

## EFET response to Enagas second consultation on capacity and slots allocation



### EFET response – 23 June 2020

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

We regret that the consultation was published on the TSO private section and that it might not be available for as many stakeholders as possible. This could question the effectiveness of the consultation process. EFET has long advocated for increased transparency from Enagas for the benefit of the Spanish market<sup>1</sup>. We believe that all Enagas consultations which affect directly or indirectly the operation of the Spanish gas market should be published on the public site.

In addition, we still 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 and subtitled in English, as it is the case for gas TSOs in most EU Members States. Especially for the *Comité de Seguimiento del Sistema Gasista*<sup>2</sup> because of its relevance for gas shippers.

As general comments, we fear that extensive parts in the operational procedures continue to lack detail and provide the necessary transparency. These shortcomings generate uncertainty and may create the perception that objective and replicable actions by the System Operator (SO) may not be taken. We advocate that the procedures should be clear and transparent to minimise barriers to entry and the 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 and that preferred sourcing of gas is done by market mechanisms.

Considering the above, below you will find our comments on few of the changes proposed for the *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. Therefore, there are several elements we consider are key to ensure the reform's value is maximised.

### Maximising markets and competitive allocation mechanisms

A competitive market-based approach would be the ideal solution to efficiently allocate the share of national demand via pipelines and LNG. In general, we disagree on administrative process 'picking-winners' between piped gas and LNG. Our preference is to enable markets to do what they do best – efficiently allocate resources, in this case the source to best meets national demand.

<sup>1</sup> [EFET response to Enagas consultations on capacity and slots allocation, EFET letter to Enagas on gas consultations extension request and English version](#)

<sup>2</sup> [https://www.enagas.es/enagas/es/Gestion\\_Tecnica\\_Sistema/Seguimiento\\_del\\_Sistema\\_Gasista/CalendarioCSSG](https://www.enagas.es/enagas/es/Gestion_Tecnica_Sistema/Seguimiento_del_Sistema_Gasista/CalendarioCSSG)

\* The European Federation of Energy Traders (EFET) builds trust in power and gas markets across Europe, so that they may underpin a sustainable and secure energy supply and enable the transition to a carbon neutral economy. 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](http://www.efet.org).

Enagas' procedure to determine firm unloading slots capacity, creates an administrative preference of piped gas vs. LNG. This means that even where LNG price dynamics make LNG more competitive Spain's gas would be supplied as a preference by pipeline gas. This delivers inefficient supply outcomes and it might lead to more expensive gas prices for consumers.

We understand that the intention behind such procedure is to guarantee the technical viability of unloading slots. However, we consider that this can be achieved through competing capacity auctions. This would be the ideal market-based tool where competition of the auctions could be between entry to PVB from LNG and entry to PVB from the different pipelines. Where winners of that access can choose how to allocate between entry points only constrained by capacity.

These auctions will then go through market forces establishing the optimal gas stack to supply the Spanish gas market. These auctions could be held ahead, or instead, of the capacity auction for entry to the PVB from LNG or piped gas capacities. The outcome of these auctions, will then inform the expected regasification from the LNG terminals, hence providing a more accurate viable estimate of the space for unloading slots.

Otherwise, based on the available current procedures the full extent of unloading slots will only become available from M+1 onwards. This will lead to sub-optimal utilisation of the infrastructure, which was one of the objectives of the LNG market reform.

### **Ensuring the transparency and predictability of Enagas assessments**

We believe that the proposed scheme is still discretionary for Enagas and it might lead inefficient capacity allocations which might undermine the objectives of the LNG market reform.

The challenge is that absent a market mechanism to distribute capacity across different sources (i.e. pipeline and LNG), due to a lack of transparency in the process the only opportunity that shippers have to test the efficiency of the allocation is ex-post.

Hence, it is important to improve complete transparency on how capacity availability for a certain period is set. **We propose that Enagas should provide a rational and data inputs into the relevant capacity calculation formulas, given its flexibility on deciding the number of slots.** This will not stop the ex-post assessment from taking place, but it will make sure that shippers are clear on the ex-ante rationale for Enagas choices.

In relation to the predictability of Enagas' actions, the procedures need to be detailed enough, to only provide discretion in situations of emergency or unpredictability, not for operations which form part of the standard work of the gas system. For example, we have identified a potential lack of transparency in the slots capacity determination process. In particular regarding cross border flows where Enagas has to make a choice between interpreting historical data, booked capacity and nominations to provide an accurate estimate of expected cross-border flows over the relevant period.