

Response to Public Consultation
on the Incremental Capacity Proposal and further NC CAM amendments

PC_2015_G_05

submitted by ČEZ, a.s. on 31st August 2015

ČEZ, a. s., welcomes the opportunity to provide feedback on the current draft proposal for amendment of the Network Code on Capacity Allocation Mechanism.

The Agency requested that views are provided along four questions. Please find below are respective answers and justifications.

1. Do you support the changes suggested by the Agency on Incremental Capacity (new chapter IVa and related articles)? If not, please list which new or amended articles you disagree with and explain why.

ČEZ generally supports the draft proposal for amendment of the Network Code on Capacity Allocation Mechanism as presented in the current Public Consultation.

Our comments on certain concrete issues are listed under Q4.

2. Do you support ENTSOG's envisaged proposals to change the default auction calendar in relation to the discussions on the draft Network Code on Tariffs (i.e. to move the annual yearly capacity auctions from March to July, the annual quarterly auctions from June to August and the rolling monthly auctions' start from the third to the second Monday of each month)? If not, please explain why.

ČEZ supports ENTSOG's envisaged proposals to change the default auction calendar in relation to the discussions on the draft Network Code on Tariffs.

3. Do you support the further technical changes introduced (e.g. on the auction algorithms (Art. 17 (16) and Art. 18 (3d) & (9)); on the bundling of existing capacity (Art. 20(1)); on the allocation of interruptible services (Art. 21(9)) etc.? If not, please list which amended articles you disagree with and explain why.

ČEZ agrees with the technical changes introduced in the listed articles.

We have only one comment to the Interruptible capacity (Art. 21 (9)), where we refer that the amount of interruptible capacity should be unlimited to avoid hoarding capacity and should support using the firm capacity (the price of interruptible capacity should be low enough to make the holders of firm (and unused) capacity to sell it on secondary market.

4. Do you have any other comments related to the proposed NC CAM, changes, and if so which?

- **Incremental capacity project**

Considering the importance of the term incremental capacity project, we believe this term should be defined as have been the terms incremental capacity and incremental process. We propose the following definition: *“Incremental capacity project” means a piece of work that will be initiated by transmission system operators where the conclusions of the market demand assessment report published in accordance with Art. 20a (3) demonstrate that sufficient prospective demand for incremental capacity exists and coordinated efforts by Transmission System Operators are required to bring these non-binding results to a binding market test phase in accordance with the incremental process.*

- **Definition of incremental capacity**

We think that Incremental capacity this capacity should be only capacity which has never been available before and would mean significant investment with long rate-of-return (>5 years). It should never be the capacity which was already offered before and was from some reason decreased (reallocated, economical optimisation), needs only small amount of investment with fast rate of return (change in metering station, optimisation...) and is the result “long-term capacity optimisation” – it should be obligation of TSOs to offer such capacity as standard. We propose the following definition:

*(20) ‘incremental capacity’ means a possible future increase in technical capacity **which has never been available before** or possible future new capacity created where none currently exists that may be offered based on investment ~~or long-term capacity optimisation~~ **connected with significant investment with long rate-of-return (>5 years)** and subsequently allocated subject to the positive outcome of an economic test, in the following cases:*

*(a) at existing interconnection points, **which has not been available before and is connected with significant investment with long rate-of-return (>5 years)**,*

(b) by establishing a new interconnection point or points,

*(c) as physical reverse flow capacity at an interconnection point or points, which has not been ~~offered~~ **available** before and is **connected with significant investment with long rate-of-return (>5 years)** .*

Capacity created via non-market based procedures and for which the final investment decision has been taken without prior commitments from network users is not considered incremental capacity, but has to be offered and allocated as available standard capacity products as described in this Regulation.

- **Bi-annual market demand assessment**

Considering the move of the annual yearly capacity auctions from March to July, it would, in our opinion, make sense to organize the regular market demand assessment in odd-numbered years so that information and conclusions coming from the incremental process can inform the next TYNDP in due time for processing.

- **Incremental process**

In Art. 8(a), we suggest that the wording *“whether the demand indicated can be considered by the transmission system operator in the context of **an incremental capacity project in the ongoing process**”* is, for greater clarity, changed as follows: *“whether the demand indicated can be considered by the transmission system operator in the context **of the ongoing incremental process**”* as the incremental capacity project may only be initiated based on the market demand assessment.

- ***Fee application***

We do not propose to apply fee for activities resulting from the submission of non-binding demand indication to respective network users in Art. 20a (9) as the process should be not binding and should encourage network users to give such indication. We propose the following changes: words "*respective network users*" change to "***all network users***" or delete Art. 20a (9) as whole.

Contact details:

[REDACTED]
[REDACTED]

ČEZ, a. s.

Duhová 3

Praha 4, 140 53

[REDACTED]
[REDACTED]