

Energy Traders Europe letter regarding the initiative of the Trans-Balkan route TSOs

With this letter we would like to signal our views on the recent proposal from the TSOs along the Trans-Balkan route to offer combined capacity along the way from Greece to Ukraine as a separate monthly product. While we appreciate and gladly welcome such coordinated effort in the region, we note that:

- It is difficult to establish how such a product could be considered compliant with the EU acquis:
 - The combined product would effectively facilitate point-to-point transactions with a discount, deviating both from the CAM and the TAR Network Codes;
 - The TSOs propose running uniform price auctions for the products in question, although CAM NC currently envisages it only for day-ahead and within-day products;
- Even if facilitated by way of exception – which would be difficult to find a legal basis for – the product may cause distortions through:
 - putting capacity holders on competing routes towards Ukraine at a disadvantage;
 - reinforcing the position of the incumbent;
 - further fragmenting the regional market, which is already struggling with liquidity;
- If such solution is deemed acceptable given the circumstances, other Member States will likely seek a similar exemption, creating a precedent without a thorough impact assessment.

While we applaud the attempt to improve the attractiveness of the Trans-Balkan route, particularly in view of Ukraine's gas import needs, we are concerned that the solution might have far-reaching implications. We are therefore of the opinion that compliant and unrushed solutions should be explored in the first place. Energy Traders Europe is available to participate in a transparent and open discussion to identify solutions that support increasing the level of market integration in the medium term. Possible solutions could include lower seasonal factors and multipliers for existing short term capacity products, market area mergers and route (combined capacity) products, if they are compliant with the EU acquis and contribute to achieving the stated goal.

We take this opportunity to indicate the limited level of market integration in the region, which is the root cause of the situation the gas market is facing today. This fragmentation, largely resulting from strong market concentration on the national markets along the Trans-

Balkan Route and high entry barriers in Romania, results in low hub liquidity, underutilization of the gas network and, in turn, high tariffs that TSOs now seek to address in the proposal. It is therefore of paramount importance to intensify the efforts to better integrate the national markets in CSEE region.

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