

**SNTGN Transgaz SA
FGSZ Zrt.
Gas Connect Austria GmbH**

**Consultation on
Capacity Allocation Concepts
in the RO-HU-AT Open Season Procedure**



EFET comments – 26 February 2016

The European Federation of Energy Traders (EFET¹) welcomes the opportunity to provide comments on consultation document **Capacity Allocation Concepts in the RO-HU-AT Open Season Procedure**.

We regard the development of additional capacity in the region as a key contribution to the establishment of new value chains and the emergence of regional trading hubs. With respect to the issues made object of the consultation we would like to raise a number of points.

First of all, we highlight the importance to establish a set of rules that to the extent possible reflect the content of the amendment to the CAM code discussed at the European level. In that context the principles of transparency and adaptability to market needs as well the need to develop capacity only to the extent it is financially viable and primarily when the market so requires are given the appropriate consideration. Equally, the acknowledgement of the need to set aside capacity for short term booking is well acknowledged. We would appreciate if the same approach were to be taken into account by SNTGN Transgaz, FGSZ, Gas Connect Austria, ANRE, HEA and E-Control.

In terms of specific design of the optimal capacity allocation procedure we regard the proposed alternatives as containing some positive elements. However, none of the individual solutions seems to capture and bring together all necessary features.

¹ The European Federation of Energy Traders (EFET) promotes and facilitates European energy trading in open, transparent, sustainable and liquid wholesale markets, unhindered by national borders or other undue obstacles. We currently represent more than 100 energy trading companies, active in over 28 European countries. For more information, visit our website at www.efet.org.

In particular:

- We highlight that for the development of complex cross-border projects a non-binding phase of an open season allowing market participants to express their indicative interest is key. Only such assessment allows the identification of the optimal design. This phase should be run on the basis of indicative tariffs and different capacity scenarios.
- During the binding phase we would favour a model that allocates capacity in 15 strips of yearly capacity and separately at each IP (total of 60 auctions);
- However, capacity should be subject to a double conditionality to be requested by network users at the time of the bidding:
 - A booking should be deemed binding only to the extent a minimum number of years of capacity can be obtained;
 - A booking should be deemed binding only to the extent capacity at the other relevant IP can be obtained;
- Should capacity demand exceed a financially viable level of additional capacity without reaching the next level, capacity should be allocated primarily to those shippers with the overall highest net present value contribution. Should a commercial congestion remain capacity should be allocated on a first come first served option;
- Ascending clock algorithm with parallel bidding ladders should be used to allocate the capacity corresponding to different capacity levels;
- All additional capacity should be allocated on a bundled basis;
- At least 20% of the overall capacity available at each relevant IP should be set aside for short term capacity booking.

While we appreciate the complexity and uniqueness of the exercise that you have endeavoured to manage, we are of the opinion that ensuring an efficient capacity allocation rests at the core of TSOs' activities. To ensure our feedback is well received we therefore remain available to discuss and provide any necessary clarification.

We thank you for your kind attention.