



**Coordinated implementation of the
Network Code on Capacity
Allocation Mechanisms**

Information Memorandum

January 2014

INDEX

1	Background	5
2	Auctions.....	6
2.1	2014 auctions	6
2.2	2015 auctions and onwards	7
2.3	Booking platform.....	7
2.4	Auction algorithms	7
3	Description of capacity products	8
3.1	Virtual Interconnection Point	8
3.2	Management of the capacity booked before the entry into force of auctions ...	8
3.3	Bundled capacity	9
3.4	Unbundled capacity	10
3.5	Products	10
3.6	Units and reference conditions.....	11
4	Requirements to participate in auctions	13
4.2	Financial guarantees to participate in the auctions.....	15
5	Capacities offered.....	16
5.1	Existing contracts.....	16
5.2	Additional capacities in the meaning of Annex I of Regulation 715/2009.....	16
5.3	Calculation of capacities	16
5.4	Split of capacities.....	16
6	Calendar	18
7	Price	19
7.1	Regulated tariff	19
7.2	Price steps.....	19
7.3	Revenue split: capacity premium payments.....	20
7.4	Conversion of tariff units for PRISMA.....	20
8	Transfer of capacity in the secondary market.....	22
9	Congestion Management Procedures.....	25
9.1	Surrender of contracted capacity	25

9.2	Long Term UIOLI	27
10	Other	28
10.1	Interoperability issues	28
10.2	Gas day	28
10.3	Allocation of spare capacities at the VIP after the auctions	28
11	Contact.....	30
	Appendix I: Capacities to be offered during the gas year 2014-2015	31
	Appendix II: Indicative auctions calendar for the year 2014.....	33
	Appendix III: Request for daily products on the Portuguese side	34
	References	36

Disclaimer

The aim of this document is to describe in detail the procedures for the implementation of the Network Code on Capacity Allocation Mechanisms at cross-border capacity between Portugal and Spain, to ensure a coordinated and consistent implementation of the referred procedures.

1 Background

The South Gas Regional Initiative Work Plan 2011-2014ⁱ establishes that the final goal on CAM for 2014 would be having in place joint coordinated capacity allocation mechanisms for the allocation of cross-border capacity in all the interconnections between the balancing zones in the region.

For reaching this goal, Enagás and REN committed to develop an early implementation of the Commission Regulation 984/2013 of 14 October 2013 establishing a Network Code on Capacity Allocation Mechanisms in Gas Transmission Systems and supplementing Regulation (EC) 715/2009 of the European Parliament and of the Council (CAM NC)ⁱⁱ.

2 Auctions

From 2014 onwards, the capacity at the Spanish-Portuguese border shall be allocated according to the rules established in the CAM NC as part of an early implementation process as agreed among the Agency for the Cooperation of Energy Regulators (ACER), both National Regulatory Authorities (NRAs) and both Transmission System Operators (TSOs), which precedes a final stage of full binding with CAM NC provisions in November 2015.

According to the CAM NC, auctions shall be carried out for both firm and interruptible products, if any, and bundled and unbundled products. The auctions listed in the CAM NC are:

1. Annual yearly capacity auctions (Article 11)
2. Annual quarterly capacity auctions (Article 12)
3. Rolling monthly capacity auctions (Article 13)
4. Rolling day ahead capacity auctions (Article 14)
5. Within-day capacity auctions (Article 15)

2.1 2014 auctions

Until the binding application of the CAM NC (from November 2015 onwards), an interim period shall prevail, in which only the following auctions will be held for bundled and unbundled products:

1. Annual yearly capacity auctions
2. Annual quarterly capacity auctions
3. Rolling monthly capacity auctions

On both sides of the Virtual Interconnection Points (VIP), Day-ahead capacity products will be allocated on First Come First Served (FCFS) basis until November 2015 ([See section 10.3](#)).

If offered day-ahead unbundled interruptible capacity, it will be allocated under FCFS basis.

2.2 2015 auctions and onwards

From November 2015 onwards, with the full implementation of the CAM NC, Enagás and REN will implement all the auctions included in the CAM NC. Thus, no capacity will be allocated on FCFS basis.

2.3 Booking platform

All auctions will be carried out via PRISMA booking platform:

<https://primary.prisma-capacity.eu/>

2.4 Auction algorithms

2.4.1 *General principles*

Auctions shall be used for the allocation of capacities at the VIP. Enagás and REN will implement the auctions algorithms included in the PRISMA booking platform, which are in line with the CAM NC.

2.4.2 *Ascending clock auction algorithm*

For annual yearly, annual quarterly and rolling monthly capacity auctions, an ascending clock algorithm with multiple bidding rounds shall be applied.

The ascending clock auction algorithm to be applied is described in Article 17 of the CAM NC.

2.4.3 *Uniform-Price auction algorithm*

For rolling day-ahead and within-day capacity auctions a uniform-price auction algorithm with a single bidding round shall be applied.

The uniform-price auction algorithm to be applied is described in Article 18 of the CAM NC.

3 Description of capacity products

3.1 Virtual Interconnection Point

The Virtual Interconnection Point (VIP) is the commercial point where capacity is offered between Spain and Portugal.

According with the CAM NC '*virtual interconnection point*' means *two or more interconnection points which connect the same two adjacent entry-exit systems, integrated together for the purposes of providing a single capacity service*';

Available capacity at the two existing physical Interconnection Points (IPs) between Spain and Portugal, Valença do Minho-Tuy and Badajoz-Campo Maior, will be offered at a single VIP. This will imply that as from October 2014 for commercial and nomination purposes the physical IPs will no longer exist.

Two different types of products, depending on their characters, firm and interruptible, can potentially be offered to the market at the VIP.

For the purpose of ensuring the necessary firmness of the nominated capacities at the VIP, both TSOs will guaranty the existence of an Operational Balancing Account (OBA) on the VIP.

For the calculation of capacities at the VIP between Portugal and Spain, existing technical capacities at the two existing physical IPs between Spain and Portugal has been aggregated. This will be published on Enagás and REN websites as from February 2014.

3.2 Management of the capacity booked before the entry into force of auctions

From 1 October 2014 onwards, all existing contracts at the physical interconnection points, Valença do Minho-Tuy and Badajoz-Campo Maior, will be transferred into the virtual interconnection point between Spain and Portugal

This should not be understood as the application of the *Best Efforts Clause* included in Article 20 of the CAM NC. Shippers will not be forced, unless otherwise stated in national regulations, to bundle their contracts at both sides of the IPs.

On the Spanish side, capacity booked before 1 October 2014 will maintain the term and conditions included in the contracts. However, if through the application of the CMP guidelines capacity is released, this capacity will be allocated under the conditions and procedure contained in this document.

On the Portuguese side, as there are no long-term contracts with durations beyond September 2014, each new contract regarding capacity for any period starting in 1 October 2014 or later will be referred to the VIP.

3.3 Bundled capacity

Enagás and REN will jointly offer the maximum possible amount of bundled capacity between Spain and Portugal in both flow directions. According to the CAM NC bundled capacity means a standard capacity product offered on a firm basis which consists of corresponding entry and exit capacity at both sides of every interconnection point. This implies that:

- Each standard product offered includes the same amount of capacity at both sides of the VIP.
- Capacities will be booked through a single allocation procedure.
- Capacities can only be allocated to the same shipper at both sides of the VIP. (Same shipper at PRISMA will be understood as a company that has a single Energy Identification Code (EIC)).

Transactions held on the secondary market must not result in unbundling capacities that were previously offered and allocated as bundled capacities.

Shippers will have to sign two contracts, one with each TSO, if they want to participate in bundled capacity auctions. (*see Section 0*).

A joint nomination procedure for bundled capacity providing registered network users with the means to nominate the flows of their bundled capacity via a single nomination will be envisaged from 2015 onwards.

Thus until November 2015, automatic data exchanges of nomination and matching procedures will be based on current practices (in accordance with the “Manual de Procedimentos da Gestão Técnica Global”, in the Portuguese side, and the “Normas de Gestión Técnica del Sistema” (NGTS) in the Spanish side).

3.3.1 Bundling of capacities at PRISMA

Before each auction starts, Enagás and REN will define, in a coordinated way, the maximum possible amount of bundled capacity, and consequently will individually upload at PRISMA the capacities to be auctioned. The values uploaded by each TSO will not be necessarily the same.

Then, PRISMA will automatically make the bundled capacity to be auctioned taking into account the lesser value of the capacities sent by each TSO and the firmness of the capacities uploaded. Each TSO will decide if the capacity mismatch (difference between the values uploaded individually by each TSO for the same type of product at PRISMA and the lesser value) could be offered as unbundled capacity.

3.4 Unbundled capacity

The auction for the firm bundled and unbundled capacity for the same standard capacity product will be carried out simultaneously at PRISMA, in the same slot.

Firm capacity mismatches (therefore where there is more available firm capacity on one side of the interconnection point than on the other side for any period considered) may be offered as unbundled products in accordance with the auction calendar and the following rules:

- a) where there is an existing unbundled transport contract at the other side of the interconnection point, capacity may be offered on an unbundled basis not exceeding the amount and duration of the existing transport contract at the other side, taking into account that in Portugal gas trading can only be performed inside the balancing area in the VTP.
- b) where such extra capacity would not fall under rule (a), it may be offered for a maximum period of one year;

3.5 Products

3.5.1 Standard capacity products

The standard capacity products offered by Enagás and REN will be those included in Article 9 the CAM NC.

The following standard capacity products will be offered from November 2015 onwards:

- Yearly standard capacity products
- Quarterly standard capacity products
- Monthly standard capacity products
- Daily standard capacity products
- Within-day standard capacity products

During the gas year 2014-2015, Enagás and REN will offer all standard capacity products except within-day standard capacity products, which will be available as from November 2015.

3.5.2 Firm products

All products will be firm unless otherwise stated.

3.5.3 Interruptible products

No interruptible capacity will be offered on gas year 2014-2015 yearly, quarterly or monthly capacity auctions.

Day-ahead interruptible capacity shall only be offered if 98% of the equivalent firm technical capacity has been previously allocated.

If within-day interruptible capacity is to be offered, it will be allocated by means of over-nomination procedures.

For the upcoming gas years, interruptible capacity, if available, shall also only be offered if 98% of the equivalent firm technical capacity has been previously allocated.

In any case, interruptible capacity products will be sold in accordance with the NRA's decision regarding possible bundling of products in the Portuguese-Spanish border.

3.6 Units and reference conditions.

The Framework Guidelines on Interoperability and Data Exchange Rulesⁱⁱⁱ (INT&DE FG) determine the units that shall be harmonised for the parameters of pressure, temperature, volume, gross calorific value and energy. The transmission system operators will use:

pressure:	bar
temperature:	°C (degree Celsius)
volume:	m ³ (normal conditions)
gross calorific value (GCV):	kWh/m ³
energy:	kWh (based on GCV)
Wobbe-index:	kWh/m ³ (based on GCV)

For pressure, the transmission system operators shall indicate whether it refers to absolute (bar(a)) or gauge (bar(g)).

The reference conditions for volume shall be 0°C and 1.01325 bar(a). For GCV, energy and Wobbe-index the default combustion reference temperature shall be 25°C.

This units and reference conditions will be used for all the process related in this document.

Capacity will be offered at PRISMA in kWh/h at 25°C

Contracts will be signed in kWh/day at 0°C with Enagás and in kWh/day at 25°C with REN.

Taking into account this difference, conversion factors shall be used to upload on PRISMA the capacity to be offered, in such case that capacity in kWh/day at 0°C and in kWh/d at 25°C will be converted in capacity in kWh/h at 25°C by applying the following formulas:

- On Enagás side: $\text{INT (kWh/d (0°C))} / 1,0026 / 24 = \text{kWh/h (25°C)}$
- On REN side: $\text{INT (kWh/d (25°C))} / 24 = \text{kWh/h (25°C)}$

Besides, conversion factors shall be used to download from PRISMA the capacity allocated in the auctions, in such case capacity in kWh/h at 25°C will be converted in capacity in kWh/day at 0°C and in capacity in kWh/d at 25°C by applying the following formulas

- On Enagás side: $\text{INT (kWh/h (25°C))} * 1,0026 * 24 = \text{kWh/d (0°C)}$
- On REN side: $\text{INT (kWh/h (25°C))} * 24 = \text{kWh/d (25°C)}$

4 Requirements to participate in auctions

In order to participate in an auction, shippers and eligible customers licensed in Portugal and Spain (“Shippers”) shall be registered at PRISMA booking platform.

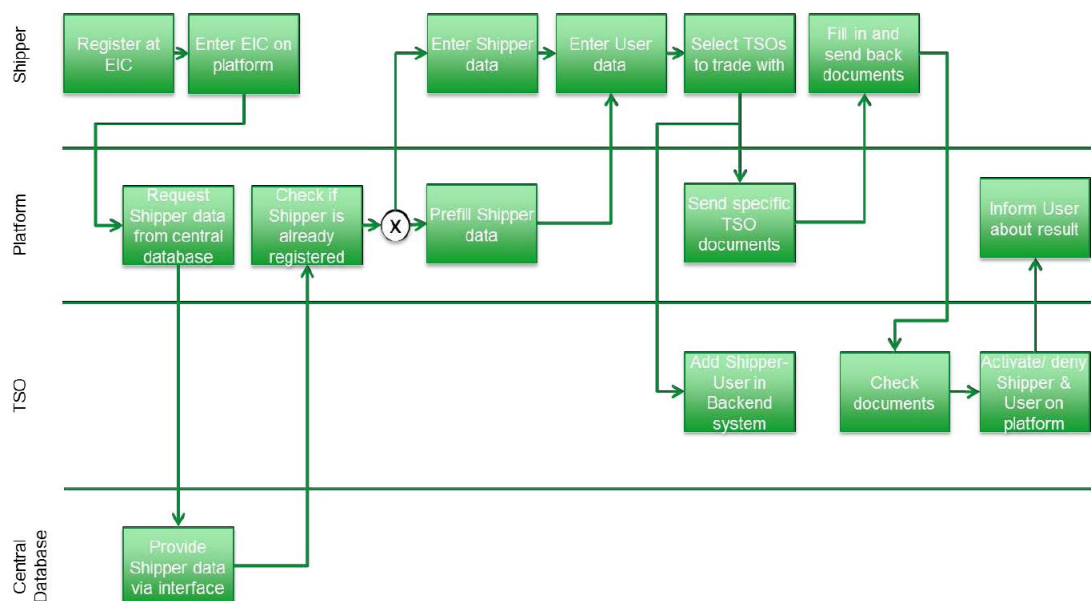
This section establishes the requirements that Shippers must fulfil in order to successfully register at PRISMA and with each TSO.

In order to participate in any auction, Shippers must be registered at PRISMA through separate registrations relative to each TSO, since different conditions may apply. The registration process consists of two steps which are both executed on the platform:

- Registration to use the platform
- Registration to conclude bookings and to participate in auctions

Shipper’s registration process is detailed in the figure below, further information shall be provided by PRISMA.

Figure 1: Shipper registration process with PRISMA



Source: PRISMA

4.1.1 Requirements to participate in auctions on the Spanish side

In order to be able to participate in an auction Shippers must be registered as licensed Shippers in the Spanish system. The requirements and procedure to get the license are detailed by the Ministry of Industry, Energy and Tourism (MINETUR) at the following link:

<http://www.minetur.gob.es/energia/gas/Requisitos/Paginas/comercializador.aspx>

Once Shippers have been accredited as licensed Shippers to operate in the Spanish system, they will be included in the “List of Natural Gas Shippers” (i.e. “*Listado de comercializadores de gas natural*”) published by CNMC according to article 80 of the Hydrocarbons Law, modified by Law 25/2009. This List is available at:

<http://www.cnmc.es/es-es/energ%C3%ADa/operadoresenerg%C3%A9ticos/listadodecomercializadores.aspx>

Once Shipper have been included in the “List of Natural Gas Shippers”, they will have to get in contact with Enagás in order to have access to the SL-ATR platform (i.e. IT platform to operate in the Spanish system) and to the electronic platform where access contracts are signed.

Once Shippers have successfully carried out the previous steps, then, and until 1 day before any auction starts, Shippers will have to sign the Standard Contract (“*CONTRATO MARCO PARA EL ACCESO AL SISTEMA DE TRANSPORTE Y DISTRIBUCIÓN DE ENAGAS TRANSPORTE, S.A.U. MEDIANTE CONEXIONES INTERNACIONALES POR GASODUCTO CON EUROPA*”) with Enagás in advance, in order to be able to participate in any auction carried out at PRISMA booking platform. The Standard Contract will only be signed once during the registration process to conclude bookings and to participate in auctions with Enagás at PRISMA booking platform.

The Standard Contract will be available in the following link:

<http://www.enagas.es/stfls/EnagasImport/Ficheros/732/232/ENER%20102%202013%20GAS%20Contrato%20Marco%20definitivo%2021022014%20completo,0.pdf>

Capacity allocated to a Shipper at PRISMA booking platform will be automatically introduced into the SL-ATR, thus this allocation will be binding for shippers and it will not be necessary to sign any additional document.

4.1.2 Requirements to participate in the auctions on the Portuguese side

In order to be able to participate in auctions Shippers must be registered as licensed shippers in the Portuguese system. The requirements and procedure to get the license are detailed by the DGEG at:

<https://www.dgeg.pt/>

In addition to the registration at DGEG, shippers must fulfil at any time all obligations arising from regulatory provisions in force regarding shipper's statutes and necessary contracts with the System Management, if any. In addition, shippers have to have signed, at least, the Transport Contract with REN-Gasodutos in order to participate in the auctions ("*Contrato de Uso da Rede Nacional de Transporte de Gás Natural*"), and to have a valid financial guarantee. These financial guarantees are detailed in *the "Contrato de Uso da Rede Nacional de Transporte de Gás Natural"*, which general terms and conditions are available at REN's ATR platform, at:

<https://www.ign.ren.pt>

Capacity allocated to a Shipper at PRISMA booking platform will be automatically introduced in REN's Third Party Access Platform (ATR), thus this allocation will be binding for shippers and it will not be necessary to sign any additional document.

Once the shipper has been informed of the allocation of capacities, it will also be informed of the eventual need to reinforce the financial guarantees associated with the Transport Contract signed with REN, for which it has 5 working days to complete.

4.1.3 Single Shipper

Only one shipper, identified by a unique and specific EIC code which must be identical on both sides of the VIP, can participate in an auction for a bundled product. This means that transfer to affiliates will only be possible through secondary market.

4.2 Financial guarantees to participate in the auctions

Neither on the Spanish nor on the Portuguese side there will be any need to establish specific or additional financial guarantees for participating in the auctions beyond those already established under each transport contract.

On the Spanish side, once the shipper has been informed of the allocation of capacities, it will be informed of the financial guarantees associated to the contracted capacity he has to put in place in favour of Enagás. These financial guarantees are detailed in Royal Decree 949/2001.

5 Capacities offered

5.1 Existing contracts

Capacities assigned (subscribed and signed) by each TSO before the announcement to the market by the regulator(s) and/or the TSO(s) of the intention to early implement the CAM NC as from March 2014 between Portugal and Spain will be fully respected and considered in the future, according to the provisions in the existing contracts.

5.2 Additional capacities in the meaning of Annex I of Regulation 715/2009.

Additional capacities made available through the application of the Congestion Management Procedures included in the Commission Decision of 24 August 2012 on amending Annex I to Regulation N° 715/2009^{iv} (CMP Guidelines) will be reallocated through the procedures included in [Section 9](#).

5.3 Calculation of capacities

Bundled capacities will be determined through application of the lesser rule to the total capacities considered and uploaded to the PRISMA booking platform by each TSO.

For the calculation of capacities at the VIP between Portugal and Spain, existing technical capacity at the two existing physical IPs between Spain and Portugal has been aggregated.

The capacity considered by each TSO will be the result of the following calculation:

$$\text{Capacities offered} = \text{technical capacities} - \text{booked capacities of existing contracts} + \text{additional capacities, if any}$$

5.4 Split of capacities

According to Article 8 (6) of the CAM NC, “*an amount at least equal to 20 % of the technical capacity at each interconnection point shall be set aside, provided that the available capacity, at the time the CAM NC enters into force, is equal to or greater than the proportion of technical capacity to be set aside. If the available capacity, at the time the CAM NC enters into force, is less than the proportion of technical capacity to be set aside, the whole of any available capacity shall be set aside*”.

On the Portuguese side and up to date, regulation foresees that capacity contracts can only be signed for the maximum period of one year, i.e. from October to September on the following year; thus, in order to maximise the offer of bundled capacity, Enagás and REN have decided to carry out annual yearly capacity auctions for one year duration only for the gas year 2014-2015. This rule may change in the future.

Thus, the following quotas shall apply for the gas year 2014-2015:

- 10% of the technical capacity, if available, shall be offered as quarterly products through the annual quarterly capacity auctions,
- If capacity remains available, all the available capacity shall be offered in the annual yearly capacity auction.

Capacities for the gas year 2014-2015 are presented in *Appendix I: Capacities to be offered during the gas year 2014-2015* of this document.

Beyond gas year 2014-2015, the rules for determination of available capacity at the VIP for each product shall be those established in the CAM NC, Art. 8 - "Allocation Methodology".

6 Calendar

The auction calendar will be published by ENTSOG by January of every calendar year for auctions taking place during the period of March until February of the following calendar year and consisting of all relevant timings for auctions, including starting dates and standard capacity products to which they apply.

The auction calendar is available at PRISMA website.

<https://primary.prisma-capacity.eu/center/auctionCalendar.xhtml?conversationContext=1>

For the gas year 2014-2015 the auction calendar is presented in *Appendix II: Indicative auctions calendar for the year 2014* of this document.

7 Price

Participants who gain capacity in the auctions will pay the TPA tariff access in force in Portugal and in Spain by the time capacity is used, plus the premium resulting from the auction, according to the capacity assigned.

7.1 Regulated tariff

On the Spanish side, the TPA access tariffs for firm products will be those established in the Ministerial Order in force in the moment of the utilization of the capacity, tariffs for annual products will be those established for long term contracts, tariff for quarterly and monthly products will be those established for short term contract as monthly tariffs, while tariff for daily and within-day products will be those established for short term contract as daily tariffs. The TPA access tariffs for interruptible products will be those established in the Resolution, or the legislation replacing it, ruling the interruption regime in the Spanish system (in particular the provision regarding interconnections) in force at the moment of the utilization of capacity.

On the Portuguese side, tariffs for firm or interruptible products will be those established by the Portuguese Regulator and in force at the time when capacity is used. These are set on a yearly basis and valid for one gas year. The reference price of capacity products of shorter duration than yearly products may be affected by a multiplier greater than one, while tariffs for Interruptible capacity products are calculated based on the equivalent firm products, affected by a percentage that reflects the probability of interruption of flow on the Portuguese side. Both the multiplication factor and the interruption percentage factor are determined and published each year by the Portuguese Regulator.

All tariffs are based on an energy value calculated using 25°C for the GCV.

7.2 Price steps

According to the CAM NC two different price steps should be defined: one called “large price step” and the other one called “small price step”.

Price increments should be the same on both sides of the border.

Large price steps will be the sum of 5% of the corresponding regulated tariff for each TSO (rounded in each case to one-hundredth of one Euro cent).

Small price steps will be 1/5 of the large price step (rounded in each case to one-hundredth of one Euro cent).

However, under common agreement between Enagás and REN, both TSOs can inform the NRAs of different price increments envisaged at the latest one month before the start of the relevant auction. NRAs will have one week to oppose the TSOs' proposals if deemed necessary.

7.3 Revenue split: capacity premium payments

In line with Article 26 of the CAM NC, if, as a result of the auction, a premium over the TPA access tariffs is going to be paid by capacity holders, this premium will be distributed 50% for each national system.

Consequently, TSOs in each country will invoice users the regulated TPA access tariffs in force in the country, plus 50% of the premium resulting from the auction, over the TPA access tariffs, corresponding to each national system.

7.4 Conversion of tariff units for PRISMA

Both TSOs will have to introduce the applicable tariffs on each side of the border for each auction into PRISMA platform. Since PRISMA uses another unit reference for capacity tariffs than those defined by each Regulator, and as long as the current situation isn't altered, Enagás and REN will use the following tariff conversion factors:

For the gas year 2014-2015, as far as there is not any modification of the applicable tariffs in force, the conversion formula for the entry or exit tariff on Enagás's side will be as follows:

- Regulated tariff for the yearly products:

$$\text{ROUND.UP} ([\text{cEUR} / (\text{kWh} / \text{day}) / \text{month (at } 0^{\circ}\text{C)}] * 12 * 1,0026 * 24 ; 3) = \text{cEUR} / \text{kWh} / \text{h} / \text{year (at } 25^{\circ}\text{C)}$$

- Regulated tariff for the quarterly products:

$$\text{ROUND.UP} (\text{short-term multiplier} * [\text{cEUR} / (\text{kWh} / \text{day}) / \text{month (at } 0^{\circ}\text{C)}] * 3 * 1,0026 * 24 ; 3) = \text{cEUR} / \text{kWh} / \text{h} / \text{quarter (at } 25^{\circ}\text{C)}$$

- Regulated tariff for the monthly products:

$$\text{ROUND.UP} (\text{short-term multiplier} * [\text{cEUR} / (\text{kWh} / \text{day}) / \text{month (at } 0^{\circ}\text{C)}] * 1,0026 * 24 ; 3) = \text{cEUR} / \text{kWh} / \text{h} / \text{month (at } 25^{\circ}\text{C)}$$

On REN's side:

- Yearly tariff: $[\text{EUR} / (\text{kWh} / \text{day}) / \text{month}] * 12 * 24 * 100 = [\text{EURcents} / (\text{kWh} / \text{h}) / \text{runtime}]$

-
- Quarterly tariff: $[\text{EUR} / (\text{kWh} / \text{day}) / \text{month}] * 3 * 24 * 100 = [\text{EURcents} / (\text{kWh} / \text{h}) / \text{runtime}]$
 - Monthly tariff: $[\text{EUR} / (\text{kWh} / \text{day}) / \text{month}] * 24 * 100 = [\text{EURcents} / (\text{kWh} / \text{h}) / \text{runtime}]$

(Combustion reference temperature is 25°C, both on PRISMA Platform and as defined by the Portuguese Regulator for capacity tariffs)

8 Transfer of capacity in the secondary market

Enagás and REN will put in place a coordinated procedure to allow shippers to trade their bundled capacity in the secondary market. The capacity allocated in the auction is allowed to be transferred by the primary holders to other agents in the secondary markets. Primary holders will be able to transfer the total assigned capacity or part of it, and for the total or partial duration of the period for which it was allocated in the auction, starting the first day of a calendar month and for a complete number of calendar months.

For the gas year 2014-2015 and until a platform is made available to handle the secondary market, the minimum volume of a transfer is one hundred (100) MWh/d over one (1) month. The firmness of the allocated capacity remains the same after transfer, irrespective of the period of transfer.

However, capacity traded in the secondary market must remain bundled and allocated at the VIP. To that aim, capacity trades on the secondary market will only be accepted by TSOs if performed in both systems, the Portuguese and the Spanish, at the same time, for the same amount of capacity and period, referred to the VIP and if transferred to the same Shipper.

As from the first working day after the final aggregated results of the respective products auctions have been published, the allocated capacity, in the framework of yearly, quarterly or monthly products, may be fully or partly transferred at a given moment by a Shipper, the Transferor, to another Shipper, the Beneficiary, under the condition that this transfer is notified to REN and Enagás in accordance with following paragraphs.

Notification of Transfer is done via electronic means. The notification of a transfer to REN and Enagás must include, among others, the following information:

- the Transferor's company name;
- the Beneficiary's company name;
- the Period of Transfer – i.e., the dates concerned for the transfer, including start and end dates;
- the volume of transferred capacity.

In order to be considered valid, the transfer notification must be sent by the Transferor to REN and Enagás and must be confirmed by the Beneficiary through an acceptance

notification sent to REN and Enagás, via electronic means, including the above mentioned information. To allow for TSOs to manage capacity requests in due time and thus enable Shippers to perform the corresponding programming and nominations, the Transferor and the Beneficiary must send the transfer notification no later than ten (10) working days before the initial day of the capacity period.

When receiving a transfer notification, REN and Enagás will check:

- that the Transferor and Beneficiary are entitled up to the end of the transfer period; and
- that the Transferor holds the capacity he wishes to transfer at the time of notification of that transfer; and
- the Beneficiary holds the necessary financial guarantees related to the transferred capacity (according to art. 6 RD949/2001 in the Spanish side and to the general terms of the “Contrato de Uso da Rede de Transporte” in the Portuguese side).

The response sent by REN and Enagás to the Transferor and the Beneficiary after receiving this transfer notification includes:

- a message accepting the transfer if the notification meets the aforementioned conditions; or
- a message rejecting the transfer identifying the reasons for rejection.

If the transfer is accepted by REN and Enagás, the capacity of the Transferor is reduced and allocated to the Beneficiary.

As from the moment of the acceptance of the transfer by both TSOs, the Beneficiary of the transferred capacity will also assume all financial obligations towards REN and Enagás for the corresponding amount of capacity transferred and will simultaneously release the Transferor from such responsibilities.

This process does not release Shippers, both the Transferor and the Beneficiary, of any obligations related to the procedures and timelines established at national level in each country in relation to the secondary market.

As for the gas year 2014-2015 only complete transfers of capacity, meaning all rights and obligations associated to any transferred amount of capacity in form of a standard product, are currently foreseen. The transfer of utilization rights only can be envisaged in the future, depending on the approval of NRAs and TSOs and shall be subject to previous notice to the market, including the detailed associated rules and obligations of the involved parties. Regarding unbundled capacity, the same equivalent rules shall

apply, whereas only the corresponding TSO to whose side the traded capacity refers to shall confirm the information exchanged with the Beneficiary and the Transferor.

9 Congestion Management Procedures

Detailed CMP rules on the Spanish side are contained in Circular 1/2013^y issued by CNMC.

Detailed CMP rules on the Portuguese side are contained in the “*Manual de Procedimentos de Acesso às Infraestruturas*” (MPAI), issued by ERSE.

For both Surrender and LT-UIOLI mechanisms, these rules will be applied by each TSO on each side of the border.

9.1 Surrender of contracted capacity

In line with de point 2.2.4 of the CMP Guidelines, Enagás and REN shall accept any surrender of firm capacity which is contracted by the network user at the VIP, with the exception of capacity products with a duration of a day and shorter.

The surrender of capacity by shippers shall be performed according to the rules listed below.

9.1.1 Types of products to be surrendered

Enagás and REN will accept surrender of:

- firm yearly products from 1 October Y to 30 September Y+1 and
- firm quarterly products from 1 October Y to 30 September Y+1

The surrendered capacity will be reoffered to the market as firm quarterly standard capacity products (4 consecutive products) and firm monthly capacity products during the relevant auctions.

9.1.2 Deadlines to surrender capacity

Shippers may surrender both bundled and unbundled capacity, which in the latter case shall always be combined, if possible, with available unbundled capacity on the other side of the border, before it is reallocated.

Enagás and REN will accept requests to surrender a yearly capacity product (1 October Y to 30 September Y+1):

- to be reoffered as quarterly products from the following day after the annual yearly capacity auctions ends until 15 days before the annual quarterly auctions starts, and
- to be reoffered as monthly products from the following day after the annual yearly capacity auctions ends until 10 days before the rolling monthly capacity auctions for the respected month starts

Enagás and REN will accept requests to surrender quarterly capacity products (1 October Y to 30 September Y+1) to be reoffered as monthly products from the following day after the annual quarterly capacity auctions ends until 10 days before the rolling monthly capacity auctions for the respected month starts.

Surrendered capacity shall not be offered by shippers at the secondary market from the date they have communicated the TSOs their wish to surrender capacity until they received the notification from the TSOs regarding the re-allocation or not of the capacity at the respective auction.

When surrendering capacity shippers must inform the TSO about the related contract number or annex to the contract to which the surrendered capacity refers (yearly or quarterly capacity product).

9.1.3 Reallocation rules

Surrendered capacity shall be considered to be reallocated only after all the available capacity has been allocated, but before the allocation of any capacity released through any other CMP.

Surrendered capacity products shall be definitively surrendered until the TSOs communicate the results of the respective auction. If unsold, surrendered capacity is given back to the original capacity holder after the auction.

The network user will retain its rights and obligations under the capacity contract until the capacity is reallocated by the TSOs and to the extent the capacity is not reallocated by the TSOs. If the surrendered capacity is only partly allocated, the shipper will retain its rights and obligations under the capacity contract for the remaining capacity.

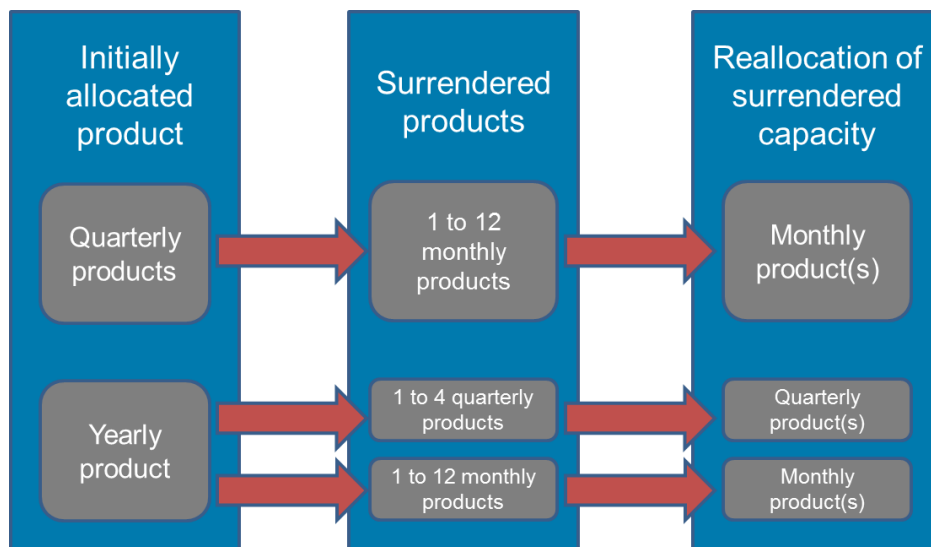
In case that more than one shipper surrenders capacity, the allocation priority will be the time stamp of surrendering. If more than one shipper surrenders capacity the same

day, a pro-rata mechanism will apply among those shippers regarding the allocation priority.

If the clearing price of the reallocated capacity is lower than the clearing price of the capacity initially allocated, the initial holder of the capacity will retain its payment obligations for the difference of clearing prices.

If the clearing price of the reallocated capacity is higher than the clearing price of the capacity initially allocated, the initial holder of the capacity will be released of all its rights and obligations under the capacity contract, including all payment obligations.

Figure 2 : Capacity products related to the surrender of booked capacities



9.2 Long Term UIOLI

The Long-Term Use-It-Or-Lose-It mechanism (LT-UIOLI) shall be applied in the Portuguese side according to the rules set in ERSE's MPAI.

On the Spanish side, these rules shall be those established in CNMC's "Circular 1/2013, de 18 de diciembre, por la que se establecen los mecanismos de gestión de congestiones a aplicar en las conexiones internacionales por gasoducto con Europa"^v

10 Other

10.1 Interoperability issues

10.1.1 Interruptible Capacity

As a general rule for interruptions, Enagás and REN will apply article 24(1) and 24(2) of the CAM NC. The order in which interruptions shall be performed shall be determined based on the contractual time stamp of the allocated interruptible capacity. In case of interruption, capacity allocated at a later stage shall be interrupted before capacity allocated at an earlier stage (e.g. daily capacity will be interrupted before monthly capacity).

If, after applying the above procedure, two or more nominations are ranked in the same position within the interruption order and the TSO does not need to interrupt all of them, a pro-rata reduction shall apply.

According to article 22(2) of CAM NC, the default minimum interruption lead time for a given period shall be 45 minutes after the start of the nomination cycle for that gas hour. Enagás and REN will follow this rule.

10.2 Gas day

According to article 3(7) of the CAM NC, gas day means the period from 5:00h to 5:00h UTC the following day for winter time and from 4:00h to 4:00h UTC the following day when daylight saving is applied.

This gas day will be implemented on November 2015. Until November 2015, REN and Enagás will apply an interim period and maintain the current rules in place in each country.

10.3 Allocation of spare capacities at the VIP after the auctions

From November 2015 on, all capacities will be allocated through auctions. Thus, after November 2015, neither Enagás nor REN will allocate capacity by any other means.

Until November 2015, REN and Enagás daily bundled and unbundled products at the VIP will be allocated on First Come First Served basis.

Nevertheless, capacities will be offered in a bundled way as far as possible.

Shippers will only be allowed to request and book daily capacity products for the following month once the rolling monthly capacity auction has finished for that month. TSOs will accept requests for daily capacity products from the day after the end of the rolling monthly capacity auction until day-ahead at 12:00h (UTC) of the previous working day¹ to which the requested daily product refers to.

Each capacity request after the rolling monthly capacity auction will be understood as a request for daily standard capacity products and billed accordingly. In order to apply for such capacity on the Portuguese side, the shipper must submit a written request, using the document presented in *Appendix III: Request for daily products on the Portuguese side* of this document for that purpose.

On the Portuguese side, for the year 2014-2015, if one shipper nominates capacity above his allocated capacity rights for a particular day, this nomination will be subject to the availability of daily capacity and has to be previously confirmed by both TSOs before considered accepted. If at any moment of the day the total capacity nominated for that day above the contractual capacity rights is greater than the available capacity, a pro-rata rule will be applied among those shippers who requested the additional capacity for that day.

¹ To the effect of this procedure, working days are all Mondays, Tuesdays, Wednesdays, Thursdays and Fridays which are not holidays, neither in Spain nor in Portugal

11 Contact

Any requests for additional information should be sent to:

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Att. Dirección de Gestión ATR
Paseo de los Olmos, 19
28005 Madrid – España
Phone: + 34 91 709 94 30
e-mail: transportista@enagas.es

or:

REN-Gasodutos, S.A.
Att. Gabinete de Mercados e Liquidações
Rua Cidade de Goa, 4
2685-039 Sacavém, Portugal
Phone: + 351 21 941 29 68
Fax: + 351 21 001 17 64
e-mail: gestor.mercados@ren.pt

Appendix I: Capacities to be offered during the gas year 2014-2015

The following tables detail the capacities to be auctioned during the gas year 2014-2015.

Table 1: Capacity to be offered in the annual yearly bundled capacity auction (Spain → Portugal)

<i>Spain-Portugal</i>	2014
Yearly bundled capacity offered at kWh/h 25° C	1,535,007

Table 2: Capacity to be offered in the annual yearly bundled capacity auction (Portugal → Spain)

<i>Portugal-Spain</i>	2014
Yearly bundled capacity offered at kWh/h 25° C	3,000,000

Table 3: Capacity to be offered in the annual yearly unbundled capacity auction (Spain → Portugal)

<i>Spain-Portugal</i>	2014
Yearly unbundled capacity offered at kWh/h 25° C	3,846,992

Table 2: Capacity to be offered in the annual quarterly bundled capacity auction (Spain → Portugal)

<i>Spain-Portugal</i>	Q4 (1 Oct - 31 Dec)	Q1 (1 Jan - 31 Mar)	Q2 (1 Apr - 30 Jun)	Q3 (1 Jul - 30 Sep)
Quarterly bundled capacity offered at kWh/h 25° C	600,000	600,000	600,000	600,000

Table 5: Capacity to be offered in the annual quarterly bundled capacity auction (Portugal → Spain)

<i>Portugal-Spain</i>	Q4 (1 Oct - 31 Dec)	Q1 (1 Jan - 31 Mar)	Q2 (1 Apr - 30 Jun)	Q3 (1 Jul - 30 Sep)
Quarterly bundled capacity offered at kWh/h 25° C	333,333	333,333	333,333	333,333

The capacity to be offered at the rolling monthly auctions will be published in advance.

Appendix II: Indicative auctions calendar for the year 2014

The following tables detail the capacities to be auctioned during the gas year 2014-2015.

Table 3: Indicative auctions calendar for 2014

AUCTIONS CALENDAR FOR 2014					
Annual yearly capacity auctions	Annual quarterly capacity auctions	Rolling monthly capacity auctions			
		SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER
03/03/2014	02/06/2014	15/09/2014	20/10/2014	17/11/2014	15/12/2014



Appendix III: Request for daily products on the Portuguese side

ANEXO II

Data de emissão: ____ de _____ de 201_

_____, na qualidade de **Contratante** registado em Portugal/Espanha com o nº _____, com sede em _____, número único de matrícula e de pessoas colectiva /NIF _____, representado por _____

Considerando que:

- O Agente de Mercado pretende contratar capacidade excedente no VIP (Ponto de Interligação Virtual) entre Portugal e Espanha de acordo com as regras e procedimentos constantes no documento “*Information Memorandum*”.

O Contratante reconhece e submete o presente Anexo aos termos e condições estabelecidos no Contrato, do qual faz parte integrante, relativamente ao(s) seguinte(s) produtos:

Produto (1)	Sentido de Fluxo (2)	Início	Fim	Tipo (3)	kWh/dia (4)	°C

(1) Mensal ou Diário; (2) Espanha-Portugal ou Portugal-Espanha; (3) Firme ou Interruptível; (4) o valor mínimo de capacidade a atribuir é de 100 000 (cem mil) kWh/dia

O presente Anexo tem carácter vinculativo e pressupõe a aplicação das tarifas de acesso à RNTGN vigentes no mês em questão, acrescida de eventuais prémios resultantes de leilões, em função da capacidade de interligação contratada, independentemente da sua utilização.

O Contratante

References

- i ACER, "SOUTH GAS REGIONAL INITIATIVE WORK PLAN 2011-2014", 6th March 2012:
[http://www.acer.europa.eu/portal/page/portal/ACER_HOME/Activities/Regional_Initiatives/Gas_Regional_Initiatives/Projects/SGRI%2520Workplan%25202011-2014%2520\(8-03-2012\).pdf](http://www.acer.europa.eu/portal/page/portal/ACER_HOME/Activities/Regional_Initiatives/Gas_Regional_Initiatives/Projects/SGRI%2520Workplan%25202011-2014%2520(8-03-2012).pdf)
- ii COMMISSION REGULATION (EU) No 984/2013 of 14 October 2013 establishing a Network Code on Capacity Allocation Mechanisms in Gas Transmission Systems and supplementing Regulation (EC) No 715/2009 of the European Parliament and of the Council:
<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:273:0005:0017:EN:PDF>
- iii ACER, "Framework Guideline on Interoperability and Data Exchange Rules", 26th July:
http://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Framework_Guidelines/Related%20documents/FG%20on%20Interoperability%20and%20Data%20Exchange%20Rules%20for%20European%20Gas%20Transmission%20Networks.pdf
- iv COMMISSION DECISION of 24 August 2012 on amending Annex I to Regulation (EC) No 715/2009 of the European Parliament and of the Council on conditions for access to the natural gas transmission networks:
<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:231:0016:0020:en:PDF>
- v BOE, "Circular 1/2013, de 18 de diciembre, de la Comisión Nacional de los Mercados y de la Competencia, por la que se establecen los mecanismos de gestión de congestiones a aplicar en las conexiones internacionales por gasoducto con Europa":
<http://www.boe.es/boe/dias/2014/01/17/pdfs/BOE-A-2014-459.pdf>