

Identified topics

Q1. Are the topics identified above the most relevant ones when it comes to Rules for Trading at EU level? Please specify which issue - if any - would merit further elaboration and rank the three most important Rules for Trading aspects

Capacity trading is particularly important for the development of a well-functioning gas market. Traders need to be able to transport gas between regions (or hubs) and if they do not have available capacity (either directly from the system/TSO or from the secondary market via capacity trading between its holders) the market becomes less liquid.

The issue of capacity products and terms and conditions of capacity contracts (limitations to free allocability and standardization) would merit further elaboration. Obviously the topics identified by ACER are essential for capacity trading. It is essential for the system users to have available different capacity products to always accommodate their commodity transactions in the most optimized way, contributing to a well-functioning market through a proper secondary capacity market, whose role is vital in helping market participants manage capacity needs to satisfy their business requirements while ensuring minimized costs. To this end, the existence of a virtual trading point (VTP) without access restrictions is of high importance. If a well-designed virtual trading point is established, the gas title transfer is facilitated and therefore market trading is ensured. It is noted that due to lack of an EU official definition of the virtual points, a general description of the necessary steps to implement a VTP and the basic rules of its efficient operation, would consist a roadmap for each entry-exit system whether having established a VTP or not. Of course, transparency rules (by making sufficient capacity-related information available and providing suitable trading platforms) and additional licensing requirements for market participation have major impact on capacity trading, as they facilitate it.

We consider as the three most important rules, from the ones identified, i. capacity products and terms and conditions of capacity contracts, ii. Secondary capacity markets and iii. VTP design/access and hub issues. We'd also like to add that a sufficient level of transparency is crucial for a successful capacity trading.

Capacity products and terms/conditions of capacity contracts

Q2. Do you agree that the key features of capacity products (besides its location, its direction and its duration) are as follows:

- Firmness: unconditional firm / conditional firm (e.g. depending on temperatures) / interruptible
- Allocability: free allocability / restricted allocability to designated points / restricted to designated points but combined with interruptible free allocability to all points including VTP
- Tariff relations between different capacity products

Please rank the most important aspects of capacity products for your business. If there are other aspects you find more important, please name them and explain why.

The firmness of capacity products is a key feature for their relevant trading. The firmer the capacity is, the more possible it becomes for the users to trade it. It is also crucial for trading that gas brought into the system at any entry point is off-taken at any exit point within the system (free allocability of capacities). Moreover, this is a basic rule of implementing entry-exit tariffs. Last but not least, the tariffs applied to different capacity products, on the one hand, have to be supportive of capacity trading and on the other, do not undermine the long term capacity bookings.

Based on the above mentioned, we consider as the most important aspects of capacity products for our business, capacity firmness and the tariffs for different capacity products.

Q3. Do you think that certain user categories (e.g. power plants, household suppliers, traders, gas producers, storage users etc.) have specific requirements/needs regarding capacity products? If so, which?

In Greece, due to a number of reasons (especially the economic recession), the internal gas market is characterized by a great amount of uncertainty on gas demand, in almost all the sectors (power plants, households suppliers, suppliers/traders). This fact makes, for instance, the power producers to proceed with short-term capacity reservations (day-ahead capacity bookings). On the contrary, suppliers with long term upstream supply contracts (like our company, DEPA) make long term capacity bookings on the entry points of the Greek system in order to comply with their obligations derived from the subject contracts.

Q4. Do you have experience with different levels of product firmness and allocation restrictions (i.e. different capacity designs¹⁰)? Please provide examples.

In the Greek market, we only have experience in practice with firm capacity products to date, even though interruptible are foreseen in the national Network Code (while within day renominations are only allowed to the users in cases of force majeure). The regulatory framework that enhances the capacity trading was enacted very recently and as a result we do not have such an experience.

Q5. Are different types of product features (in terms of firmness and freedom of allocation) barriers for cross-border trading? If yes, please provide an example of such a barrier. If yes, do you think that a set of “standard capacity products” in terms of quality (e.g. firmness rules, allocability) enshrined in a network code would provide a solution? Do you believe that the benefit of implementing such a solution outweighs the costs? Could you provide examples of such solutions?

Due to limited interconnections of the Greek system we have no cross-border trading.

A set of “standard capacity products” in terms of quality (e.g. firmness rules, allocability) should significantly reduce barriers for cross-border trading between EU countries as

harmonization of rules is always a facilitator in any type of transaction. The common rules for the “standard capacity products”, however, will be a very difficult task and should take into consideration the particular characteristics of each market and system, particularly the less developed and relatively isolated from the major European trading hubs, such as the Greek gas market. Equal contractual definitions of product characteristics may be a more realistic option. The value of standard capacity products enshrined in a separate network code is not clear at this point, nevertheless, these could be included in existing or under development legislation.

Q6. In your view, is the way capacity is allocated (primary market) or traded (secondary market) expected to create any problem or barrier to gas wholesale trading after the full implementation of the NC CAM? (Please differentiate in your answer between IPs covered by NC CAM¹¹ and those outside its scope, e.g. LNG, storage)? If not, what outstanding barriers remain after NC CAM implementation? Please provide specific cases and examples, if possible.

In general, we consider that the provisions of the NC CAM (e.g. fair primary capacity allocation via auctions, single EU-wide capacity platform) as well as the Congestion Management mechanisms (e.g. capacity release rules) facilitate an efficient scheme of capacity trading. What seems to our view as the most important factor to the subject scope is the necessary cooperation between the involved TSOs and NRAs in order to support the capacity trading through the suitable infrastructure, the right solution to potential technical issues that arise and the proper legislative framework. It is noted here that the NC CAM also applies to cross-border interconnection points with third countries subject to the decision of their regulatory authority.

Q7. Do non-harmonised contract definitions or terms between neighbouring entry-exit zones limit cross border trade? If yes, please provide examples. Do you think that equal contractual definitions of product characteristics (in terms of firmness or freedom of allocation) can be achieved by compatible contract terms alone (product description along certain parameters) or can this only be achieved by a single standard contract established at EU level?

We do believe that non-harmonised capacity products that are offered at IPs between neighboring entry-exit zones may limit cross-border trading. For example, if there is available firm capacity on one side of the IP and there isn't on the other side or there is only interruptible, gas trading is finally difficult. If a standard product exists the parties know exactly what they exchange (a price history for identical products exists, the risk can be estimated and consequently the product value) and can proceed easily with the trading.

Even though the issue of capacity products has been addressed by the NC CAM at a large extent (harmonized durations of capacity products, at least 10% of the capacity to be sold with duration of a quarter or less, TSOs' cooperation to sell bundle capacity at IPs), there is a need for distinguished contracts with each TSO, with different terms and conditions. Taking into account the special characteristics and the local circumstances of the national markets,

as well as the existing differences of legislative regimes across Europe, we believe that achieving a single standard contract established at EU level is rather difficult and non-functional. Instead, we see more achievable the establishment of a framework with a degree of harmonization of the key terms and conditions of the contracts in order to help the capacity trading liquidity (compatible contract terms alone-product description along certain parameters).

Q7a. Considering the variety of private law regimes across EU, do you believe a single standard contract established at EU level is feasible? If yes, do you believe that the benefit of such standard contract established at EU level outweighs the costs of its implementation?

Taking into consideration the variety of law regimes across the EU, a single standard contract seems rather difficult. Common and/or compatible key contract terms seem more realistic.

Q8. Have you experienced inefficiencies and risks which make it necessary to harmonise certain clauses in capacity contracts and/or contractual terms and conditions of different TSOs at EU level (given the variety of private law regimes applied across Europe)? If so, what are the inefficiencies and risks experienced that require harmonisation and why?

Since the Greek market has very limited interconnections and the legal framework that allowed for separate capacity from commodity contracts was enacted very recently, we haven't experienced such inefficiency.

Q9. Assuming everything else being equal (e.g. tariffs), do you prefer:

- a) firm products with limited allocability/locational restrictions (ex-ante information on conditions of use) or**
- b) interruptible products (with ex-post information on actual occurrence of interruptions)?**

In the Greek market, we only have experience in practice with firm capacity products to date, even though interruptible are foreseen in the national Network Code (while within day renominations are only allowed to the users in cases of force majeure). More specifically, our company's main business is based on firm capacity contracts (to meet relevant obligations, upstream and downstream).

Q10. Given the Balancing NC implementation, which should foresee within-day obligations as an exception, do within-day standard capacity products (“rest-of-day capacity products”) create any barrier to trade?

We consider that within day standard capacity products promote trading activities.

Q11. Are there any differences in the legal framework/capacity contracts that undermine the concept of a bundled capacity product (treatment after allocation)? If yes, please describe the differences as well as the risk for market participants resulting from those. Please provide specific examples.

Since the NC CAM applies to cross-border interconnection points with third countries subject to the decision of their regulatory authority, we see a potential undermining of the bundled capacity concept (and in consequence a barrier to trading) at the Greek/Turkish IP (Kipi) if the Turkish Regulatory Authority does not apply the CAM provisions.

Q12. Are there any other obstacles that hamper the use of capacity contracts across borders in the EU?

Lack of the same level of market maturity and liquidity across the EU, as well as insufficient interconnectivity of the member states hampers the use of capacity contracts across borders in the EU.

Q13. Do you think that a) binding EU rules, b) non-binding guidance or c) no rules at all (awaiting the implementation of existing NCs) address the above issues best? If needed, you can differentiate between different topics.

We consider that non-binding guidance could enhance the implementation of the binding Network Codes (NCs) already issued and under development. The guidance should provide a framework for applying the Codes’ provisions; specify the relevant requirements and help avoiding mismatches from different approaches. It is probably more appropriate to await for the implementation of the existing NCs and then determine the need for additional rules (as a driving force for increasing competition, transparency and interoperability of the European gas markets).

Secondary capacity markets

Q14. Do you think that rules are needed in order to stimulate secondary trading in Europe (taking into account the facilitation of trading already in place nationally or at EU-level, including joint booking platforms as demanded by NC CAM)?

As we believe that having a functioning secondary capacity market ensures the efficient allocation of capacity, some sort of guidance (to complement or review the best practice model already provided by EASEE gas CBP on secondary capacity trading) may be needed to further stimulate secondary capacity trading in Europe. Furthermore, the existence of sufficient transparency on secondary capacity trading (e.g. through the reporting of the transaction on the common EU capacity platform, or the historic prices of recent trades) and the use of standardized contracts (e.g. harmonized key terms and conditions) are factors that facilitate the secondary capacity trading. Another essential issue that promotes secondary trading is TSOs' processes for the capacity transfer (registries, credit requirements, nominations etc.). However, we do believe that whenever a secondary capacity trading takes place further consideration is needed to provide for the conditions or the certain circumstances under which the releasing shipper may "call back" the capacity. To this end, harmonization of duration of the secondary capacity products (e.g. day-ahead or intraday ones) could be helpful.

Q15. Do you see a need for a fully anonymised secondary capacity market (including third-party clearing) or is a bilateral capacity transfer (with consistent information to the TSO) sufficient?

Bilateral trading facilitated by an electronic bulletin board (operated by the TSO) is thought to be a simple and appropriate method for the design of the capacity trading scheme, on condition that sufficient information on offers to trade etc. is provided.

Cleared trading through an exchange based on anonymity can be advantageous for traders that do not want others to know their exact position (e.g. long or short on capacity) in the market.

The choice between the two options depends to a large extent on the market maturity and the number of the traders/shippers (the fewer the market participants the simpler the design).

Q16. Do you see the need to harmonise the handling of secondary capacity transfers to the primary market with reference to e.g. contract durations, handling, deadlines etc.?

On condition that harmonized capacity trading products with reference to duration were decided for the secondary capacity trading (see also our answer on Q.14), we consider that the harmonization of issues like contract duration, handling, deadlines etc. to the primary market would facilitate the shippers to proceed with the transfer, which is to the benefit of

market liquidity. Well defined capacity products as exist in primary capacity market (with reference to e.g. firmness) are able to keep the value of capacity and hence promote capacity trading. In addition, harmonized platforms/IT systems, procedures and information provisions would facilitate the specific activity.

Q17. Are there any rules hampering secondary trading of bundled capacity products? If yes, which ones and where? (Please provide specific cases, examples.)

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Q18. What would be, in your view, the most efficient way of secondary trading of capacity: a) mandatory trading on a limited number of liquid secondary platforms as for primary capacity or b) keep the current regime as is (e.g. many options, venues, etc.)?

We believe that keeping the current regime, following the minimum requirements set by the EU regulation and reinforced with sufficient transparency rules, instead of providing for mandatory trading on a limited number of liquid platforms, will allow the development of efficient secondary capacity trading in less mature markets ensuring the proper functioning of the market and respecting the local specificities.

Q19. Would you support additional transparency rules for secondary trading and what should, in your view, those rules focus on (e.g. reporting on transactions, potentially incl. price)?

We support a sufficient level of transparency as a critical factor for an efficient secondary trading as well as in primary trading. Based on this principle we see as important ingredients information about capacity offers, executed transactions, price reporting (see also answer on Q.14). It should be considered to keep the same level of information for both markets.

Q20. Do you think that a) binding EU rules, b) non-binding guidance or c) no rules at all (awaiting the implementation of existing NCs) address the above issues best? If needed, you can differentiate between different topics.

Overall, it may be more prudent to await the implementation of existing NCs and then proceed with non-binding guidance, if required (see also our answer on Q13).

VTPs

Q21. Are there any design elements of hubs which provide a barrier to cross-border trade (e.g. independence of the hub operator from traders)? If yes, which ones? Please provide specific cases, examples. / Q22. Are the fees (if any), the methods to calculate these fees, the general terms and conditions and/or contracts for service providers/intermediaries for transferring gas via trade notifications according to article 5 of the Balancing NC discriminatory and do they constitute a barrier to trade? If so, please state which of the elements above are problematic and which entry-exit systems are affected. Are there any other issues that create barriers to trade? / Q23. Do non-standardised formats represent a barrier for cross-border trading? If yes, do you see a need to establish a standardised data exchange format for trading of wholesale gas products to be used as interface between all potential balancing and trading venues - including key inputs (e.g. trading parties, time, location of trade, trading volumes and price, etc.)-?

As we do not have an established VTP or hub in Greece we don't have specific cases of any design element hampering cross-border trading.

However, we see as important factors for a successful VTP/hub transparent and easy access terms and conditions, while measures that minimize the risk of inconsistent capacity products being bundled together (consistent contractual arrangements especially regarding capacity firmness) may facilitate hub-to-hub trading. In addition, a standardized data exchange format for trading of wholesale gas products with the inclusion of key inputs (as already defined in Balancing NC, art.13) should facilitate cross-border trading and promote liquidity in gas markets. Last but not least, access fees on hubs/VTPs, if any, should not be higher than the TSO's/Operator's real operational cost.

Q24. How could the establishment of organised market places at hubs trading platform (via VTPs) be facilitated and should the Agency foresee rules to facilitate it?

We consider that the Agency should proceed with a road map of creating functional and workable hubs, by giving an approach of their design and minimum requirements they have to satisfy.

Q25. Do you think that a) binding EU rules, b) non-binding guidance or c) no rules at all (awaiting the implementation of existing NCs) address the above issues best? If needed, you can differentiate between different topics.

Based on our previous answer, we believe that, in general, the Balancing NC should be sufficient for the harmonization of VTPs. Regulatory issues such as defining the role of Hub Operators, resolving market structural issues and agreeing on regulatory jurisdiction for cross-border trades, could be addressed through non-binding guidance for the coordination

and harmonization of national NRAs rather than a common set of binding rules by the Agency.

Transparency

Q26. Do you think that contractual conditions of capacity services (incl. usage conditions) are transparent and clear enough and easy to access (taking into consideration the establishment of joint booking platforms such as PRISMA)? If not, please name the TSOs/platforms where this is not the case and evaluate it along any of these three parameters (i.e. non-transparent, unclear or difficult to access).

The Greek TSO provides sufficient information on capacity services (usage of capacity, available capacity etc) while participates on the joint booking platform PRISMA giving informative details about the IP Sidirokastro (Greek/Bulgarian border point).

Q27. Do you consider that the contractual conditions of capacity products with limited allocability (e.g. interruptible hub access, but firm cross-border flow) are transparent and clear enough? If non-transparent and clear enough, what should be improved? (Please provide specific cases, examples.)

We do not have any experience of limited allocability of capacity products.

Q28. Do you have access to sufficient information on the condition(s) for interruption of a capacity service and/or its probability? If not, please specify where this is not the case. / Q29. Do you have sufficient information on the occurrence of the condition(s) for interruption and/or its probability? If not, please specify, where this is not the case.

As the regulatory framework providing for the detailed scheme of interruptible capacity services according to the probability factor of this interruption, was enacted very recently in Greece we do not have sufficient experience on the specific issues.

Q30. Do you think that a) binding EU rules, b) non-binding guidance or c) no rules at all (awaiting the implementation of existing NCs) address the above issues best? If needed, you can differentiate between different topics.

Based on the fact that there are binding provisions about transparency obligations according to EC/715/2009, we consider sufficient for the facilitation of cross-border capacity trading a non-binding guidance on transparency, clarity and equal access to information for all the parties involved.

Licensing requirements for market participants other than TSOs

Q31. Do you see a problem with regard to different licensing requirements in the EU? If yes, please name the Member State, explain the main issues and propose solutions (such as minimum requirements for licenses at EU level, etc.)

We do not have an experience of problems deriving from licensing requirements in other EU member states as our activities are within Greece. The Greek regulatory regime requires a) a transportation contract between shippers and the TSO to give them the right to use the TSO's infrastructure and b) a license delivered by the regulatory authority to parties willing to supply gas to eligible end-users (this license does not distinguish between trading and supply).

Q32. Do you think that a) binding EU rules, b) non-binding guidance or c) no rules at all (awaiting the implementation of existing NCs) address the above issues best?

Non-binding guidance on harmonization of licensing requirements, particularly in terms of reporting obligations, should be sufficient for the facilitation of cross-border capacity trading, in order to avoid further administrative burden.