



European Union Agency for the Cooperation  
of Energy Regulators

# Regulators Views on Core Principles for Capacity Allocation

Workshop FUNC Case “Greater Flexibility To Book  
Firm Capacity At Interconnection Points”, 27 June 2022

**PUBLIC**

- **Regulation (EC) No 715/2009** on conditions for access to the natural gas transmission networks (Gas Regulation) provides the **principles for capacity allocation** in Article 16 (retained as Article 9 in the Recast proposal):
  - Maximise capacity
  - Transparent and non-discriminatory allocation mechanisms
  - Provide economic signals
  - Compatible with markets and trading hubs and capable of adapting to evolving market circumstances
- **Regulation (EU) 2017/459** (CAM NC) sets rules for technical implementation of capacity allocation mechanisms:
  - **Lack of equal and transparent access** to transmission capacity & **different rules** between MSs and from one IP to the other → **obstacle for achieving effective competition** and a **well-functioning internal gas market**.
  - CAM NC aims at achieving and ensuring the **necessary degree of harmonisation in capacity allocation rules across the EU**, allowing effective competition between suppliers, shipping gas according to price signals, using the transmission capacities at interconnection points between market areas.

## CAM NC relies on core principles

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- CAM NC instruments and related principles include:



- **cascading** principle (Art. 8(3))
- **'set aside'** rule (Art. 8(6)&(7))
- **standardised capacity products** (Art. 9 to 15)
- common **auction calendar** (Art. 12 to 15)
- capacity allocation via **auctions with common algorithms** (Art. 16, 17, 18)
- **bundling** of capacity (Art. 19, 20, 21)

# CAM NC needs to be in tune with market context

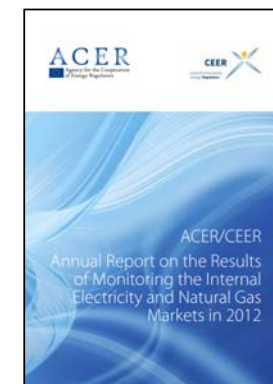
- Back in 2013, when the CAM NC entered into force, the EU gas market was characterised by:
  - variety of capacity allocation rules,
  - fragmentation
  - few liquid hubs.

- In its 2012 MMR, ACER concluded that:

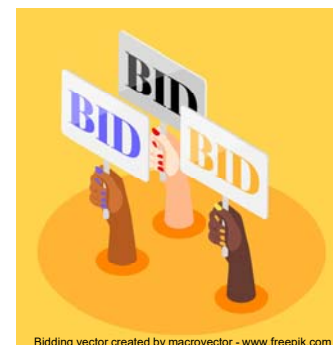
*“With a few exceptions in North-West Europe, the liquidity of gas hubs is still unsatisfactory, whilst congestion remains a significant feature at a number of interconnection points”*

→ Implementing **common harmonised rules at every IP** was a priority.

- Today, **strong hubs have emerged** – Dutch (TTF) and UK (NBP) in the lead.
- While the implementation of the CAM NC has delivered good results; a **reassessment of the degree of adaptation of the CAM NC** to the evolved market context and market participants’ needs is justified.



- EFET's FUNC case on "Greater flexibility to book firm capacity at IPs" includes a **proposal to better align capacity allocation processes with market participants' needs**
- ACER and ENTSOG took the EFET proposal as an **opportunity to open a broader consultation** on the degree of satisfaction of market participants towards the CAM rules:
  - the 2021 public consultation addressed EFET's proposal
  - but also other items of the capacity allocation mechanism
    - auction algorithms,
    - capacity products with the possibility to add new products,
    - auction timings and calendar, etc.
- ACER and NRAs have analysed EFET's proposal and the responses to the public consultation in details, with great interest



- ACER CAM TF has met regularly these past 2 years to discuss and analyse the various measures that could improve the CAM NC based on:
  - EFET proposals
  - Responses to the public consultation
  - Discussions with TSOs (e.g. Joint NRA-TSO Webinar in July 2021)
  - ENTSOG proposals
- ACER and NRAs stand by **the core regulatory principles supporting the internal market**, including:
  - **Efficiency**, including **cost efficiency**, with a view to deliver value to users;
  - **Transparency** (and with it simplicity) of market rules;
  - **Prevention of market fragmentation**

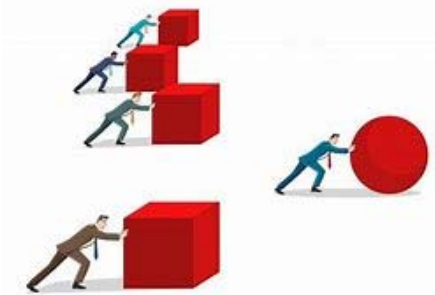
- The implementation of the CAM NC has delivered good results.
- Any modification to improve the NC should be assessed in view of:
  - ✓ **Keep the main principles of the code**, such as bundling and cascading of capacity products, to ensure non-discriminatory access and avoid market fragmentation.
  - ✓ Promoting **instruments for capacity allocation that can accommodate changing market conditions**
  - ✓ **Consider the costs and benefits** of changes for TSOs, booking platforms and shippers (and any impact on the final consumer bill)

- ✓ Measures could be introduced to **reduce the length of yearly (Y), quarterly (Q), and monthly (M) allocation processes**
  - ✓ reducing the duration of auction rounds of ascending clock auctions (ACA) and of the time between rounds
  - ✓ replacing ACA for M (and Q) products with uniform price auctions (UPA), which is already known as the auction procedure for day-ahead (DA) / within-day (WD) products,
- ✓ Auctions could be **scheduled closer to the runtime start of the products**
  - ✓ in particular for Q and M products, provided measures are taken to reduce the duration of auctions:
- ✓ **Monthly products** could be auctioned further in advance within a given quarter
- ✓ **Daily products** could be auctioned in advance within a given month
- ✓ Improvements could be made to **ease the WD auctioning process**





- Measures should **comply with core regulatory principles of capacity allocation**
  - **Be effective:**
    - The CAM NC rules should promote **instruments for capacity allocation that can accommodate changing market conditions**
    - **Rules resilient** to market changes would be optimal.



- **Be efficient:**
  - The proposed NC CAM changes shall be **feasible and cost efficient** from the point of view of all stakeholder categories (Network users, TSOs, Booking platforms)

# Thank you!

# Any questions?



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