

Madrid Forum
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**Eurogas Views on Capacity Allocation
Mechanisms**

Presentation by Ralf Presse
Chairman of the System Users' Committee

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THE EUROPEAN UNION OF THE NATURAL GAS INDUSTRY

Eurogas supports the rapid development of the integrated market, and supports the objective to develop a more liquid gas market and an emphasis on greater harmonization as suggested by DG ENER.

Eurogas along with many respondents to the consultation would be happy to see bundled (hub to hub) products as an additional product option to support hub development.

However, Eurogas does not support the proposal for an obligation bundled (hub to hub) products, to the exclusion of separate entry/exit products at border interconnection points.

Furthermore it creates legal uncertainties regarding the change of delivery points in existing long term contracts.

Diversified market-driven solutions to boost hub activity should be the way forward.

The proposed framework guideline restricts capacity products offered to system users by TSOs by making flange trading impossible, and could lead to disproportionate intervention in commercial freedom and potentially adds administrative burden and costs.

Abolishing gas trading at the flange could introduce conflicts with the legal regime for the establishment of network codes.

- Incompatibility with the provisions of (Article 16.2b of the Regulation), which emphasizes the importance of compatibility of the capacity allocation principles with market mechanisms
- And would not contribute to the efficient functioning of the market (Article 6(2)).

No provision in the Third Package provides for measures making flange trading impossible.

Eurogas does not know how so-called default rules would work and are concerned that they will not address the problems.

If this approach is pursued, it raises questions about the credibility of the consultation process.