# We believe

## in the power of collaboration.

### Madrid Forum

October 17, 2018

PRISMA

+2500
Users active on the platform

38
TSOs

18
Markets connected

+600
Active Shipper companies

+300 k
FCFS bookings

+1500
Network points on the platform

+6.5 mio
Auctions at IPs

4
SSOs

28
Employees

# Why

Implicit Allocation?

# Functioning of short term gas markets can be further improved

| | |
|---|---|
| **Need for flexibility** | • Increasing share of non-controllable renewable electricity generation<br>• Combined with volatility in consumption and the role of gas as a balancing source is likely to increase pressure for further improving short-term capacity allocation processes |
| **Changing contractual environment** | • Many long term contracts running out between 2020 and 2030 with potential consequences on gas prices depending on the specific situation<br>• Short term capacity allocation processes may play a bigger role |
| **Occasional high spreads** | • Still some spreads occasionally higher than DA transport reg. tariffs (e.g. in cases of cold winter spells like Feb/Mar 2018)<br>• More structural higher spreads observed between a few hubs<br>• Transport capacity is in most of such cases not fully booked and/or without surcharge |

# Implicit Allocation as a support to short term markets

**Further support for achieving and upholding the objectives of the Third Energy Package...**

**... but only with a solution in line with the subsequent goals and regulations**

✓ Continuous support for the integration of the European internal gas market

✓ Additional support for improving liquidity within and between market areas

✓ Further improve the access to TSOs' gas transmission networks capacities

! In line with NC TAR and application of regulated tariffs as a base price

! Non discrimination and fair treatment of stakeholders

! Unbundling of activities (i.e. transport and commodity)

# How

## The Combined Explicit and Implicit Allocation model

PRISMA

# PRISMA's proposal: Combining the explicit and the implicit allocation of capacity

**Proposal**: *Add the input from the commodity markets to the current capacity allocation process on PRISMA and combine the allocation of both the explicit and the implicit demands for capacity into one global algorithm, thereby ensuring that the capacity is allocated to the market (explicit or implicit) that is valuing it the most*
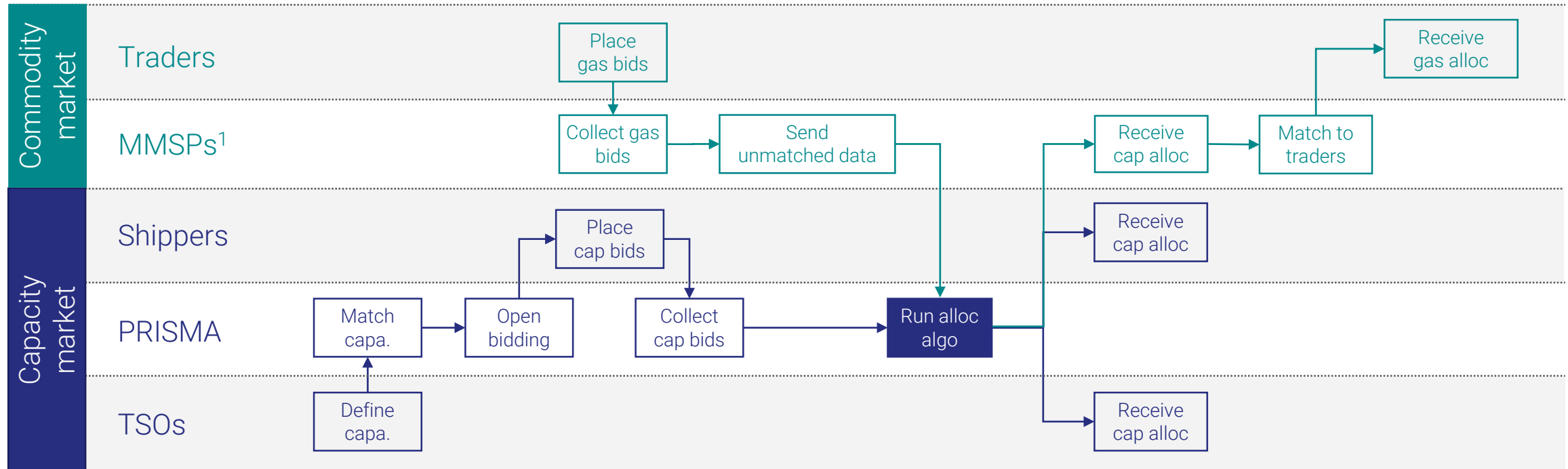


1– Match Making Service Providers, i.e. Gas Exchanges, Broker Houses

# The model fulfills all the key requirements

**Clear goal of the model proposed by PRISMA**
Aim **is** to further improve the market integration and provide support in critical situations
Aim **is not** to level the spread between hubs below the regulated tariff

## A model proposing one common allocation based on auctions

**Fair approach**
Capacity allocated to market valuing it the most
Same clearing price for explicit and implicit market

**In line with current legal framework**
In line with EU Network Codes (NC CAM & NC TAR)
In line with unbundling rules

**Improved liquidity**
Potentially increased number of matched trades
Increased social welfare

**Open Solution**
Solution open to all interested parties (e.g. different gas exchanges)

**Increased flexibility**
Additional short term booking method
Booking risk reduction

**Easy scale up**
Cheap and easy implementation
Open solution ensuring possibilities to go global

# Next steps?

Stakeholders involvement

PRISMA

# Outcome

Illustrative example

PRISMA

**Unmatched order in A**
*Trader A - sell*
1,000 MWh/day @ 20 €/MWh

**Market Area** <sub>A</sub>

**Explicit demand for capacity**
*Shipper – buy*
100 MWh/day @ 65 €/MWh

**Available bundled capacity**
*TSOs – sell*
600 MWh/day @ 50 €/MWh

**Market Area** <sub>B</sub>

**Unmatched order in B**
*Trader B - buy*
300 MWh/day @ 80 €/MWh

## Current capacity market organization

€

**Explicit demand**

65

Reg. Tar. 50

**Clearing price**

100    600    **Q**
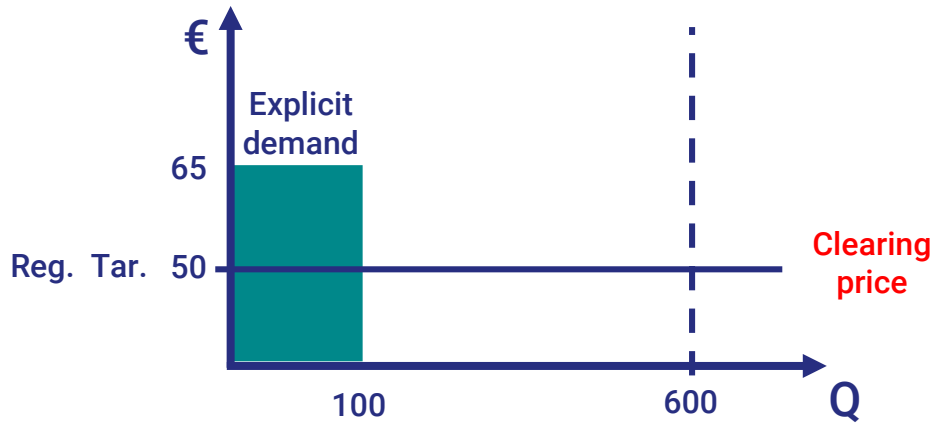
**Shipper buys: 100** MWh/d @ **50** €/MWh/d

**TSOs: 100** MWh/d @ **50** €/MWh/d

**Trader A sells: 0** MWh @ **20** €/MWh

**Trader B buys: 0** MWh @ **80** €/MWh

## With Combined Explicit and Implicit Allocation

€

**Explicit demand**    **Implicit demand**

65
60

Reg. Tar. 50

**Clearing price**

100    400    600    **Q**
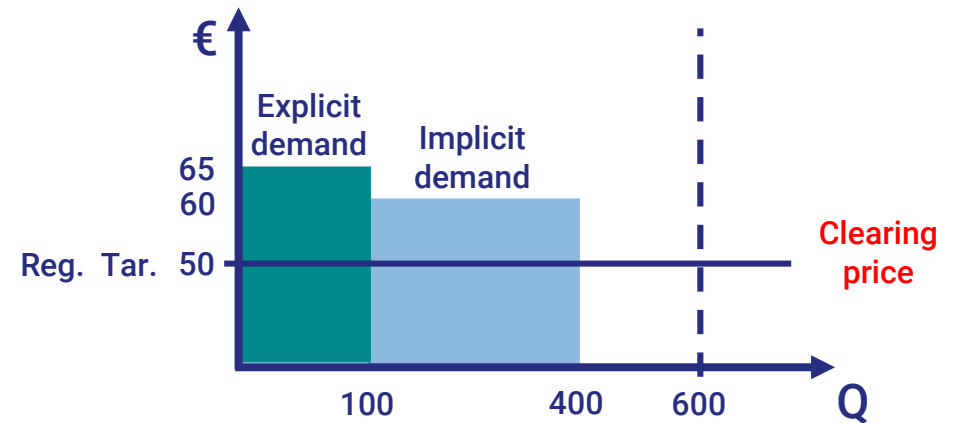
**Shipper buys: 100** MWh/d @ **50** €/MWh/d

**TSOs: 400** MWh/d @ **50** €/MWh/d

**Trader A sells: 300** MWh @ **20** €/MWh

**Trader B buys: 300** MWh @ **70** €/MWh

# WE MAKE FAIR MARKETS HAPPEN

## THANK YOU

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PRISMA