

Overview of issues, solutions and open questions in the CAM NC early implementation process

Information for 2nd CAM Roadmap groups meetings

ACER

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Overview of issues and open questions identified

- Definition of price steps
- Auction premium and split and destination of auction revenues
- Interrelation between CAM and CMP
- Bundling of different firm capacity products
- Costs of booking platforms
- Activities of joint platforms and need for appropriate exchange of information
- Harmonisation of the capacity contracts at both sides of the border
- Different currencies in use at each side of the border
- Countries with different time zones
- Licensing issues

Definition of price steps

Brief description

- The CAM NC does not specify the ratio between large and small price steps (how many small price steps are included in a large price step)
- Operational discretion is left to TSOs and booking platform operators

Examples of solutions adopted

- PRISMA chooses to apply the ratio already used in Germany (1/5 for small/large price steps). Within each large price step, there are five small steps. The number of price steps is not limited
- At the Spain-Portugal VIP, price steps are defined on the basis of a proportional incremental premium equal to 3% (arithmetic progression) of the tariff in each country with 30 price steps per Member State
- RBP (HU/RO) enables any LPS/SPS ratio, provided that the LPS is an integer number multiple of the SPS. The ratio can be set up before each individual auction by TSOs. If TSOs do not set a value, the default ratio is 1:10

Auction premium, split and destination of auction revenues

Brief description

- Art. 26 of CAM NC leaves the split of the revenues above the reserve price to the agreement between TSOs and to the approval by NRAs. In the absence of an agreement, a default rule of equal split (50:50) applies
- Regarding the destination of congestion revenues, or auction premium, Chapter 4 of the Tariffs FG addresses this issue

Examples of solutions adopted

- At the IPs where capacity is allocated via PRISMA, the default rule (50:50 split of the auction premium) is applied, unless otherwise justified on a case-by-case basis and approved by the relevant NRA, if necessary
- At the Spain-Portugal VIP, the default rule is also applied
- In RBP (HU/RO), TSOs can set any auction split. FGSZ and Transgaz chose the proportional split according to their respective currencies

Interrelation between CAM and CMP

Brief description

- Several CAM NC provisions have interactions with some of the requirements from the CMP Guidelines. The application of these provisions from the CAM NC and the CMP Guidelines has to take place in a compatible and consistent way.

Examples of solutions adopted

- The concurrent implementation of the CMP Guidelines and CAM NC requirements and potential coordination issues are analysed in a document developed by ACER in spring 2013, which is published on ACER website:

http://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Publication/ACER_CMP_Guidance_issue_paper_on_CMP_implementation_20130808.pdf

Bundling of different firm capacity products

Brief description

- The amount of capacity that can be bundled at each IP is sometimes limited due to the existence of asymmetric available capacity at both sides of the IP. In case of different firm capacity products at each side of the IP, rules to allow for effective bundling may be required

Examples of solutions adopted

On PRISMA, two bundling approaches are possible:

- **Classic bundling** approach: bundling is done “offline” by the TSOs, who submit bundled or unbundled products which cannot be changed by the platform. TSOs have to coordinate “offline” especially regarding day-ahead products
- **Cross bundling** approach: bundling is done “online/automatically” by the platform, in a sequential manner according to a priority order where products of different types or “flavors” exist at one side of the border
- RBP applies same-quality bundling, which takes place online on the platform

Different currencies in use at each side of the border

Brief description

- When TSOs allocate capacity at IPs where a different currency is used at each side of the border, operational challenges may arise

Examples of solutions adopted

- In the HU/RO project, TSOs keep the reserve price in both currencies and execute the bids in percentages of the reserve prices
- In the PL/DE project at Lasow IP, one currency was selected for the bids. The applicable exchange rate is the same as that applied at the moment of the completion of auctions
- In PRISMA, only the Danish TSO uses a currency different from the euro. No currency conversion mechanism has been implemented on the platform itself. Energinet.dk is responsible for converting Danish kroners into euros (and vice versa)

Harmonisation of the gas day between countries with different time zones

Brief description

- Potential issues could also arise when TSOs allocate capacity at IPs where the time zones are different at both sides of the border

Examples of solutions adopted

- This issue was addressed bilaterally in a successful way wherever it appeared. Given that the standard gas day is now defined (Article 3 “Definitions” of the CAM NC), this should not be an issue anymore for CAM early implementation projects in the future
- RBP applies the UTC time standard, which solves the issue both for Network Users (bidding from different time zones) and TSOs (being in different time zones)

Licensing issues

Brief description

- The different requirements in terms of licenses for the users to operate in different countries might create a potential obstacle when accessing bundled capacity at certain IPs

Examples of solutions adopted

- Energy shippers in Hungary and some other Central-Eastern European Member States are required to obtain a license to trade gas at wholesale level, which criteria may differ from Member State to Member State. The need for a cross-border licensing is being addressed in discussion with NRAs
- In France, all network users are required to obtain a license from the government, which then enables them to sign a transmission contract with GRTgaz and/or TIGF. It is not, however, the task of the TSO to check the validity of the license

Open questions for further analysis and discussion

Costs of booking platforms

The establishment and use of 'joint web-based booking platforms' involves capital and operational expenditure to be incurred by TSOs. How such fixed and variable costs are shared across TSOs and whether they are recognised as 'efficiently incurred' by the relevant NRAs remains an open question in some Member States.

Activities of joint platforms and need for exchange of information

TSOs should ensure that CAM implementation activities via joint platforms are transparent to the market and NRAs, allowing appropriate exchange of information.

Harmonisation of capacity contracts at both sides of the border

The implementation of the CAM NC will result in the harmonisation of a number of aspects of capacity contracts. Further harmonisation of contractual terms will result when other NCs are implemented (e.g. balancing NC for nominations). The appropriate degree of harmonisation of capacity contracts remains an open question.