

## ENDESA comments to the proposal of oversubscription and buy-back scheme at cross-border capacity between Portugal and Spain (VIP Ibérico) and France and Spain (VIP Pirineos)

ENDESA welcomes the opportunity to respond to the consultation on the “Proposal for the oversubscription and buy-back scheme” for the cross-border capacity in the SGRI region, elaborated by the TSOs ENAGAS, REN and TIGF, in cooperation with NRAs.

We support the implementation of oversubscription and buy-back mechanism (OSBB), as it is an effective tool to overcome cross-border contractual congestions. However, we would like to draw your attention towards some issues of the proposed scheme as it undermines the firmness of shippers’ capacity rights.

- **Point 2.4 Offer of additional capacity**

- The first paragraph establishes that additional capacity will be offered jointly with the available capacity through auctions.

The point 2.2 of the Annex I of Regulation EC 715/2009 (Congestion management procedures in the event of contractual congestion) establishes that technical capacity (surrendered capacity, capacity arising from the application of firm day-ahead UOLI and long term UOLI) should be allocated prior to any additional capacity. Therefore, the allocation of additional (“oversubscribed”) and technical capacity should be different procedures.

Additionally, the Spanish regulation about congestion management procedures (Circular 1/2013, de 18 de diciembre) establishes, in point Sexto.3, that the additional capacity offered will be allocated to users once available technical capacity and the capacity arising from applying the remaining congestion management procedures is allocated.

So, we propose the following wording for the first paragraph:

*“Additional capacity will be always offered at VIP Ibérico and/or VIP Pirineos **through auctions after** ~~jointly with the available capacity~~ **has been allocated** ~~through auctions~~. Both additional capacity and available capacity will be treated as firm capacity ~~and there will not be any distinction between them~~. Also, before any additional capacity has been offered, the congestion manager procedures of firm day-ahead use-it-or-lose-it and long term use-it-or-lose-it mechanisms shall be applied.”*

- The last paragraph of this point defines the cases in which the additional capacity will not be offered in the VIP.

We consider that these cases are not defined with enough detail, leaving discretionarily to the TSOs. Thus, we ask for a more detailed description or definition of the cases in which the additional capacity will not be offered in the VIP.

- **Point 3.4 Market-based procedure**

The second paragraph establishes that when the TSO identifies the need to trigger the market based mechanism, the TSO will restrict network users renomination rights upwards and downwards in both flow directions.

We consider that the renomination rights downwards shouldn't be restricted because the current legislation in Spain about congestion manager procedures (the "Circular 1/2013, de 18 de diciembre") establishes a restriction only in the renomination upwards, leaving the possibility to renominate downwards.

We propose the following wording for the second paragraph:

*"As soon as the TSOs have identified the need to trigger the market based mechanism, they will restrict network users renomination rights upwards ~~and downwards in both flow directions~~ until the end of the gas day. The TSOs shall launch the market-base procedure if:"*

- **Point 3.4.2 Call For Orders mechanism**

- Regarding the conditions to be fulfilled by Network users' "offers to sell" for TSOs to consider them valid, we propose the following wording:

*"The "offer to sell" has been place from a network user who have nominated their booked capacity, and*

*The amount of capacity included in the "offers to sell" **submitted** is equal to or lower than the nominated capacity"*

We consider that the total amount of capacity offered by a network user, considering all its "offers to sell", has to be equal or lower to its nominated capacity.

- We propose the following wording for the paragraph:

*"When two or more "offers to sell" contain the same price and the amount of capacity proposed to sell in aggregate under such "offers to sell" exceeds the remaining capacity to be bought-back, the remaining capacity to be bought back shall be allocated pro rata to the amounts of capacity included in each "offer to sell". The clearing price shall be defined as the price of the ~~lowest~~ **highest** successful "offer to sell". TSOs shall pay all successful network users the clearing price."*

We consider that the clearing price should be defined as the price of the highest or the last successful / allocated “offer to sell”. Otherwise, successful or matched “offers to sell” would be remunerated at a lower price than the price offered.

- Last paragraph of page 13 establishes:

*“If users do not offer enough capacity in the buy-back procedure (i.e there are not enough “offers to sell” to satisfy the “proposal to buy”), TSOs will reduce all firm bundled and unbundled capacities according to pro-rata rule up to the amount of capacity that needs to be bought back. TSO shall pay network users the regulated tariff for this capacity.”*

We consider that the application of the OSBB scheme should not undermine the firmness of annual, quarterly or monthly capacity rights of shippers. If users do not offer enough capacity in the buy-back procedure (i.e there are not enough “offers to sell” to satisfy the “proposal to buy”), TSOs should reduce the daily firm capacity allocated (the available capacity plus the additional or “oversubscription” capacity) according to pro-rata rule up to the amount of capacity that needs to be bought back.

We propose the following wording for the paragraph:

*“If users do not offer enough capacity in the buy-back procedure (i.e there are not enough “offers to sell” to satisfy the “proposal to buy”), TSOs will reduce ~~all firm bundled and unbundled capacities~~ **the daily firm capacity (the available capacity plus the additional or “oversubscription” capacity allocated)** according to pro-rata rule up to the amount of capacity that needs to be bought back. TSO shall pay network users the regulated tariff for this capacity.”*

Additionally, we consider that it should be clarified the amount of capacity that will be reduced according to pro-rata rule if users do not offer enough capacity in the buy-back procedure. If it will be just the difference between the capacity offered by users and the capacity needed for the buy-back procedure, or it will be the total capacity needed for the buy-back procedure.

For example, if the “proposal to buy” is 30 MWh and the capacity offered by users (“offers to sell”) is 20 MWh, what amount should be reduced according to pro-rata rule? 10 MWh or 30 MWh? We consider that it would be preferable that only 10 MW should be reduced according to pro-rata rule.

- **Point 4.1 Maximum price TSOs are allowed to pay**

In the definition of the maximum price that TIGF is allowed to pay, it should be defined the meaning of the “default rule”.

- **Point 4.2 Clearing price**

We propose the following wording for the second paragraph:

*“The clearing price shall be defined as the price of the ~~lowest~~ **highest** successful “offer to sell”. TSOs shall pay all successful network users the clearing price.”*

We consider there is a mistake, because, the clearing price should be the highest successful “offer to sell” or the price of the last successful “offer to sell”.