

EFET response to Enagas consultations on capacity and slots allocation



EFET response – 27 January 2020

The European Federation of Energy Traders (EFET)¹ welcomes the opportunity to provide our comments to Enagas consultations on capacity and slots allocation according to *Circular 8/2019*.

We suggest having such important consultations to be published in English, in order to allow better contribution from international companies, which is particularly important given Spain's significance in LNG markets.

Also, we suggest Enagas to have commercial workshops webstreamed in English, as it is the case for gas TSOs in most EU Members States. We would also appreciate longer consultations periods for key reforms such as these, however we note that a strict timeline was imposed by Circular 8/2019.

As general comments, we fear that extensive parts in the operational procedures is lacking detail, this generates uncertainty and may create the perception that objective and replicable actions by the SO may not be taken. We claim that procedures should minimise barriers to entry and need for scale in order to facilitate efficient participation. It is important that whilst ensuring security of supply is guaranteed, the TSO aims for maximum capacity utilisation the further out the curve possible.

Below you will find our comments on few of the changes proposed for each consultation:

PA-1: Procedimiento de oferta de capacidad interrumpible

We are doubtful that the sequence for applying the interruption should be based on a "first nominated/last interrupted" basis, considering that a pro-rata methodology would be a more object and transparent methodology, suggesting its adoption. This way spreading the impact of the reduction over a larger number of shippers minimising the impact on their operations, whilst achieving the same outcome.

Additionally, we consider that a 25 minute for the pre-announcement of the interruption would be excessively short, limiting the actual capability of the Shipper to intervene, so we would propose a minimum of 1-hour. The notification given to the shipper should be sufficient to allow them to execute alternative actions where possible.

PA-2: Procedimiento de la capacidad firme a ofertar

The consultation on the TSO's procedure to determine the offered capacity in the different facilities is one of the key aspects of the Spanish LNG reform, following the CNMC's *Circular* 8/2019. We would like to see more detail in this consultation as few aspects seem to remain open.

We believe that the proposed scheme is still highly discretionary on the part of the TSO and it might lead to negative behaviours undermining the CNMC objectives of the LNG market reform. As argued before in our response to the CNMC¹, we are concerned about granting the TSO unfettered ability of refusing access to booked unloading/loading slots at specific terminals or redirecting cargoes. These actions introduce risks that are difficult to contractualise, impose costs on shippers and may occasionally disrupt commercial operations. These practices are a move away from a market-based framework so they should be taken only when absolutely necessary and accompanied by penalties for the TSO as well as compensations for the affected shippers.

The procedures need to be detailed enough, to only provide discretion to the TSO in situations of emergency or unpredictable, not for operations which form part of the standard working of the gas system. For example, we have identified a potential lack of transparency in the slots' allocation. In particular as to how the process where two shippers' requests overlap - we would welcome more clarity on how this would be managed at the monthly and yearly auctions.

In relation to the priority access to slot granted for those who had regasification and tanker truck capacities ahead of the publication of the decision, market players must have the opportunity to add their priority rights and thus access the slots. This would imply that market players might share the required slot, which is something can currently take place. Not providing this option will negatively impact smaller shippers and potentially limit access to slots from the primary allocation process between the 1 April to the 30 September.

The consultation does not give information, one way or another, about the possibility that market players can add their priority rights, nor does it refer to this calculation being made based on one or multiple users. Therefore, we suggest including the possibility of at least facilitating two market players to add their rights.

Strategic reserves are a regulatory obligation, with the aim of guaranteeing the security of the system, the operation for compliance must be simplified. The main reason is that the more complex the operation the more it increases compliance costs without adding any value. These costs are transferred to a greater or lesser extent to final customers and this inefficiency would affect the proper functioning of the market.

PA-3: Procedimiento de la duración de los slots estándar

As mentioned above for PA2, it is of paramount importance that Enagas develops in as much detail as possible this procedure. Specifically relating to PA3 there is the need to make public the information necessary to determine the terminals' capacities for each element of the infrastructure.

The procedure also needs to be precise as to what applies to unloading and loading – otherwise loading operations will continue to face unnecessary levels of uncertainty.

¹ [EFET response to CNMC consultations on gas capacity allocation and balancing](#)

PA-4: Procedimiento de requisitos logísticos para la modificación de slots

The consultation mentions that modifications to a slot have a maximum regardless of whether the slot is undertaken by a previous owner of the slot. For this reason, it is essential that the procedure develops a process in which market players have visibility about the number of changes and or modifications to which a certain slot has been subject to, or how many it remains entitled to. We ask to publish such modifications on the TSO website or a platform accessible to all shippers.

We would like to see more flexibility for market players, therefore, a change in the date of a slot from M+2 onwards should be considered an “adjustment” whenever the new date requested is also within the month of the original date or in the first week of the following month.

To guarantee the efficiency of the LNG market and consequently the PVB, it is essential that the characteristics that give value to acquired slots are available to the market players. For market efficiency this should be done by the TSO, such as the modification beyond the current month.

Enagas should confirm the slots in one or two days for adjustments and in five days for modifications in order to give market players time to make their own adjustments.

PA-5: Procedimiento de programación y nominación de la carga de cisternas

Regarding point 3.6.2 (Distribution cargoes) the proposed application of monthly contracts creates a risk of increasing the average access tariffs, especially for clients without stable consumptions, considering the likelihood of higher tariffs in winter months.