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EFET response to UNC Mod 753: Removal of Pricing Disincentives for Secondary Trading of Fixed Price NTS System Entry Capacity

Dear Joint Office of Gas Transporters, relevant Gas Transporters, Shippers and other interested parties

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. We build trust in power and gas markets across Europe, so that they may underpin a sustainable and secure energy supply and enable the transition to a carbon neutral economy. EFET currently represents more than 100 energy trading companies, active in over 27 European countries. We welcome the opportunity to respond to this consultation, which we hope results in improved efficiency in gas market design.

Support or oppose implementation: Support

Relevant Charging Objectives

Relevant Objectives	**Charging Methodology Objectives:**
c) Positive	c) Positive
d) Comments – see reason for support	d) None
g) Positive	e) Positive

Reason for support: Please summarise (in one paragraph) the key reason(s)

The implementation of the new charging framework under UNC Mod 678A means that the absence of assignment rights for entry capacity exposes secondary capacity holders of fixed-price capacity contracts to an additional revenue recovery charge (RRC) where the primary contract holder does not face such a charge. However, holders of primary capacity under fixed price contracts wish regularly to exchange capacity (through transfer rights) for a number of reasons such as:

- optimising the locational flow of gas at interconnectors
- intercompany arrangements to transfer capacity from upstream entities, that has been purchased long term to signal investment/hedging, to the downstream entity to simplify trading;
- or any other commercial arrangements set up to avoid the sterilisation of capacity.

In order to avoid application of the RRC, holders are incentivised to offer basis swaps rather than capacity trading which can be administratively inconvenient, and require sharing of information with

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a competitor. It can also restrict the options available to manage a capacity portfolio within a group especially after an acquisition.

The ability to assign NTS entry capacity would mean that this proposal is not necessary. Until this is possible, shippers will continue to find alternative ways to protect the benefits contained in the original arrangements. This proposal seeks to extend the RRC exemption to secondary traded QSEC NTS capacity in order to avoid such unnecessary costs and complexities., Therefore we support this modification as a *transitory* solution until full entry capacity assignment rights are available.

Implementation: What lead-time do you wish to see prior to implementation and why?

Implementing this proposal will relieve shippers from significant administrative burdens in setting up less efficient gas delivery arrangements ahead of the new gas year. For this reason, we agree with the proposer that a decision should be delivered to allow at least 30 days' notice of the modification implementation date, which should be 1st October at the latest.

Impacts and Costs: what analysis, development and ongoing costs would you face?

No comment

Legal text: are you satisfied that the legal text will deliver the intent of the Solution?

No comment

Are there any errors or omissions in this Modification that you think should be taken into account?

No comment

Please provide any additional analysis of information to support your representation

Sinead Obeng
Chair of EFET UK & I Gas Taskforce

Doug Wood
Chair of EFET Gas Committee