

PROPOSAL FOR THE OVERSUBSCRIPTION AND BUY-BACK SCHEME - SGRI Public Consultation

3.2 Trigger of the buy-back procedure

- We don't fully understand the condition that triggers the BB procedure (sum of net nominations at VIPs higher than technical capacity). Since additional capacity is offered based on nominations, (by means of OS mechanism), we think such situation couldn't take place. In case nominations were higher than technical capacity, there wouldn't be additional capacity to be offered, and consequently, BB procedure couldn't happen. Therefore, in our opinion, such trigger condition should be referred to re-nominations instead of nominations.

3.4 Market based procedure

- Users' re-nomination rights restrictions due to BB would hamper one of their main tools to manage their gas balance. Furthermore, we think voluntary re-nominations can contribute to solve situations of capacity shortage. So we propose not to prevent those users' re-nomination rights, or in case such measure was necessary, it should only be limited to re-nomination rights upwards (not downwards).

3.4.1 Request of buy-back

- We think that once the need of BB arises, the TSO must create a "proposal to buy", but not a "proposal to buy" procedure. Such procedure in the secondary market at PRISMA should be created in advance, prior to BB specific needs.
- In case the TSOs don't create or valid the proposal to buy (or TSOs at both sides of the VIP don't agree on it), they will apply pro-rata rules to all firm capacity already sold, regardless the users have contracted it according to CAM NC (as annual, quarterly or monthly capacity) or through OS mechanism. In our view, this firm capacity (booked based on CAM NC) shouldn't be reduced by application of pro-rata rule. In the merit order of measures to be applied, such pro-rata rule should always apply first to the additional capacity subscribed by OS, as it is the main responsible for that lack of capacity.
- In addition, in order to avoid or limit pro-rata rule (provided it is applied first to additional capacity offered as OS), TSOs should have an incentive to launch such proposal to buy.

3.4.2 CFO mechanism

- The text is unclear in the fourth bullet of the information that an offer to sell must contain. In our opinion, the offers to sell with a price higher than the maximum price shall not be accepted, and they cannot be modified to a different price (the maximum price).

- Several comments to the following 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 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”*
 - Pro-rata rule, if necessary after voluntary BB, should be limited to firm bundled and unbundled capacity subscribed by means of OS (see comment to chapter 3.4.1 Request of buy-back).
 - According to Circular 1/2013 by CNMC, 90% of OS income or BB cost will be considered as gas system income or cost, whilst the remaining 10% will correspond to the TSOs. Thus, TSOs might be incentivized to offer as much additional capacity as possible, as OS (always following the corresponding rules). But on the other hand, in case the TSOs don’t create or valid the proposal to buy (or TSOs at both sides of the VIP don’t agree on it), or users don’t offer enough capacity in the BB, they will apply pro-rata rules to all firm capacity already sold, paying network users the regulated tariff, which will probably be a lower price than the maximum price that TSOs are allowed to pay¹. Consequently, we think that opposite to OS scheme, TSOs may not be incentivized to complete the BB scheme with the corresponding proposals to buy, rather than applying the pro-rata rule.

4.2 Clearing price

- We understand that the clearing price should be defined as the highest successful offer to sell. Circular 1/2013 by CNMC says that TSO will buy the capacity it needs at the lowest price as possible, but it doesn’t make sense to pay the price of the lowest successful offer to sell to all sellers, including those who offered higher prices. Alternatively, in order to pay the lowest total amount, TSOs could pay different prices, the price included in each accepted offer to sell. This comment also applies to the same concept stated in chapter 3.4.2 CFO mechanism as follows *“The clearing price shall be defined as the price of the lowest successful “offer to sell”. TSOs shall pay all successful network users the clearing price”*.

4.4 Split of costs

- No reference is made to the way the cost of BB (clearing price) is split between Enagas and TIGF.

5 Timeline

- It is assumed that BB refers (as OS) to day ahead capacity too, so we propose to include such reference in subparagraphs 4 to 7 in order to make the wording clearer.

¹ +25% of reference price in the case of Enagas.