Capacity Allocation and Congestion Management

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The energy to lead

Overview

> ERGEG has correctly identified the problems

> RWEST fully supports ERGEG's general approach and draft guidelines

> Particularly welcome focus on transparency

> Questions of emphasis
  – Forward versus day-ahead
  – Risk and incentives
  – Regulation versus market design

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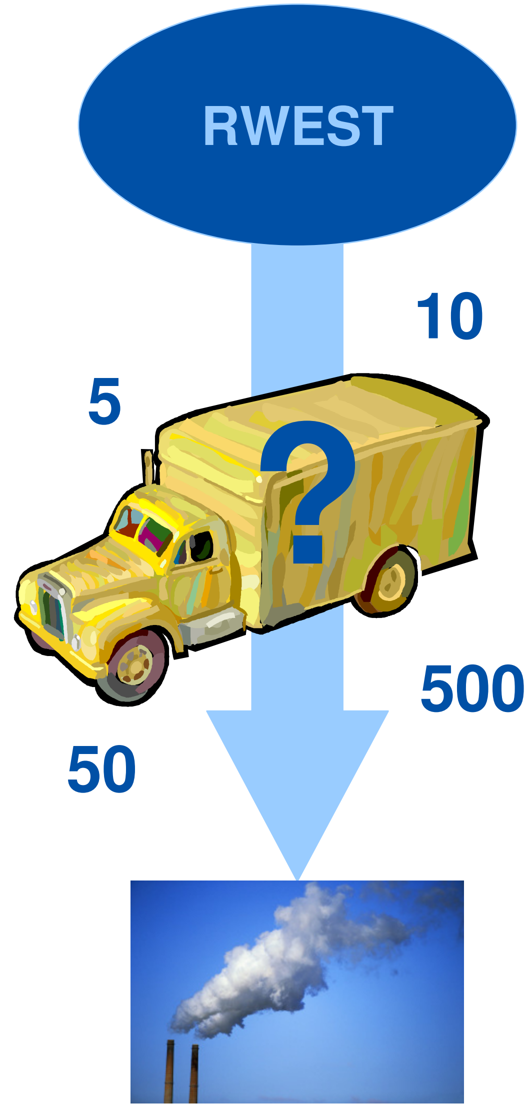
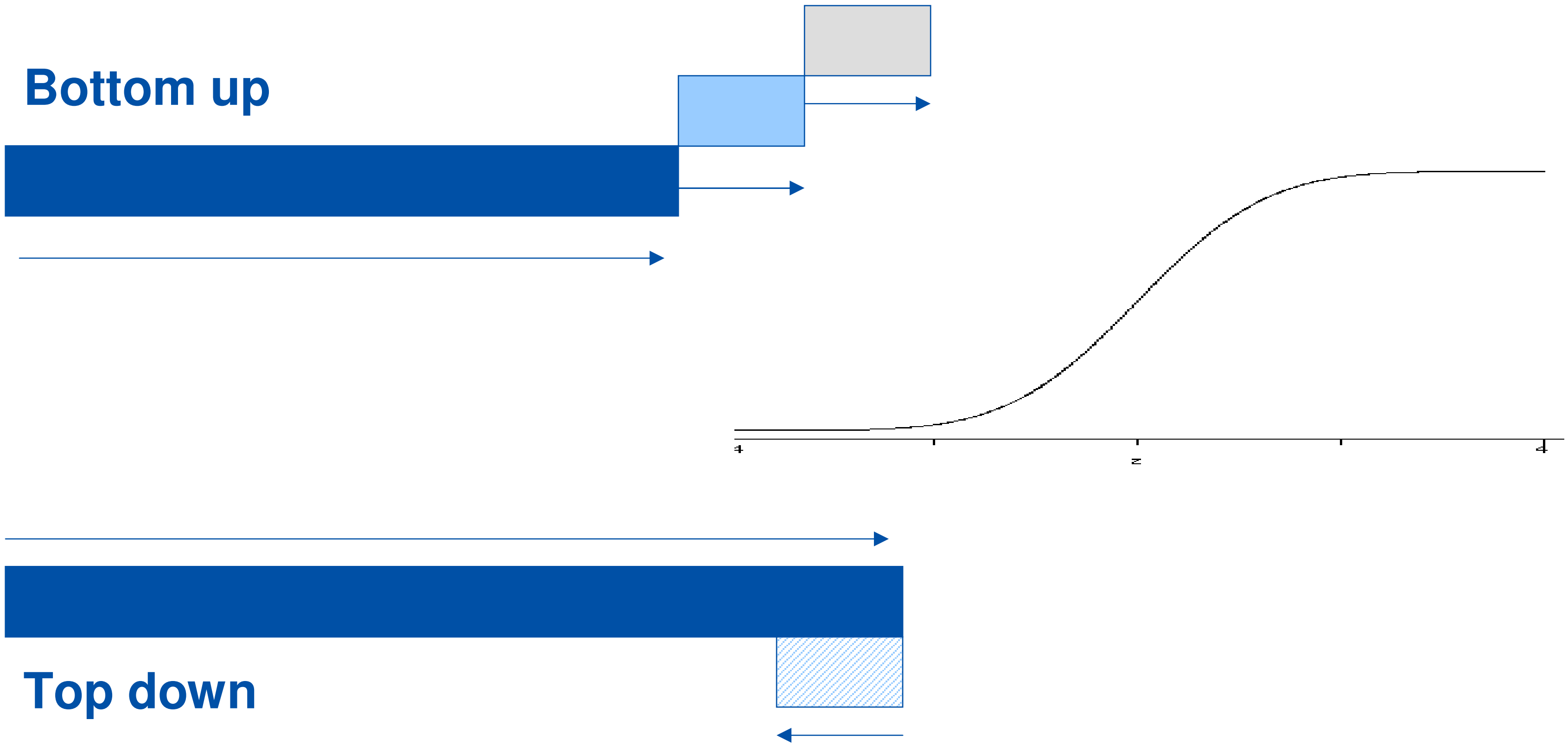
Forward & Firm

- **Day-ahead and interruptible are better than nothing, BUT**
- **Fixed price for future transport is essential to compete across borders**
- **No forward transport hedge = no cross-border position = no liquidity**
- **Routine liquidated damages (<u>not</u> FM) = "financial firmness" of *physical* capacity**



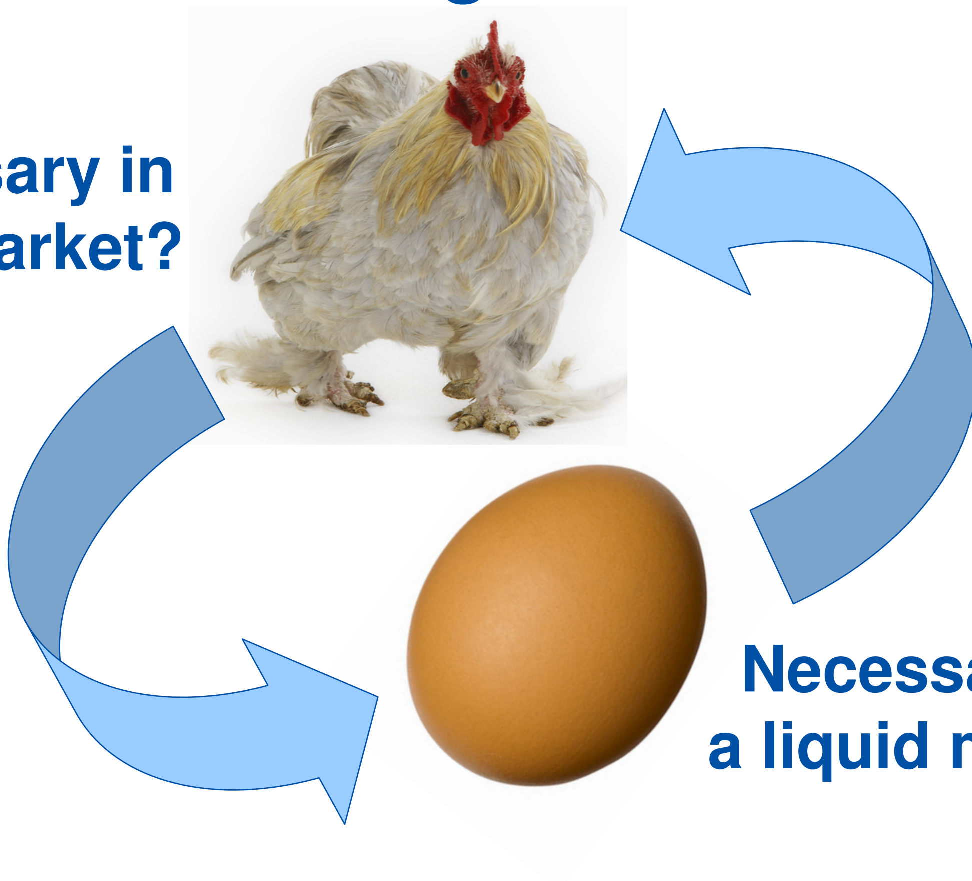
Why buy-back and incentives are essential to optimising use of existing capacity



NB: This is entirely a commercial issue physical flows always respect physical capacities

Limiting renomination rights, participation in allocation & long-term UIOLI

Unnecessary in a liquid market?



Necessary for a liquid market?

Market design solutions are second-best
Main issue is dominance/foreclosure
Targeted regulatory action is preferable