- Consultation Response –

ACER public consultation on amending the network code on capacity allocation mechanisms in gas transmission systems

Brussels, 14 June Europex welcomes the opportunity to respond to ACER consultation on amending the network code on capacity allocation mechanisms in gas transmission systems.

1.4 Which steps in the capacity calculation process would you find essential to facilitate your contribution as a concerned party (e.g., market participant, regulatory authority, TSO)?

Improved transparency in terms of system parameters and modelled scenarios would enable market stakeholders to provide more informed feedback. While the proposed generic process (fig. 2) in the policy paper offers a solid foundation, involving market stakeholders in discussions on both the underlying data and the final outputs could enhance its effectiveness.

1.5(a) Should the (same) information on the capacity calculation process be available to market participants, to concerned TSOs and concerned regulatory authorities? 1.5(b) Please explain why.

To enable an informed discussion among all stakeholders, we advocate for an open exchange of information with all relevant parties as long as it does not jeopardise the operational security of the concerned TSOs.

1.6 Which information on calculation steps would you find essential to facilitate your understanding of how capacity is maximised (e.g., a mathematical description of each calculation step with a quantitative explanation, or a qualitative explanation that provides a more descriptive understanding, a simplified capacity calculation model)?

To enable an effective consultation, all relevant information should be easily accessible. This includes details about the underlying infrastructure, the variables and parameters used in the model, and the specific objective(s). Additionally, all scenarios should be transparently presented.

1.7(a) Should the (same) information on the capacity calculation process be available to market participants, to concerned TSOs and concerned regulatory authorities? 1.7(b) Please explain why.

We support a transparent exchange of information with all parties involved. We are aware, nonetheless, that certain national/market area information might be confidential and cannot be openly shared. When requested, this data must be provided to neighbouring TSOs and NRAs.

1.8 Please share your view on the role of the network topology in the capacity calculation (e.g. compressor stations, diameter of pipelines, inlet pressure etc.)?

Understanding network topology is crucial for a clear picture of the limitations faced by TSOs, especially regarding capacity availability and curtailments. This information is essential for transparent calculation processes, as physical network constraints often justify capacity limitations.

1.10 Please share your view on making available numerical examples of the capacity calculation in a transmission system, e.g. in the form of a simplified capacity calculation model?

We recognise that significant simplification may not always be beneficial or feasible. However, it would certainly be helpful to obtain numerical examples to better understand the actual capacity calculation.

1.11 Would a common reporting template be useful to increase transparency of the joint capacity calculation and maximisation? Please explain why.

Yes. The success of a common transparency template across different applications suggests that its implementation would be a positive step. This standardised approach would promote consistency and clarity in the exchange of information.

1.13 Please share your views on the benefits and drawbacks of a 'time-dependent re-calculation' schedule, and which option—annual re-calculation or seasonal adjustments (or even more granular) —do you find more beneficial. Please explain why.

It is important to find a balance between keeping technical capacity up to date and minimising disruption to existing contracts and market stability. Fluctuations in technical capacity can have a significant impact on booking strategies and offered capacity due to set-aside rules. While upward revisions do not pose major problems, downward revisions can disrupt market dynamics. Without transparency in the calculation methodologies, it becomes difficult to justify recalculations, especially those more detailed than annual calculations.

1.14 Please share your views on the benefits and drawbacks of 'occasional re-calculation' triggered by specific events, and on which events would require a re-calculation. Please explain why.

We propose an event-driven approach to technical capacity revisions, triggered by significant events that maximise available capacity for the market. Ideally, recalculations would occur due to major changes in the gas transmission network (e.g., new infrastructure, decommissioning, reuse of elements) or significant, anticipated shifts in expected gas throughput. Importantly, any adjustments should be made well in advance of capacity auctions and consider the impact on existing contracts to minimise disruption.

1.15(a) Which approach do you prefer?

a) Time-dependent re-calculation
b) Occasional re-calculation
c) No preference

1.15(b) Please explain why.

We advocate for a more practical, event-driven approach to recalculations. This would encourage optimal network utilisation while minimising market distortions caused by frequent adjustments. Even with this approach, extensive use of interruptible products can further enhance flexibility around the declared technical capacity.

2.1 Which information would you find essential to understand how the interruptible capacity is determined and maximised, how the system can manage those volumes and what is the probability of interruption?

To increase market confidence in interruptible products, we call for greater transparency from TSOs on their offering process. This includes clear explanations of when the availability of these products is limited. Crucially, TSOs should disclose the probability of interruption for these products and the methodology used to determine it. This information empowers shippers to make informed decisions by providing a clearer picture of the risks involved and the actual network capacity available.

2.2 Building on your response to the above question, would there be any specificities to determining and maximising interruptible capacity in the case of virtual reverse flow?

We advocate for maximising virtual reverse flow capacity. Nominations flowing in the opposite direction of physical gas should be readily accepted up to the existing physical flow limits. We see no reason to restrict interruptible products in this context. However, if specific reasons necessitate such limitations, they should be transparent and demonstrably justified, following the principles outlined in our response to Question 2.1.

1.8 Please 2.3(a) Which of the listed metrics do you consider more appropriate for explaining how the level of interruptible capacity products has been determined?

Option 4 - base the limit on the probability of interruption

2.3(b) Please explain why.

A very restrictive approach to interruptible capacity limits could undermine some of the key objectives of the CAM NC. If limits are necessary, they should ideally reflect the likelihood of interruption. However, considering probability changes based on booking levels at congested points could be even more beneficial for optimising demand.

3.2(a) Which option to amend the termination rule in Article 17(22) do you prefer? Please explain why.

This mechanism could prevent uniform price allocations (UPAs) and ascending clock auctions (ACAs) from running concurrently for the same network points. Furthermore, ensuring that ACAs are completed with sufficient lead time for subsequent UPA auctions is crucial, as it allows participants to secure any remaining capacity they may need.

3.7 Do you agree that only the yearly/quarterly/monthly product for the front year/ front quarter/ front month should be offered via subsequent UPA auctions? Please explain.

The strategy's emphasis on upholding the cascading concept and ensuring products offered under the uniform price allocation (UPA) are not re-auctioned under the ACA, seems reasonable. Additional ACA rounds for monthly products would likely offer more flexibility.

3.8 Do you agree that a weekly frequency would be a suitable option for additional auctions?

We acknowledge that a weekly frequency represents a fair middle ground.

3.19 Do you agree with ACER's proposal to make more explicit that regulatory authorities may approve, on a case-by-case basis, higher percentages, or a specific split per capacity product? (Article 8 of the CAM NC)

A more adaptable and responsive regulatory environment is promoted by empowering regulators to adjust capacity allocation percentages on a case-by-case basis. This approach allows regulations to be fine-tuned to better meet the evolving needs of the market.

4.1 Do you agree that the parameters and rules listed in the policy paper would benefit from more flexibility in the CAM NC? Please explain why or why not.

a. auction dates
b. number of auctions
c. frequency of auctions
d. duration of bidding rounds
e. auction algorithm to be applied (whether to use ACA or UPA)

ACER sees the need to introduce in the CAM NC a possibility to adapt some of the parameters and rules of the capacity allocation process so that they are always in line with the changing market context and needs of the market participants.

We advocate for embedding an "adapt-to-market" mechanism within the CAM NC. This would allow stakeholders to adjust criteria and parameters as market needs change. However, for this adaptation to be effective, a transparent, well-communicated process for change is crucial. As emphasised in paragraph 131 of the policy paper, providing sufficient advance notice of any changes is essential. Additionally, we recommend involving National Regulatory Authorities (NRAs) from the very beginning of the review process to ensure their insights are incorporated.

6.1 Do you agree that, for new procedures, the concerned regulatory authorities should jointly assess the internal market impacts on a case-by-case basis before deciding, in coordination, to apply an implicit allocation mechanism? Please explain your reasoning.

As identified in the ACER policy paper on the revision of the CAM NC, we firmly believe that no changes to the existing CAM provisions on implicit capacity allocation (ICA) are required. The current framework allows both NRAs and TSOs to develop mechanisms that best suit the specific needs of their local markets. As stated in the ACER policy paper, the implicit allocation mechanisms (IAMs) for natural gas work well at the IPs/VIPs where they are currently applied. From that perspective, we are of the opinion that an assessment presents an unnecessary additional hurdle. We recommend maintaining the current framework, ensuring that market efficiencies and integration are strengthened in local markets where ICA is best suited and has value for the liquidity of the market. Should an assessment be considered, it must remain voluntary and be restricted to a consultation between the NRA and the affected market stakeholders (Transmission System Operators, Trading Venue Operators, Market Participants, Balancing Responsible Parties, etc.).

6.2 Which impacts would you deem essential to be assessed before deciding on the application of an implicit allocation mechanism?

While we strongly believe that such assessment is unnecessary, should it be implemented, no explicit criteria should be determined within the CAM NC revision, as this would hamper the flexibility and unique characteristics of Implicit Capacity Allocation (ICA).

6.4 Please provide your view on possible reasons for an entry point from and/or exit point to third countries to be derogated from the application of the CAM rules? Please explain.

EU member states with an external EU border should be given the option to grant a targeted derogation from the CAM NC for entry-exit points when dealing with third countries with differing market rules that hinder a smooth gas flow. Any CAM derogation for entry/exit points should be made conditional on whether the CAM rules hinder reserving capacity for gas flows in one or both directions and/or if they incur significant financial costs for the trading parties.

As for interconnection points between EU market areas and market areas of Energy Community Contracting Parties, the CAM NC can improve access to these interconnections.

About

Europex is a not-for-profit association of European energy exchanges with 29 members. It represents the interests of exchange-based wholesale electricity, gas and environmental markets, focuses on developments of the European regulatory framework for wholesale energy trading and provides a discussion platform at European level.

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