



CAPACITY CONVERSION MECHANISM AT EUROPEAN INTERCONNECTION POINTS

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BACKGROUND

Until the entry into force of Regulation (UE) n° 984/2013, all available capacity at European IPs was offered and allocated in an unbundled way. This means that the capacity was allocated in an independent way by each TSO at each side of the IPs. As a consequence, nowadays there is a significant part of the capacity booked in long term basis and in an unbundled way.

With the entry into force of Regulation (UE) n° 984/2013, and in accordance with the Article 19, the TSOs have the obligation to maximize the offer of bundled capacity as much as possible at the European IPs.

Due to the expressed in the paragraphs above, in the cases where:

- a) There was more booked capacity at one side of the IP than at the other one, and also
- b) Technical capacity is higher at one side of the IP,

shippers that have booked unbundled capacity before the entry into force of Regulation (UE) n° 984/2013 could arrive into a situation where it is not possible to acquire unbundled capacity at the other side of the IP. Therefore, shippers found themselves with some capacity booked in an unbundled way that they were not able to use.

The European Commission published on 16th March 2017 in the Official Journal the Regulation (UE) 2017/459, establishing a network code on capacity allocation mechanisms in gas transmission systems and repealing Regulation (EU) No 984/2013.

In the mentioned Regulation (UE) 2017/459, there were some articles modified and included in relation with the methodology to allocate capacity, and it was tackled, particularly, the problematic generated around the old unbundled contracts booked in a long term basis in the European IPs.

Therefore, Article 21 of mentioned regulation tries to solve this problematic mandating ENTSOG to create a model to convert unbundled capacity into bundled capacity. This model should guide the TSOs, in coordination with the NRAs, to develop a concrete mechanism to convert the unbundled capacity into bundled capacity. ENTSOG approved and published its conversion capacity model on 24th July 2017.

In order to facilitate shippers the use of their unbundled capacities booked before the implementation of Regulation (EU) No 984/2013, Enagás Transporte has developed the present mechanism to convert capacity.

BASIC PRINCIPLES OF CAPACITY CONVERSION MECHANISM

In accordance with Regulation (UE) 2017/459, and from January 2018, Enagás Transporte will offer a mechanism to convert unbundled capacity based on the model developed by ENTSOG, and which basic principles are developed here bellow:

1. It is possible to convert capacity into **yearly, quarterly or monthly** bundled products. This means that a shipper with unbundled capacity booked in long term basis could convert its capacity into bundled capacity only if the shipper bids for capacity in a yearly, quarterly or monthly auction.
2. The shipper with unbundled capacity booked in long term basis will apply to Enagás Transporte "**ex-ante**" its intention to convert totally or partially his unbundled capacity into bundled capacity.
3. Once the shipper obtains capacity in the auction, Enagás Transporte will proceed to **reduce totally or partially the capacity of the unbundled contract** for the runtime and the capacity obtained in the auction. In parallel, **a new contract will be created** for this same period and quantity.
4. **It is permitted to bid for a higher capacity** that the one held in the unbundled contract, and it will result (if it is a winning bid) in the conversion of the unbundled contract, plus an additional contract with the rest of the capacity that was bided.
5. Regarding the applicable tariff, **Enagás Transporte will apply the tariff from the original unbundled contract to the new contract**. Therefore, only potential auction premium stemming from the respective auction of bundled capacity will be charged in addition to the applicable contractual price of the initial unbundled contract.

CAPACITY CONVERSION MECHANISM

The shipper that wants to convert unbundled capacity into bundled will have to bid in a yearly, quarterly or monthly auction at the same IP and flow where it has the originally booked unbundled capacity. Before the auction, the shipper will have to send to Enagás Transporte a request via email that includes, among others, the contract number that wants to convert, the period to convert and the amount of capacity to be converted. All these parameters are indicated in the Annex 1 of the present document. The shipper has a limit of **3 working days before the auction** for sending the mentioned request.

Once Enagás Transporte has received the request to convert capacity, it will be analyzed. Enagás Transporte will check the following parameters of the contract that is wanted to be converted:

1. The duration of the contract is higher or equal to the auction product duration where the shipper is going to bid to convert the capacity.
2. The capacity that is wanted to be converted has not been transferred via secondary market to a different shipper.

Once the analysis is done, and the latest **1 working day before the auction takes place**, Enagás Transporte will respond to the email sent by the shipper requesting the capacity conversion with the viability.

In case the viability is positive, the shipper will participate in the auction of the product indicated in the request. As a result of the auction, it will be automatically generated a contract in the SL-ATR for the corresponding capacity and period, and Enagás Transporte will reduce the old contract for the exact same capacity and period that the shipper gained in the auction.

Nevertheless, Enagás Transporte will inform the shipper via email, explaining if the capacity was converted or not, how much quantity was converted, and which is the new contract resulting from the conversion, as well as the tariff to be applied to this contract and the corresponding premium (if).

ANNEX I: model of request to convert unbundled capacity into bundled capacity.

With the present email we request, in accomplishment with Regulation (UE) 2017/459, the application of the Capacity Conversion Mechanism as it is established in the rules published by Enagás Transporte.

(The shipper) wants to convert the capacity and period specified in the following table from the contract specified also in the table. Therefore, we compromise ourselves to bid in the corresponding _____ (yearly, quarterly or monthly) auction that will take place the following XX/XX/XXXX.

Contract number	Interconnection Point	Flow	Starting Date to convert	End Date to convert	Capacity to be converted kWh/d 0°	Type of product of the auction
030000XXXX	VIP PIRINEOS VIP IBERICO	Entry, Exit	XX/XX/XXXX	XX/XX/XXXX	1.000.000	Yearly, Quarterly, Monthly

Thank you very much.