



# Limiting the Shipper's unlimited risk related to short-term capacity reservation

Possibility to cancel erroneous trades

INTERNAL

RESTRICTED

SECRET

## What?

- In the current system, Shippers assume an unlimited financial risk as a result of errors during ST capacity auctions as price and quantity are “free entries”
- Under UNC Section B of the UNC, it is a Shipper's responsibility to enter capacity auction data correctly
- We have seen some improvement in the system (pre-filled price, user preferences to set up) however there is still no legal basis or procedure to lodge an appeal in the event of bids an erroneous bid with the intention of having the bid annulled/reversed.

# Why?

- The "pay as bid" auction principle increases the impact of an erroneous bid
- For all internal IPs in Europe (according to CAM NC) ST bookings are via uniform price auctions<sup>1</sup>
- Quantity errors cannot be corrected, but unless there is a congestion no premium is retained → ultimate solution could be to use uniform price auctions on all points and not only EU IPs
- Although system improvements are a good first step, **shippers are still facing an uncapped risk of error**

1: 'uniform-price auction' means an auction in which the network user in a single bidding round bids price as well as quantity and all network users, who are successful in gaining capacity, pay the price of the lowest successful bid

## How?

- There should be a procedure to correct erroneous trades to limit shippers' unlimited risk
- Set up some parameters that would allow Shippers to qualify their erroneous trades as such
  - Example could be taken from gas exchanges, a certain percentage could be defined (for example if a trade is 70% higher than yesterday's trade or if the trade is higher than 50% of the average – to be defined)
  - Limits could be set either for price or quantity or a combination of both (final amount)
- Set up a procedure accordingly in the UNC to have a legal ground for correcting the bid
- For discussion: envisage uniform-price auctions for short-term products



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