

Response to CNMC Consultation on the amendments to Circular 8/2019

Energy Traders Europe welcome the opportunity to comment on the amendments to CNMC Circular 8/2019 which establishes the capacity allocation methodology (CIR/DE/003/24). Key points we wish to make regarding the consulted document are listed below, followed by more detailed reasoning. We remain available to continue the discussion and provide any additional information that may be required.

Key messages

1. We support the idea of introducing **set-aside rules** for short-term regasification services, as these will enable better access to the Spanish hub.
2. We warn against **overly strict penalties** for non-surrendering unloading slots, as these may discourage market participants from using Spanish terminals.
3. Different anti-hoarding measures should be explored to preserve commercial attractiveness of slots.

Anti-hoarding measures

We support mechanisms that prevent capacity hoarding and encourage market participants to release slots they no longer require, as they reduce the risk of contractual congestion, increase liquidity, and enhance market efficiency by ensuring fair access to capacity for all market participants. Indeed, **should a trader or shipper be no longer interested in a slot, that slot should be offered back to the market with sufficient notice**, allowing other market participants to use it, and preventing negative impacts on the market.

However, as we note significant rise in the level of fines proposed for late communication of slot surrender or non-utilization, we would like to point out that **disproportionate**

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increases in surcharges could have negative consequences for the commercial attractiveness of Spanish terminals.

While it is understandable to increase surcharges to discourage capacity hoarding, it is also crucial to recognize that **such increases imply an alteration of the value of capacity** and could affect the bidding behaviour of market participants, incentivising them to bid lower or book less capacity overall. This might in turn render regasification activities in Spain less attractive, potentially redirecting LNG cargoes to other European terminals.

Second, we believe that application of fines for non-surrendered slots already 30 days before delivery may be problematic, as capacity holders may not be able to determine whether they will want to use the slot or not. In other words, application of charges too far in advance of the delivery period may also penalize legitimate market behaviour. As a general principle, **surcharges should not be charged, or be significantly lower for longer notice periods and escalate closer to the delivery day**. In particular, we also find it disproportionate to apply the same surcharge for 0- and 10-days' notice, as proposed in the consultation.

Third, we believe that **the same regulatory treatment should not be reserved to small-scale ships** (i.e., 20.000m^3) as compared to other sizes, or to their loading or unloading operations, since the peculiarities of these operations are very different and their impact on the gas system is substantially lower, with the changes or cancellations made to the forecast not being so important. Therefore, only for small-scale ships using small jetties (for instance, Barcelona and Cartagena LNG terminals), we propose to:

- (i) eliminate the notice period for modifications in the contracted slots;
- (ii) establish unlimited modifications and adjustments to the contracted slots;
- (iii) reduce to 3 days the notice period for slots resignations and cancellations, both for uploads and downloads.

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We also note that the proposed **extension of the notice period for communicating cancellations to 10 days will severely limit the flexibility available to shippers** who have auctioned for slots under the existing rules. While we appreciate and support the idea of reinforcing the anti-hoarding measures, we note that the amendment will significantly affect the value of capacity they have bought.

Finally, as a possible form of protection for users that contracted slots under the existing regime, we believe that CNMC should consider granting users the possibility to immediately **unwind their positions and renounce the slots contracted under the previous rules**, if they consider it necessary. This would enable users to account for the new surcharges when re-contracting the capacities.

We remain available for any further clarifications or additional information you may require. Please do not hesitate to contact us.

Contact

Stefano Grandi
Gas Policy Associate
+32 484 994 777
s.grandi@efet.org