

The European Federation of Energy Traders (EFET)¹

Response to the CEER Draft Position Paper

"Exploring the feasibility of implicit allocation in the (North West) European gas market"

The introduction of implicit auctions to improve the efficient allocation of cross-border capacity in the European electricity market was a successful initiative that continues to be the basis of further development across Europe. It is certainly worthwhile to consider if there are lessons from the power sector that can usefully be applied to the gas market.

The draft CEER position paper recognises not only that the starting point for gas is somewhat different from electricity, but also that we have a plethora of new EU rules and regulations affecting the gas market that will need to be taken into account in the design of any implicit allocation scheme. In particular, the main approach of the proposed EU Capacity Allocation Mechanism (CAM) Network Code (that is about to enter the comitology approval process) is for the explicit allocation of capacity, including day-ahead and within-day capacity, by auctions.

The Congestion Management Procedure (CMP) guidelines are also important as they could be an enabling tool for the release of capacity to be allocated implicitly. At this stage, however, the proposed measures to implement CMP by October 2013 have not been discussed with market participants. It is also difficult to understand how TSOs intend to operate CMP before and after the full implementation of CAM. The CEER position paper implies that the use of implicit auctions might be a useful alternative or complement to the short-term explicit allocation approach in CAM, but we would observe that at the moment it is not possible to say definitively whether or not this will be the case – it would be wise to proceed cautiously.

The practical implementation of a pilot implicit auction project might prove to be a good approach to test a well-defined scheme. Unfortunately, at this stage we do not yet have a well-defined scheme that could be tried out because there are too many uncertainties about what the details of the implicit auction scheme would be and how it would interact with the other EU Network Codes and EU Regulations. If regulators decide on developing further details in consultation with market participants then EFET will of course contribute to this process.

We would advise that the first priority needs to be the full implementation of EC/715/2009 including the Commission decision of 24 August 2012 on amending Annex 1. Regulators should ensure not only that the TSOs have in place, by October 2013, the required mechanisms to make capacity available, but also that the TSOs are publishing near real-time gas flow information that is the foundation for efficient and well-informed market-based decisions by market participants and market supervisors.

If further work were done by the CEER to define the detail of an appropriate implicit allocation scheme for cross-border gas capacity, then once CMP is operating all parties would be better placed to decide where and how to implement a pilot cross-border capacity allocation project for gas, should that be agreed as an appropriate step.

**EFET Gas Committee
2nd November 2012**

¹ The European Federation of Energy Traders (EFET) promotes and facilitates European energy trading in open, transparent and liquid wholesale markets, unhindered by national borders or other undue obstacles. EFET currently represents more than 100 energy trading companies, active in over 27 European countries. For more information: www.efet.org.