



Amended network code on capacity allocation mechanisms in gas transmission systems

What does it change
for market participants?

Introduction

The Commission Regulation (EU) No 2017/459 of 16 March 2017 establishing a network code on capacity allocation mechanisms in gas transmission systems and repealing Regulation (EU) No 984/2013 is an amendment of the existing CAM NC (Capacity Allocation Mechanisms Network Code).

The new CAM NC maintains the key principles of the existing capacity allocation in gas transmission systems in effect since November 2015. Only some of the provisions on the existing capacity allocation were amended or supplemented.

The most important changes in the amended network code are new provisions establishing EU-wide rules for identifying market demand for the expansion of existing interconnection points or the construction of new interconnection points, as well as rules for the allocation of additional or new capacity described as incremental capacity, i.e. the incremental capacity process. It establishes the principles based on which market participants can request incremental capacity and apply for its allocation. Below we explain the rules according to which the transmission system operators in cooperation with national regulatory authorities shall conduct the the

incremental capacity process and based on which the network users can take part in it. We also present the scope of the most important amendments regarding the rules of allocating existing capacities, including new dates of annual and quarterly auctions.

The new CAM NC shall apply from the date on which the regulation enters into force, i.e. from **6 April 2017**.

The full text of the Regulation No 2017/459:

The Commission Regulation (EU) No 2017/459 of 16 March 2017 establishing a network code on capacity allocation mechanisms in gas transmission systems and repealing Regulation (EU) No 984/2013

Why was the incremental capacity process introduced?

The amended CAM NC introduces a regular (biennial) procedure of assessing market demand for incremental capacity harmonised on the EU level, the aim of which is:



standardising the way of indicating demand for incremental capacity by market participants;



establishing co-operation between transmission system operators, national regulatory authorities, and market participants within the regular incremental process;



standardising the rules of incremental capacity allocation by offering it together with the existing capacity;



standardising the process of determining economic viability of an investment.

What does "incremental capacity", which can be a result of the incremental capacity process, mean?



increase of technical capacity at existing interconnection points;



creation of new capacity by establishing new interconnection point or points;

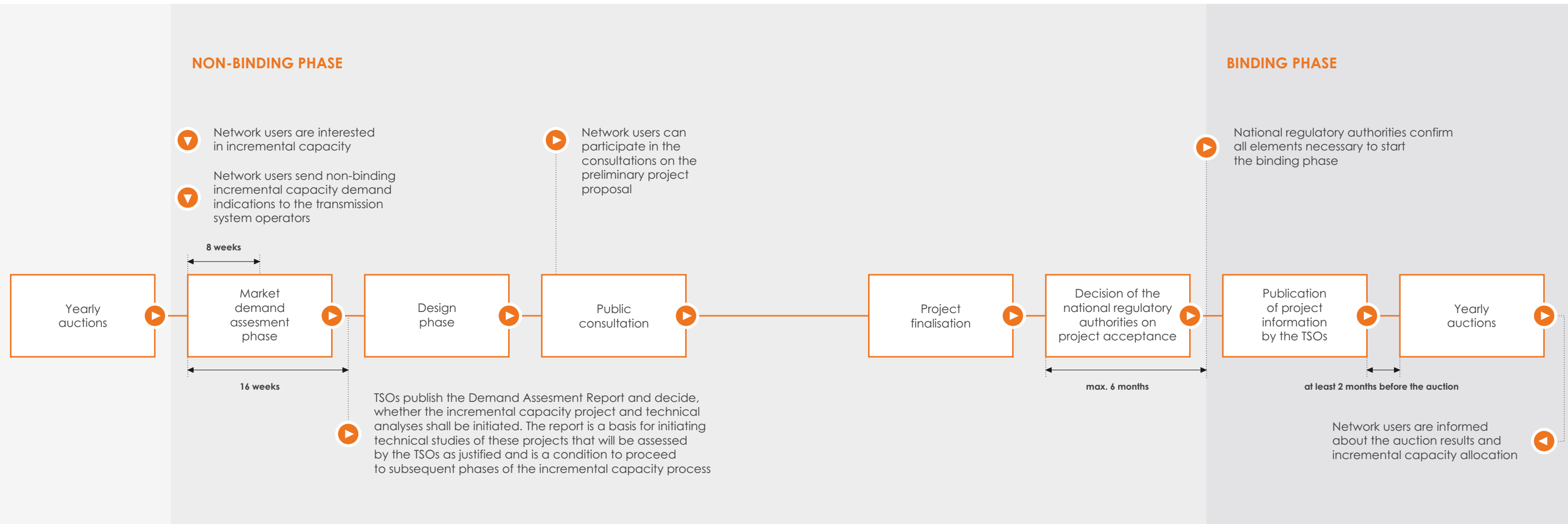


a physical reverse flow capacity which was not offered before at an interconnection point or points.

The detailed definition of "incremental capacity" can be found in art. 3 point 1 of the amended CAM NC.

What are the phases of the incremental capacity process and how can network users participate in it?

INCREMENTAL CAPACITY PROCESS



Where the information on the incremental capacity process can be found?

Incremental capacity process is divided in two phases: binding and non-binding. Its particular elements were described in the following articles of the CAM NC:

- Market demand assessment (art. 26)
- Design phase (art. 27)
- Approval and publication of the project (art. 28)
- Binding capacity allocation (art. 29–30)
- Economic test (art. 22–25)

Moreover, the [Commission Regulation \(EU\) No. 2017/460 of 16 March 2017 establishing a network code on harmonised transmission tariff structures for gas](#) (Tariff Network Code, TAR NC) in effect from 6 April 2017, sets out in art. 33 the tariff principles for incremental capacity and in art. 25 indicates the conditions for applying floating and fixed payable price depending on the tariff system of a given transmission system operator.

When should the operators initiate the incremental capacity process and how long does the process of obtaining incremental capacity take?



The transmission system operators are obliged to conduct the first market demand assessment for incremental capacity in 2017, as from the entry into force of the Regulation, i.e. on 6 April 2017.



The start of the subsequent market demand assessment procedures is related to the date of annual yearly capacity auction, as per the general principle adopted in the new CAM NC.



The transmission system operators are obliged to conduct a non-binding assessment of market demand for incremental capacity at least in each odd-numbered year. TSOs may initiate the procedure also in an even-numbered year, if the demand for capacity was submitted no later than 8 weeks after the annual yearly capacity auction in an even-numbered year and additional requirements referred to in art.26(5) of CAM NC are met.



The full incremental capacity process cycle (the binding and non-binding phases) should not exceed two years (from annual yearly capacity action in the gas year R to the annual yearly capacity auction in the gas year R+2).

How can a market participant submit demand for incremental capacity?

Within the assessment of market demand for incremental capacity, the operators publish on their websites a consultation form for the market participants to request additional or new capacities in interconnection points connecting adjacent entry-exit systems.

In the form, market participants should indicate the preferred entry-exit systems (on one or on both sides of the interconnection point) and the requested direction. Market participants are also asked to indicate gas years during which they want to use the incremental capacity, capacity volume between the given entry-exit systems, and to provide information of non-binding indications submitted or planned to be submitted within the incremental capacity processes conducted by other transmission system operators, in case such indications are linked with the submitted application. Additionally, if applicable, whether the demand is subject to any conditions, e.g. reservation of capacity in another cross-border interconnection point or points.

After the receipt of demand indications, the transmission system operators managing adjacent entry-exit systems start the elaboration of common market demand assessment report, estimating potential demand for incremental capacity and assessing whether incremental capacity project should be initiated. The report regarding the assessment of market demand should be published by the operators within 16 weeks from the start of the incremental capacity process.

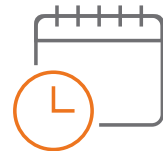
The report is a basis for initiating the design of these projects that will be assessed by the operator(s) as justified and is a condition to proceed to subsequent phases of the incremental capacity process.

How does the amended CAM NC code change the calendar of capacity auctions?



Annual yearly capacity auctions

the minimum number of gas years for which the transmission system operator may offer existing capacity has been introduced. Within an annual product auction, the existing capacity shall be offered for at least 5 upcoming gas years, and for no longer than upcoming 15 gas years. The date of firm annual product has been changed: since the gas year 2018 the auctions will be organised in July (art. 11), not in March, as before. Annual interruptible product auctions are held a month after the firm annual product auctions.



Quarterly capacity auctions

new quarterly auctions were introduced. They will take place each quarter. The first auction of firm products including four quarters of the upcoming gas year will be organised in August, not in June, as before. The subsequent auctions including the remaining three, two, and one quarter of the gas year will be organised in November, February, and May, respectively (art. 12). The new quarterly product auction calendar enters into force in gas year 2017. Quarterly interruptible product auctions are held a month after the firm quarterly product auctions.



Interruptible capacity auctions

the rules of offering long-term interruptible products will be changed. From 1 January 2018, interruptible capacity for annual, quarterly, and monthly products may only be offered after the corresponding annual, quarterly, and monthly firm product was sold at an auction premium, was sold out, or was not offered (art. 32).

Annual yearly capacity auctions	
Product	Auction date
Firm capacity	first Monday in July
Interruptible capacity	first Monday in August

Note: offer of yearly capacities in the annual auction for at least 5 years up to a maximum of 15 years.

Annual quarterly capacity auctions	
Firm capacity	Interruptible capacity
1st quarterly auction – on the first Monday in August (for the 4 quarters of following gas year: Oct-Dec, Jan-Mar, Apr-Jun, Jul-Sep)	1st quarterly auction – on the first Monday in September (for the 4 quarters of following gas year: Oct-Dec, Jan-Mar, Apr-Jun, Jul-Sep)
2nd quarterly auction – on the first Monday in November (for the 3 following quarters: Jan-Mar, Apr-Jun, Jul-Sep)	2nd quarterly auction – on the first Monday in December (for the 3 following quarters: Jan-Mar, Apr-Jun, Jul-Sep)
3rd quarterly auction – on the first Monday in February (for the 2 following quarters: Apr-Jun, Jul-Sep)	3rd quarterly auction – on the first Monday in March (for the 2 following quarters: Apr-Jun, Jul-Sep)
4th quarterly auction – on the first Monday in May (for the last quarter: Jul-Sep)	4th quarterly auction – on the first Monday in June (for the last quarter: Jul-Sep)

Where can I find the documents concerning the incremental capacity process conducted by GAZ-SYSTEM?

The information regarding the process of obtaining incremental capacity and the documents concerning the incremental capacity process will be published on the GAZ-SYSTEM website in the **Market consultations** tab. GAZ-SYSTEM will also inform network users on market demand assessments conducted in accordance with the requirements of the new CAM NC and on the reports and documents concerning all actions related to planning of poten-

tial investments that may result from the incremental capacity process on an on-going basis.



If you have any questions regarding participation in the incremental capacity process, contact us at: incremental@gaz-system.pl

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Elaboration of the brochure: **Development Division**
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