SHIPPERS PROPOSAL FOR THE OVERSUBSCRIPTION AND BUY-BACK SCHEME

2 CALCULATION OF ADDITIONAL CAPACITY METHODOLOGY

2.2.2. Risk level quantification/ 2.2.3 Trigger Value definition/2.2.4 Additional capacity

We consider that TSOs take a **generous margin to cover the possible risk** related to the implementation of this process. Therefore, taking into account that this issue could **limit the positive effect of implementing** this process for managing the congestion situations, we consider that TSOs should **justify** adequately proposed margin and NRAs should **supervise** applied margin and each effects.

As example, we can mention the proposed calculation of M_D factor. While TSOs propose to consider directly the **maximum deviation** between the last nomination on day D-1 for day D and the last confirmed renomination of day D within the period of analysis that comprises the historical reference base, the European Commission say, in its decision of 24 August 2012, that the **probability of occurrence** (statistical scenarios) should be also considered in the calculation of this parameter. **So, Without considering the probability of occurrence, the security margin probably increases in a relevant manner, limiting the efficacy of this mechanism.**

3 BUY-BACK PROCEDURE

First of all, we do not support the **mechanism that applies pro rata to all booked capacity**.. In our opinion, users that have booked annual, quarterly or monthly capacity need to ensure that their nominations are truly firm and cannot be affected by a buy-back procedure if pro-rata applies. The compromise level and risk assumed by a shipper that books ex ante a firm capacity product (annual, quarterly or monthly) or a daily capacity is very different and it should be taken account in this document. In our view this idea is also implicitly considered in the TSO´s Draft when it proposes an explicit order of interrupting interruptible capacity.

In this sense, we **propose** the following development or structure of this mechanism that in our point of view, minimize the risk of the system.

In order to clarify, the offered capacity in a daily basis will be:

      I.   Interruptible capacity.

     II.   Available capacity.

    III.   Additional capacity.

- o If the schedule used of the capacity is above technical capacity, the following steps would be taken:

1. Management of OBA.
2. Interruption of interruptible capacity, with the following order: Daily, Monthly, Quarterly Yearly.
3. Voluntary buyback process. All capacity holders (firm/oversubscription) could participate in this process.
4. If the problem is solved in the step 5, the process would be finished.

But, if it is not, the default rule would suppose that:

5. The TSO would buy back firm capacity at a regulated price from each shipper **holding " Daily firm capacity", meaning available capacity plus additional capacity (oversubscription) offered in the daily auction, on the point in question**; in proportion to the daily firm capacity it holds.

- Renomination limitation.

We consider that a procedure as this **cannot eliminate the renomination** right that the regulatory framework gives to shippers. In this sense, the principles of oversubscription mentioned in the annex 1 of Regulation 715 do not consider this limitation. TSOs proposal suppose that **if a buy-back process is started, shippers would not be able to renominate from D-1 and this has not any sense in a market context**. In our view this limitation is against the objective of the European regulation, and limit shippers´ tools for managing their position. With this proposal, **TSOs want to implement a process near to Firm day-ahead UIOLI because the renomination limitation or not it is one of the most relevant difference between Firm day-ahead UIOLI and OSBB**. So, this issue goes against the real essence of OBSS, and it would neutralise the main difference between both mechanisms.

Once above mentioned, in our view if a renomination **reduce the difference** between the nominations and technical capacity (i.e. downward nomination or an upward nomination that increase the backhaul capacity), it would be **always admitted**, independently if a buy-back process is activated or not.

- The clearing price

If TSOs rank all "offers to sell" according to the price, the lowest the price ranking first, it has not sense to apply the "price of the lowest successful "offer to sell" to all successful network users. The clearing price would be that associated to the **last "offer to sell" needed to fulfil the TSOs request taking into account the mentioned ranking.**