

Appendix no. 2

Description of implicit capacity allocation

Implicit capacity allocation (ICA) is one of the measures for the integration of the national markets. In addition, it is an alternative to capacity auctioning system in implementing the EU Network Code on Capacity Allocation Mechanisms in Gas Transmission Systems (CAM NC¹), although could be applied in combination with capacity auctioning either.

Based on CAM NC, ICA means an allocation method where, possibly by means of an auction, both transmission capacity and a corresponding quantity of gas are allocated at the same time (Article 3 (8)). Where implicit allocation methods are applied, national regulatory authorities (NRAs) may decide not to apply the set of selected NC CAM requirements (Article 2 (4)) thus allowing for various ICA models and configuration to be applied designed for particular market needs.

ICA is already used in some parts of Europe, namely by allocating capacity in the interconnectors: IUK (between United Kingdom and Belgium) and BBL (between United Kingdom and Belgium), where the capacity using ICA is allocated via brokerage houses, and in Baltic States and Finland, where capacity is allocated via regional gas exchange GET Baltic. The applied ICA models differ in each of the cases.

Key elements of ICA

- Equal quantities of gas and capacity must be allocated at the same time – as TSOs provides only gas transmission capacity and cannot sell gas, therefore a third party (broker or gas exchange) must be involved.
- CAM NC gives the local NRA powers to decide whether and which articles to disapply – this places a possibility the TSO to demonstrate why the certain articles should not apply and what safeguards there might be. The NRA may choose to accept or reject the case and could require conditions.
- Such regulation also provides flexibility upon good argumentation to apply different capacity products than standard-ones using ICA and to allocate capacity in various time windows that are favoured by the market players.

Benefits of ICA

- There is no detailed definition of what ICA means other than the allocation of capacity and a corresponding quantity of gas at the same time – this presents a broad opportunity for the TSO and NRA to develop a mechanism best suited to the specific needs of the local market.
- The additional capacity allocation channel using ICA may enhance the flexibility of usage of GIPL resulting in higher transported volumes and better integration between Polish and Baltic markets, including optimal use of market opportunities resulting from periodic differences in gas prices between both markets by traders, positively affecting the process of gas price convergence and providing customers on both markets with the access to the best possible gas prices at a given time.
- ICA could increase liquidity of the market and introduce new players, certain of acquiring capacity to match their trades.

¹ [Commission Regulation \(EU\) 2017/459 of 16 March 2017 establishing a network code on capacity allocation mechanisms in gas transmission systems and repealing Regulation \(EU\) No 984/2013](#)

- ICA may provide more possibilities for LNG imports, as LNG vessels have constraints regarding discharge periods which may not be accommodated by standard capacity products.

ICA – example of model how might it work:

- ICA would be a new channel to get interconnection capacity to the market,
- TSOs would market bundled interconnection capacity via a partner(s), which could be gas exchanges in given countries or the brokers operating trading platforms,
- The market players would execute a gas trade on the trading platform at any trading point in the region,
- The market player would acquire a corresponding and identical amount of interconnection capacity with the traded commodity for a certain period (matching capacity product allocated via ICA),
- The trading platform administrator would inform the TSOs of the transaction,
- The market player would nominate to use the capacity in the regular way.