

Capacity Allocation and Congestion Management
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An integrated solution?

- Welcome the potential improvements, but note the risks of some short term solutions
- Longer term change is the key to integrated markets
- Recognise the difficulty in reaching common solutions
- Improved mechanisms need to consider the tariff issues

- EFET believes that competitive markets require the ability to create gas on gas competition
- Capacity provides the ability for different shippers to manage risks
- Capacity constraints often have a far higher impact on market prices than the underlying commodity

Short term congestion solution risks



- Strong measures may destroy option value
- Buying LT primary capacity should not be discouraged
- UIOSI could create gate closure
- Impacts on other aims in the gas market i.e. daily balancing and flexibility response
- Creating more monopoly services from platform development

Current allocation weaknesses



- Pricing for short term capacity is not based on economics
- Too much reliance on interruptible
- Open seasons often inflexible and favour existing larger shippers
- Secondary market has barriers

Joined up thinking?



- Ensure measures are compatible with broader goals
- Other initiatives – current open seasons, DA pilot, GRI NW investment project



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