EFET European Federation of Energy Traders

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Alberto Pototschnig
Director
Agency for the Cooperation of Energy Regulators (ACER)
Trg republike 3
1000 Ljubljana, Slovenia

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Draft Framework Guidelines on rules regarding harmonised transmission tariff structures for gas

Dear Mr Pototschnig

This week the European Federation of Energy Traders (EFET)[1] submitted a response to ACER on the cost allocation methodologies and tariffs for incremental gas capacity and also participated in an informal workshop with ENTSOG on the practical implementation of the reserve price formulae as currently drafted by ACER.

From the perspective of market participants, there are still three important issues that need to be resolved or clarified in the Tariff Framework Guidelines. These include:

1) <u>Publication and notice period</u>

   Reserve prices, seasonal factors (if any) and multipliers (if any) relating to all auctioned capacity products in the relevant gas year (October – September) must be published in advance of the first annual auctions for that gas year. There must be a minimum one month notice period for any change to any capacity reserve/reference price and if the change exceeds 10% a two month notice period is required. In the case of capacity which is auctioned, these notice periods shall apply from the date of the first annual auctions for that gas year[2].

[1] The European Federation of Energy Traders (EFET) promotes and facilitates European energy trading in open, transparent and liquid wholesale markets, unhindered by national borders or other undue obstacles. EFET currently represents more than 100 energy trading companies, active in over 27 European countries. For more information: www.efet.org.
[2] The CAM Network Code specifies that auctions for annual bundled capacity at interconnection points should be held on the first Monday in March. So the reserve prices, seasonal factors and multipliers relating to all bundled

2) <u>Multipliers and seasonal factors</u>

Quarterly and monthly products should always be set proportional to the annual reserve price not multiplied, either individually or on average over the year, within a range of 0.5 – 1.5. Any day ahead or within day reserve price risks segmenting the market and limit opportunities for optimisation and efficient price arbitrage. When setting day-ahead and within day multipliers within a range of 0 - 1.5, NRAs on both sides of the border should collectively decide on a balanced solution for that interconnection point. Multipliers should not be unduly prescriptive or complex and should not be linked solely to instances of congestion.[3] NRAs should also consider the effects on liquidity, balancing markets, cross-border trade, price spreads and the risk of under/over recovery when setting multipliers.

3) <u>Payable price</u>

ACER should consider whether floating payable prices remain appropriate in light of the concerns that a floating payable price may not give incremental and existing capacity users sufficient price certainty[4]. In the event it decides a floating payable price is still appropriate, network users must be given sufficient notice of any price increase and mitigating measures must be introduced which allow network users to terminate their capacity contracts in the event reference prices increase beyond a set threshold, for example 10%. Providing an option for shippers to fix the payable price should also be considered as part of the Network Code development process.

There are clearly some minor consequential changes that will be required to other parts of the Framework Guidelines as a result of the revision of the Cost Allocation chapter and the introduction of incremental capacity. I hope you will use that as an opportunity to ensure that the improvements identified by market participants can also be incorporated in the Framework Guideline text.

If any of the points we have made require further clarification, please do not hesitate to contact Colin Lyle (C.Lyle@efet.org) Chairman of the EFET Gas Committee.

Yours sincerely,

Jan van Aken
Secretary General

capacity products auctioned in that gas year (annual, quarterly, monthly, daily) will have to be published either one month or two months before this date.

[3] As per the definition used to trigger firm day-ahead use-it-or-lose-it under the CMP Guidelines.

[4] See our response to question 29.

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CC:

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Dr Klaus-Dieter Borchardt, *Internal Market Director, DG ENER*
Vittorio Musazzi, *General Manager, ENTSOG*