the degree of novelty of the measures, but also depending on the propensity of current IT software and hardware to cope with these measures. ACER and ENSTOG therefore highlight the importance of performing a full cost analysis once the official EC amendment process is undertaken and there is more clarity on what the final amendments

will look like. The formal amendment process shall ensure that the new shippers' incentives are thoroughly analysed: these can include changed market behaviours and possible risk of manipulation due to new allocation rules.

The proposed measures need to be carefully analysed, undergo the necessary review and consultation process once the European Commission will decide to initiate the amendment process, and then go through the comitology process. ACER and ENTSOG do however believe that the CAM NC amendment process should be undertaken within a reasonable timeframe.

Proposals

1. Introduce additional UPA auctions subsequent to yearly, quarterly and monthly ACA auctions

ACER and ENTSOG support EFET's proposal to increase the booking opportunities at interconnection points where there is available firm capacity. ACER and ENTSOG's proposal consists in offering any remaining unsold firm capacity left subsequent to yearly, quarterly and monthly capacity auctions held under the ascending-clock auction (ACA) algorithm. The additional capacity auction would be conducted under the uniform price auction (UPA) algorithm. ACER and ENTSOG propose that these additional auctions be held at least once a week, following the same calendar at every (V)IP.

2. Introduce advance booking opportunities for monthly capacity products

Following the same logic that governs the auctioning of quarterly products, and respecting the cascading principle, ACER and ENTSOG propose that monthly products within a given quarter be available for upfront sale. The proposal put forward will allow network users to acquire each monthly product of a quarter at the same time as the current date of the first initial monthly capacity auction of the quarter.

3. Introduce advance booking opportunities for daily capacity products

ACER and ENTSOG propose that two measures regarding advance booking of daily products be envisaged.

The first one consists in offering, every day, all individual daily capacity products for the following seven gas days on a rolling basis, until the end of the relevant month. This will allow market participants to build capacity products that match commodity products such as Week, Weekend and Balance-of-Week, without introducing any new standard capacity product in the CAM NC.

The second one consists in creating a new standard capacity product containing all the remaining days of the month – "Balance of the Month".

Both proposals (namely the offer of DA products 7 days ahead and the offer of a Balance-of-Month product) could be analysed once the formal NC amendment process is initiated.

4. Improve the efficiency of the ACA allocation process

In order to maintain the needed degree of harmonisation in the CAM rules and keep the best possible functioning of the allocation system, ACER and ENTSOG believe the allocation rules and relation between initial ACA and additional UPA auctions need to be clearly structured in the CAM NC to provide transparency and foreseeability on the process.

Therefore, ACER and ENTSOG propose that TSOs be allowed to jointly decide to modify the level of the small and large price steps during the auction process (for example before the start of each new bidding round) to be able to adapt to changing market conditions once the auction process has begun.

Furthermore, ACER and ENTSOG believe additional rules may be needed to ensure that additional UPAs do take place at those (V)IPs where firm capacity is still available. In this instance, rules may need to be included to provide automatic termination of ACA processes if they interfere with the holding of UPA auctions. Automatic termination of ACA is the only rule that can ensure not only that the subsequent UPAs will effectively take place at each IP on the same date, when capacity is available, but also that market participants will actually have the opportunity to acquire capacity under UPA for a given capacity product if no capacity could be allocated under ACA.

The termination rule could either apply so that all ACAs would have to stop before the date set for the first UPA auction (the next Thursday following the ACA in this proposal), which would effectively ensure that any remaining firm capacity would be proposed under UPA on the same day at each concerned (V)IP.

Alternatively, the termination rule could apply so that ACAs would have to stop before the date set for the last possible scheduled UPA auction – this solution would leave more time for ACAs to close while ensuring that at least one UPA auction take place, but would not ensure equal opportunities at each (V)IPs.

5. Revise the allocation timing of within-day capacity products

ACER and ENTSOG propose to move the closing time of the first bidding round of the within-day products (so-called “WD24”) from 1.30 UTC (winter time) to 21.00 UTC D-1 (winter time). This will allow network users earlier knowledge of their capacity allocation and will provide TSOs additional time during the night to conduct system maintenance.

6. Introduce more flexibility in several of the CAM NC rules to make it more adaptable to changing market conditions

ACER and ENTSOG propose to expand the possibilities for ENTSOG to propose to deviate from the standard auction dates, auction frequencies, bidding rounds and auction algorithms before publishing the auction calendar for the next calendar year. The process for allowing this flexibility deviating from the standard rules, as well as the scope and the exhaustive details of the possible changes, will have to be described in the CAM NC, ensuring that any final decision to do so will remain in the hands of the regulators, within the EU regulatory framework, including ACER’s role.

The timing of the auction calendar is also proposed to be changed, to better match the current start of the auction year with the annual yearly auctions in July every year. The auction calendar is therefore proposed to span July-June.