TSOs Proposal for the Coordinated Implementation of the allocation of interruptible capacity at VIP Ibérico

April 2023

1. Purpose

The aim of this document is to describe the procedure to implement and apply in a coordinated manner between Spain and Portugal the offer of daily interruptible services at VIP Ibérico, based on the provisions of the Network Code on capacity allocation mechanisms in gas transmission systems - Regulation (EU) 2017/459 – NC CAM.

2. Background

The Regulation (EU) 2017/459 in article 32 - Allocation of interruptible services - refers that **"**Transmission system operators shall offer a daily capacity product for interruptible capacity in both directions at interconnection points where the respective standard capacity product for firm capacity was sold out day-ahead or was not offered (…)".

In 2019 REN proposed to Enagás to comply with this requirement in a coordinated manner. This coordination goes beyond what is established in the NC CAM since it does not compel to offer interruptible capacity in a coordinated manner. However, both TSOs saw the coordination as positive to ensure maximum harmonization in VIP Ibérico.

The project was then addressed in the context of the SGRI meetings, where the regulators of both countries (ERSE and CNMC) gave their approval being part of the workplans 2020 and 2021. Since then, REN and Enagás have worked together and have agreed on the procedure described herein.

3. Calculation of Interruptible Capacity

As mentioned, on a daily basis and after closing the day-ahead capacity auction, each Transmission System Operator (TSO) shall offer a daily product for interruptible capacity to be offered as a bundled product. This product shall be offered when the respective standard product for firm capacity was sold out in the day-ahead or was not offered.

That Interruptible capacity is calculated having into account the operational capacity, the booked daily firm capacity in the flow direction, the nominated capacity in the flow direction and the potential variation of nominations that can occur during the gas day (renominations) which is considerate on the calculation through a correction parameter. Given that there is a virtual flow produced by nominations for the opposite flow direction, it's also considered both booked daily firm capacity and nomination in the opposite flow direction.

If the interruptible capacity offer results in a negative value for a direction, none interruptible capacity shall be offered in that direction, none interruptible capacity shall be offered in that direction.

a. Correction Parameter and Maximum Ceiling

During the gas day, shippers have the option to modify hourly the use they make of their contracts. That means an important variation in nominations can occur throughout the gas day that can not be taken into account when offering interruptible capacity the previous day.
Therefore, to decrease the risk of congestion at the virtual interconnection point and the risk of interruption caused by renominations, a Correction Parameter is considered in the calculation.
That Correction Parameter is calculated in the basis of how nominations have varied historically.

On days of high volatility in the markets, it could happen that nominations are low while firm capacity is completely booked. This situation would result in a very high interruptible capacity offer and a high probability of upward re-nominations, giving rise to a high risk of interruption. To deal with this type of situations, a maximum ceiling in the interruptible capacity offer has been introduced in the formula. It is proposed that the maximum ceiling should be calculated as a percentage of the technical capacity of the interconnection in that flow direction.

The Correction Parameters and the Maximum Ceiling may be published annually on the TSOs website for the following gas year.
Both Correction Parameter and Maximum Ceiling may be revised yearly or in any other situation that requires its analysis. For instance, a potential risk for security of supply in both countries or in any other country that may impact in the Iberian Peninsula.

4. Interruptible Capacity Offer

The interruptible capacity shall be allocated via an auction process in the PRISMA platform. Both TSOs shall submit the capacity to be offered as bundled product in the interruptible daily capacity auction, until 16:30 UTC (winter time) or 15.30 UTC (daylight saving), time at which the interruptible capacity auction will take place, with a duration of 30 minutes. If there is no matching of capacities uploaded by the TSOs, the remaining capacity should be offered as an unbundled product.

5. Interruption Conditions

In addition to all the calculation and allocation process explained above, regulators requested the analysis of the conditions for capacity interruption of interruptible contracts. Being the coordinated mechanism described on this document based on capacity that is available because network users do not fully nominate their firm capacity rights will lastly imply that the interruptions of capacity will occur due to upward renominations, which will result in two-sided interruptions of the interruptible contracts. Having that into account, it was stablished the following conclusions:

- If the total of nominations exceeds the quantity of gas that can flow across the IPs, as stated in the article 35 of the Network Code, the interruptible transport contract coming into force earlier shall prevail over interruptible transport contract coming into force later.
- If, after applying the merit order, two or more nominations are ranked at the same position within the interruption order and the TSO does not need to interrupt all of them, a pro rata reduction of these specific nominations shall apply.
- According to the Network Code, article 33 2), the default minimum interruption lead-time for a given gas hour shall be 45 minutes after the start of the re-nomination cycle for that gas hour.

- The transmission system operator that initiates the interruption shall notify the relevant adjacent transmission system operator. Adjacent transmission system operators shall notify their respective affected network users as soon as possible, but with due regard to the reliability of the information (article 34, CAM).