

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.

GAZ-SYSTEM supports changes related to revised and simplified Incremental Capacity Process suggested by ACER. At the same time GAZ-SYSTEM supports comments and clarification proposals provided by TSOs within the ENTSOG response and in addition would also like to make the following remark.

Article	Consulted ACER draft proposal on NC CAM amendment	GAZ-SYSTEM amendment proposal (marked in bold)	GAZ-SYSTEM reasoning
Article 2(3)	Where an alternative allocation rule according to Article 20d is applied, Articles 19(2) and 27 shall not be applicable to the offer levels, unless decided otherwise by the relevant national regulatory authorities. In any case the allocation results shall be published on the booking platform. Articles 8(1) to (7), Articles 11 to 18, 19(2) and 21 to 27 shall not apply to new technical capacity to be allocated by means of open allocation procedures for new technical capacity, such as open season procedures, apart from capacity which remains unsold after it has been initially offered by means of such procedures.	Where an alternative capacity allocation mechanism according to Article 20d is applied, Article 8(1) to (7), Articles 11 to 18, 19(2) and 27 shall not be applicable to the offer levels, unless decided otherwise by the relevant national regulatory authorities. In any case, the allocation results shall be published, for increase in technical capacity, on the booking platform which is used for auctioning of existing capacity and for new capacity created where none currently exists, on a respective joint booking platform agreed by the relevant transmission system operators as set out in Article 27.	'Alternative capacity allocation mechanism' instead of 'alternative allocation rule' in order to keep consistency with the title of Article 20d. Coherency shall be also kept with regard to the definition in Article 3(23) – currently 'alternative allocation procedure'. With the new approach that the ascending clock auction is the default allocation rule in binding phase of an O.S., and upon NRA's approval alternative CAM may be applied, it shall be clarified that not only Articles 19(2) & 27 on booking platforms but also other provisions, as in the current NC CAM, shall not apply by default to incremental capacity offered in alternative CAM. Amendment proposal intends to clarify which joint booking platform is to be used for the publication of allocation results (i) the case incremental capacity is offered on existing IP or (ii) on a new IP(s).

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2. Do you support (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.

Article	Consulted ACER draft proposal on NC CAM amendment	GAZ-SYSTEM position
Article 11(4)	Annual yearly capacity auctions shall start on the first Monday of July each year unless otherwise specified in the auction calendar.'	<p>GAZ-SYSTEM supports the three proposed changes of the default auction calendar.</p> <p style="text-align: center;">***</p> <p>In addition, GAZ-SYSTEM would like to inform that our company had put forward the proposal of amendment of NC CAM auction calendar, even before the issue of changing the default auction calendar started to be discussed in relation to the draft NC TAR. The proposal was in line with the market participants requests submitted to GAZ-SYSTEM during public consultation on amendments to GAZ-SYSTEM's Transmission Network Code implementing the NC CAM provisions, who underlined that in order to prepare the capacity portfolio more effectively, the duration between the capacity auction time and the transmission service runtime should be shorter than it is now stipulated by NC CAM. Thus, the ENTSOG's proposals of amendments to auction timescale as submitted to ACER in relation to draft NC TAR is supported by GAZ-SYSTEM.</p> <p>In relation to this amendment proposal, please also take into account GAZ-SYSTEM's additional amendment proposal provided in this response to question 4 regarding rolling quarterly auctions.</p>
Article 12(5)	Annual quarterly capacity auctions shall start on the first Monday of August each year unless otherwise specified in the auction calendar.'	
Article 13(4)	Rolling monthly capacity auctions shall start on the second Monday of each month for the following monthly standard capacity product unless otherwise specified in the auction calendar.'	

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.

Article	Consulted ACER draft proposal on NC CAM amendment	GAZ-SYSTEM position
Art. 17 (16)	The volume bid per network user in the first bidding rounds all bidding rounds where small price steps are applied shall be equal to or less than the volume bid placed by this network user in the bidding round which preceded the first-time undersell.	GAZ-SYSTEM supports the amendment proposal in Art. 17 (16)
Art. 18 (3d)	3. A bid shall specify: (d) the amount of capacity for the respective standard capacity product applied for, which shall be equal to or smaller than the capacity offered in a specific auction;	GAZ-SYSTEM supports the amendment proposal in Art. 18 (3d)
Art. 20 (1)	1. The network users who are parties to existing transport contracts at the time of the entry into force of this Regulation applies at respective interconnection points [...]	GAZ-SYSTEM supports the amendment proposal in Art. 20 (1)
Art. 21(9)	9. If offered, interruptible capacity auctions shall be conducted in accordance with the same design principles and timescales as applied for firm capacity. The exact timescales auction dates applied for the interruptible capacity auctions shall be	<p>GAZ-SYSTEM supports the amendment proposal in Art. 21(9)</p> <p>In relation to this amendment proposal, please also take into account GAZ-SYSTEM's additional amendment proposal provided in response to</p>

	<p>detailed within the auction calendar with the exception of within-day interruptible capacity. For the annual yearly, annual quarterly and rolling monthly capacity auctions, the transmission system operators shall notify network users about the amount of interruptible capacity to be offered one week before the auction starts. In cases where an auction of firm capacity has not closed on the scheduled start day for the interruptible auctions, the interruptible auctions will open as soon as reasonably possible, and no later than the next business day after the closing of the respective firm auctions.</p>	<p>question 4 regarding rolling quarterly auctions.</p>
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4. Do you have any other comments related to the proposed NC CAM, changes, and if so which?

1. GAZ-SYSTEM's comments related to the proposed NC CAM changes:

Article	Consulted ACER draft proposal on NC CAM amendment	GAZ-SYSTEM position
Article 1	<p>This Regulation establishes a Network Code setting up standardised capacity allocation mechanisms in gas transmission systems. The standardised capacity allocation mechanism shall include an auction procedure for relevant interconnection points within the Union and the standard cross-border capacity products to be offered and allocated. This Regulation shall set out how adjacent transmission system operators cooperate in order to facilitate capacity sales, having regard to general commercial as well as technical rules related to capacity allocation mechanisms.</p>	<p>GAZ-SYSTEM welcomes the proposal of deletion from the NC CAM the reference to 'cross-border' IPs and agrees with the reasoning put forward in the consultation that the standard capacity products are applicable both at the 'cross-border' IPs and in the country inter-TSO points between entry-exit zones. Due to the above GAZ-SYSTEM supports that the proposal of deleting the reference to 'cross-border' from both Article 1 and title of Chapter IV is further proposed by ACER in its reasoned proposal for amendments to be submitted to the European Commission.</p>
CHAPTER IV BUNDLING OF CROSS- BORDER CAPACITY	<p>BUNDLING OF CROSS-BORDER CAPACITY AT INTERCONNECTION POINTS</p>	

2. GAZ-SYSTEM's additional NC CAM amendment proposals:

a) Introduction of rolling quarterly capacity auctions (Article 12)

In addition to the three consulted changes with regard to move of the default dates for the annual, quarterly and rolling monthly auctions, GAZ-SYSTEM would like to take this occasion and propose additional amendment to the auction calendar i.e. to extend the auction dates for the quarterly products by introducing the rolling quarterly capacity auctions.

Currently according to Art. 12 (3) of the NC CAM the quarterly products for the upcoming gas year can be auctioned only through the annual quarterly auctions. NC CAM allows booking capacity close to the start of providing transmission services only for monthly and day ahead/within-day products. Within the past public consultation on amendments to GAZ-SYSTEM's Transmission Network Code (TNC) aiming at implementing the NC CAM provisions network users specifically noted and requested additional auction dates for the quarterly products. As consequence, in addition to annual quarterly auctions, the rolling quarterly capacity auctions were implemented in GAZ-SYSTEM's TNC (applicable by 1 November 2015) and

are currently used by system users on the Polish gas market. The willingness for retaining the rolling quarterly auctions was also expressed by network users during recent public consultation on changes to Polish TNC held from 14 July to 10 August 2016¹. Please be informed that GAZ-SYSTEM is currently in the course of analyzing the received remarks and all comments together with the evaluation will be soon available on GAZ-SYSTEM's website.

Another example confirming the advantages of additional auctions for quarterly products is the situation when it results from the TSOs' analysis that additional capacity could be offered to the market at a joint cross-border IP as a quarterly product already in ongoing calendar year (e.g. 2015) or during next calendar year (e.g. 2016). However, due to auction calendar limitation, the TSOs are forced either to wait until the annual quarterly products or otherwise to offer this additional capacity as monthly product being at the same time more expensive for the network users. Additional rolling quarterly auctions would give a possibility to offer quarterly product at the concerned IP earlier in time.

Therefore, GAZ-SYSTEM proposes to include additional amendment proposal to NC CAM in order to allow for quarterly auctions to be run more than once a year. This requires in our opinion changes to the Article 12 and further also to the Article 16 and new provisions of Article 21. Please find below proposal of text amendments reflecting above-expressed remarks (marked in bold):

Article	Current NC CAM provisions & consulted ACER draft proposal on NC CAM amendment	GAZ-SYSTEM amendment proposal on the rolling auctions for quarterly products
Article 12(1)	The annual quarterly capacity auction shall be held once a year.	The annual quarterly capacity auction shall be held once a year and quarterly capacity auction shall be held in the month preceding the quarter for which the capacity allocation is made.
Article 12(5)	Annual quarterly capacity auctions shall start on the first Monday of August each year unless otherwise specified in the auction calendar.	Annual quarterly capacity auctions shall start on the first Monday of August each year (four consecutive quarterly products in the following gas year) and on the first Monday of the month preceding the quarter for which the capacity allocation is made, unless otherwise specified in the auction calendar.
Article 12(6)	The capacity to be offered in the annual quarterly capacity auction shall be equal to: ... (the rest of the Article remains without changes)	The capacity to be offered in the annual quarterly capacity auction and in the auction in the month preceding the quarter for which the capacity allocation is made, shall be equal to: ... (the rest remains without changes)
Article 16(2)	For annual yearly, annual quarterly and rolling monthly capacity auctions, an ascending clock auction algorithm, with multiple bidding rounds, as provided for in Article 17, shall be applied.	For annual yearly, annual quarterly/ rolling quarterly and rolling monthly capacity auctions, an ascending clock auction algorithm, with multiple bidding rounds, as provided for in Article 17, shall be applied.
Article 21(9)	If offered, interruptible capacity auctions shall be conducted in accordance with the same design principles and timescales as applied for firm capacity. The exact timescales auction dates applied for the interruptible capacity auctions shall be detailed within the auction calendar with the exception of within-day interruptible capacity.	If offered, interruptible capacity auctions shall be conducted in accordance with the same design principles and timescales as applied for firm capacity. The exact timescales auction dates applied for the interruptible capacity auctions shall be detailed within the auction calendar with the exception of within-day interruptible capacity.
	For the annual yearly, annual quarterly and rolling monthly capacity auctions, the transmission system operators shall notify network users about the amount of interruptible capacity to be offered one week before the auction starts. In cases where an auction of firm capacity has not closed on the	For the annual yearly, annual quarterly/rolling quarterly and rolling monthly capacity auctions, the transmission system operators shall notify network users about the amount of interruptible capacity to be offered one week before the auction starts. In cases where an auction of firm capacity has not closed on the scheduled start day for the interruptible auctions, the interruptible auctions will open as soon as

¹ Press release: <http://en.gaz-system.pl/centrum-prasowe/aktualnosci/informacja/artikul/202104/>

	scheduled start day for the interruptible auctions, the interruptible auctions will open as soon as reasonably possible, and no later than the next business day after the closing of the respective firm auctions.	reasonably possible, and no later than the next business day after the closing of the respective firm auctions.
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b) Amendment of the sequence of interruptions (Article 24)

GAZ-SYSTEM would also like to put forwards amendment proposal with regard to Article 24 of NC CAM defining the sequence of interruptions.

Currently according to NC CAM in cases when the total nominations exceeds the quantity of gas that can flow at a certain interconnections point, the order the sequence of interruption shall be performed based on the contractual timestamp of the respective transport contracts. GAZ-SYSTEM proposes to replace the current timestamp rule by defining the sequence of reduction starting from the shortest-term products to the longest-term i.e. in the first place the reduction shall apply to daily capacity, and then to monthly, quarterly and, finally, to yearly product. In case of products with the same timescale, the reduction shall be prorated to the quantity of gas specified in the respective nomination.

Please find below proposal of text amendments to Article 24 reflecting above-expressed remarks (marked in bold):

Article	Current NC CAM provisions	GAZ-SYSTEM amendment proposal on the defined sequence of interruptions
Article24	The order in which interruptions shall be performed, if the total of nominations exceeds the quantity of gas that can flow at a certain interconnection point, shall be determined based on the contractual timestamp of the respective transport contracts on an interruptible basis. In case of an interruption, transport contract coming into force earlier shall prevail over transport contract coming into force later.	The order in which interruptions shall be performed, if the total of nominations exceeds the quantity of gas that can flow at a certain interconnection point, shall be made starting from the shortest-term capacity products (in the first place the reduction shall apply to daily capacity, then to monthly, quarterly and finally to yearly capacity). In case of products with the same timescale, the reduction shall be prorated to the quantity of gas specified in the respective nomination.

c) Amendment proposal on the competing capacity (Article 8(2))

In GAZ-SYSTEM's view, the capacities at the interconnection points between the transmission systems of neighbouring TSOs shall not compete with the capacities at other points which do not fall under the booking procedure according to Article 2 of NC CAM i.e. exit points to end consumers and distribution networks, entry points from LNG terminals and production facilities and entry-exit points to or from storage facilities. Briefly, the capacities at cross-border IPs shall not compete with capacities at DSO, UGS, LNG network points.

This is particularly the case when bookings of capacity at non-IPs (e.g. storage, DSO) being in competition with bookings of the capacities at the cross-border IP, impacts the available firm capacity at the cross-border IP by reducing fully or partially the technical capacity at the cross-border IP. As a result, impacting the security of supply of one of the concerned countries and the EU market integration process.

This may particularly be essential where cross-border capacity has been established in result of the implementation of the PCI project aimed at integrating the market and increasing market's functionality, interoperability and safety. In such cases the capacity achieved through the efforts of many stakeholders, including EC, should not be anyhow jeopardized by connecting new customers within one of the neighboring market areas.

Where such a dependency between the points occurs, it should be a signal for an expansion of a concerned grid, rather than a decrease of capacity at cross-border IP.

With regard to the allocation of firm capacity, Article 8(2) of NC CAM stipulates that the allocation of competing capacity is subject to the agreement of the directly involved TSOs and the approval of relevant national regulatory authorities. Beside this exception, in line with the same Article 8(2), at all interconnection points the same auction design shall apply [...] and each auction process, relating to a single standard capacity product, shall allocate capacity independently of every other auction process.

GAZ-SYSTEM believes that primarily, as currently stated in Article 8(2) of NC CAM, there should be an common agreement of the involved TSOs with regard to the offer of competing capacity and further approval of all the relevant NRAs is required. At this point, GAZ-SYSTEM finds valuable the initial ENTSOG proposal of coordinated NRAs approvals in case of competing capacities and advocates to change consulted NC CAM text, as per ENTSOG proposal, in ACER's reasoned proposal for amendments.

Furthermore, GAZ-SYSTEM has some doubts with regard to ACER's justification put forward in the consultation documents, that in case of allocation of competing capacities, which, if at all offered, are rather offered by TSOs on one-side of an IP (and not on both). Such one-sided IP approach towards applicability of the competing capacity procedure is not in line with NC CAM's concept of an interconnection point and the obligation to offer bundled capacity. It should be underlined, that the mechanism of offering of competing capacity assumes that such capacity is offered as a part of bundled capacity in two auctions, held at the same time. Therefore, the offering of competing capacity has also direct impact on the capacity offered on the other side of each of those interconnection points, as a part of bundled capacity. Hence, the statement that such offer is a one-sided process, seems to be misleading.

Finally, GAZ-SYSTEM is of the opinion that competing capacity is already a signal of bottlenecks in the transmission system which should be eliminated by expansion of the grid, namely triggering necessary investments, in order to increase the technical capacities and in effect eliminate competing capacities.

Please find below proposal of text amendments to Article 6 sec. 1 let. a) point 1 and Article 8(2), reflecting the above-expressed comments (marked in bold):

Article	Current NC CAM provisions	GAZ-SYSTEM amendment proposal
Article 6 sec. 1 let. a) point 1)	<p>the joint method shall include an in-depth analysis of the technical capacities, including any discrepancies therein on both sides of an interconnection point, as well as the specific actions and detailed timetable – including possible implications and containing the regulatory approvals required to recover costs and adjust the regulatory regime – necessary to maximize the offer of bundled capacity. Such specific actions shall not be detrimental to the offer of capacity at other relevant points of the concerned systems and points to distribution networks relevant for security of supply to final customers, such as those to storages, LNG terminals and protected customers as defined in Regulation (EU) No 994/2010 of the European Parliament and of the Council (1).</p> <p>This in-depth analysis should take into account assumptions made in the Union-wide ten-year network development plan pursuant to Article 8 of Regulation (EC) No 715/2009, national investment plans, relevant obligations under the applicable national laws and any relevant contractual obligations;</p>	<p>the joint method shall include an in-depth analysis of the technical capacities, including any discrepancies therein on both sides of an interconnection point, as well as the specific actions and detailed timetable – including possible implications and containing the regulatory approvals required to recover costs and adjust the regulatory regime – necessary to maximize the offer of bundled capacity. Such specific actions shall not be detrimental to the offer of capacity at other relevant points of the concerned systems and points to distribution networks relevant for security of supply to final customers, such as those to storages, LNG terminals and protected customers as defined in Regulation (EU) No 994/2010 of the European Parliament and of the Council (1).</p> <p>This is without prejudice, where appropriate and necessary, to the obligations of transmission system operators as laid down in the Regulation (EU) No 994/2010 of the European Parliament and of the Council (1). This in-depth analysis should take into account assumptions made in the Union-wide ten-year network development plan pursuant to Article 8 of Regulation (EC) No 715/2009, national investment plans, relevant obligations under the applicable national laws and any relevant contractual</p>

		obligations. Any decrease of capacity offered on any side of the interconnection point as a result of such specific actions is subject to the agreement of the directly involved transmission system operators and the coordinated approvals of relevant national regulatory authorities.
Article 8(2)	At all interconnection points the same auction design shall apply. The relevant auction processes shall start simultaneously for all concerned interconnection points. Each auction process, relating to a single standard capacity product, shall allocate capacity independently of every other auction process except where, subject to the agreement of the directly involved transmission system operators and the approval of relevant national regulatory authorities, competing capacity is allocated.	At all interconnection points the same auction design shall apply. The relevant auction processes shall start simultaneously for all concerned interconnection points. Each auction process, relating to a single standard capacity product, shall allocate capacity independently of every other auction process except where, subject to the agreement of the directly involved transmission system operators and the coordinated approvals of relevant national regulatory authorities, competing capacity is allocated.