



Brussels, XXX
[...] (2026) XXX draft

ANNEX 2

ANNEX

Explanatory document accompanying

**the COMMISSION IMPLEMENTING REGULATIONS (EU) .../...
of XXX**

**establishing a network code on capacity allocation mechanisms in natural gas
transmission systems in accordance with Regulation (EU) 2024/1789 of the European
Parliament and of the Council, and repealing Commission Regulation (EU) 2017/459**

ANNEX II

1. REASONS FOR AND OBJECTIVES OF THE PROPOSAL

Regulation (EU) 2017/459 establishing a network code on capacity allocation mechanisms ('CAM NC')¹ finds its roots in the third legislative package for an internal EU gas and electricity market ('third energy package'), and in particular Regulation (EC) No 715/2009 on conditions for access to the natural gas transmission networks. Regulation (EC) No 715/2009 introduced harmonised principles for third-party access and capacity allocation in European gas markets, requiring transparent and non-discriminatory procedures for access to transmission infrastructure. Building on this foundation, the CAM NC was subsequently developed to operationalise these principles through detailed, binding rules, most notably by introducing standardised auction mechanisms for the allocation of cross-border gas capacity across the EU.

The Commission decided to initiate the revision process for the CAM NC as a result of the following four main drivers.

First, the revision aims at **addressing issues that have emerged during the implementation of the existing rules**. Those issues concern in particular the topics processed within the Gas Network Codes Functionality ('FUNC') Platform². As a result of the FUNC issue No 2020-01 reported by the Energy Traders Europe ('ETE'), requesting greater flexibility in the allocation of network capacity at interconnection points, ACER and ENTSO for Gas launched a comprehensive public consultation. The solutions included in the current CAM NC proposal take stock of the options developed by ACER and ENTSO for Gas following the public consultation.

Second, following the adoption of the Hydrogen and Decarbonised Gas Market Package³, the revision would address **the need to align the CAM NC with the new provisions and**

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, OJ L 72, 17.3.2017, pp. 1-28.

² The FUNC Platform was a tool jointly developed by the European Union Agency for the Cooperation of Energy Regulators (ACER) and the European Network of Transition System Operators for Gas (ENTSO for Gas) to address issues with the implementation of gas network codes.

³ The hydrogen and decarbonised gas market package consists of a Regulation and a Directive: the Regulation (EU) 2024/1789 of the European Parliament and of the Council of 13 June 2024 on the internal markets for renewable gas, natural gas and hydrogen, amending Regulations (EU) No 1227/2011, (EU) 2017/1938, (EU) 2019/942 and (EU) 2022/869 and Decision (EU) 2017/684 and repealing Regulation (EC) No 715/2009 (recast) - the 'Gas Regulation' - and Directive (EU) 2024/1788 of the European Parliament and of the Council of 13 June 2024 on common rules for the internal

obligations. This notably concerns the default application of network codes and guidelines both to all interconnection points within the EU and to entry points from and exit points to third countries from 5 August 2026, as laid down in the Gas Regulation⁴. An alignment of definitions also became necessary.

Third, the proposed revision would **adapt the incremental capacity rules to the outcomes of a judgment of the General Court**⁵. The adaptations became necessary following the **General Court’s ruling** of 16 March 2022 concerning the implementation of an incremental capacity project for gas transmission between Hungary and Austria, which declared Chapter V of the CAM NC, and therefore the rules governing the incremental capacity procedure, unlawful.

Fourth, the **revision seeks to tailor the CAM NC to the changing needs of European gas markets**, which have evolved since the last revision of the code in 2017. This the revision draws on the lesson learned from the 2022 energy crisis, which revealed a lack of transparency on how the offer of firm and interruptible capacity was maximised at various cross-border points.

2. MAIN ELEMENTS OF THE PROPOSAL

Responding to the drivers mentioned above, the main elements of the CAM NC revision would be as follows: (i) enhanced monitoring and transparency around cross-border capacity, (ii) more opportunities for the booking of capacities, (iii) a streamlined incremental capacity process chapter and (iv) the possibility for ENTSO for Gas to adapt non-essential elements of the capacity auctions.

(i) Enhanced monitoring and transparency around cross-border capacity

The analysis of the energy crisis showed a lack of transparency in how cross-border capacities were calculated and offered to the market. This made it difficult to monitor whether capacity was maximised and adjusted to the market needs. The changing role of gas – partly due to the decarbonisation agenda – will make optimising the use of assets even more important.

markets for renewable gas, natural gas and hydrogen, amending Directive (EU) 2023/1791 and repealing Directive 2009/73/EC – the ‘Gas Directive’.

⁴ Regulation (EU) 2024/1789.

⁵ Joined Cases T-684/19 and T-704/19 *MEKH and FGSZ v ACER*.

The proposal would therefore follow ACER's suggested approach and set out provisions in Articles 6 and 7 to enhance transparency on how capacity is maximised so regulatory and other competent authorities can better monitor it. Enhanced coordination and consultation of concerned regulatory authorities, transmission system operators and network users will also be essential when downsizing the gas system, so that they retain access to the gas system and so that security of supply is maintained.

(ii) Enhanced booking opportunities for cross-border capacity

Stakeholders have asked for rules that enable capacity trading to better align with the commodity trading. Under the current rules, capacity is auctioned at pre-defined intervals, but commodities are traded continuously. The price volatility during the energy crisis and the shift in supply routes would have been easier to handle had there been more auction opportunities and more efficient capacity allocation processes. Notably, the increased role of LNG supplies calls for more shorter-term auction opportunities.

This is why the proposal follows ACER's suggested approach of introducing additional auction opportunities in the form of (i) advance booking opportunities for monthly capacity products, (ii) additional auction possibilities for firm yearly, quarterly and monthly capacity products and (iii) a new product, covering the timeframe between the monthly and daily capacity products, called the 'balance-of-the-month' capacity product.

As the 'balance-of-the-month' product is new, a choice had to be made with regard to the applicable tariff. ACER did not initially propose a way forward and the Commission organised a dedicated stakeholder workshop on this topic. Following the input received, the proposal now contains a targeted amendment of the Commission Regulation (EU) 2017/460 of 16 March 2017 (TAR NC) is also required, introducing a dedicated multiplier for this product that would lie between the monthly and the daily multiplier.

(iii) Streamlined incremental capacity process

Chapter V of the CAM NC has been significantly revised to meet the requirements of the General Court judgment in Joined Cases T-684/19 and T-704/19 *MEKH and FGSZ v ACER* and proposes a substantive simplification of incremental capacity rules. Whilst it keeps the trigger for an incremental capacity process on the one hand, providing a common ground for Member States in which such a process has added value, it also minimises the administrative burden for national regulatory authorities ('NRAs') and transmission system operators

(‘TSOs’) that do not consider that incremental capacity rules are needed. The solution respects the various gas market realities across Europe – in some countries additional infrastructure may be required, but not in countries where gas is being increasingly phased out.

(iv) Possibility for ENTSO for Gas to specify non-essential elements of the capacity auctions

The energy crisis made it clear that it would have been beneficial if it would have been possible to specify some auction parameters, without requiring the lengthy amendment of the CAM NC. This would have allowed for a more rapid adjustment of such parameters to evolving market circumstances.

ACER recommended allowing flexibility for TSOs and NRAs to specify certain auction parameters, while keeping the rules harmonised at all interconnection points and respecting the limitations of ACER’s and ENTSO for Gas’s mandates.

Article 33 details the technical parameters that can be specified by ENTSO for Gas, notably flexibility with regard to the frequency of the default days for additional auctions, notification periods and the duration of the bidding rounds as well as the period between bidding rounds.

However, the Commission did not incorporate ACER’s recommendation to allow ENTSO for Gas to specify the algorithm used for yearly, quarterly and monthly capacity auctions. In the Commission’s view this would be more than the specification of a merely technical parameter.

3. DETAILED EXPLANATION OF THE SPECIFIC PROVISIONS OF THE PROPOSAL

Application of the CAM NC to borders with third countries (Article 2)

Article 70(2)(d) of Regulation (EU) 2024/1789 states that network codes and guidelines shall ‘apply to all interconnection points within the Union, as well as entry points from and exit points to third countries. This applies unless a derogation has been granted in accordance with Article 70(3) of Regulation (EU) 2024/1789.

The wording in Article 2 has been adapted to align the scope of the capacity allocation mechanisms network code with the requirements of Regulation (EU) 2024/1789.

Definitions (Article 3)

The definitions of '*interconnection point*' and '*virtual interconnection point*' have been replaced with a cross-reference to the definitions set out in Directive (EU) 2024/1788.

The definition of '*alternative allocation mechanism*' has been adapted to the new wording in Chapter V on incremental capacity process, which refers to '*dedicated allocation mechanism*'.

In the definition of '*auction calendar*' refers directly to the auction calendars published by ENTSO for Gas. Article 9 clarifies that the auction calendar shall cover auctions taking place from July until June. As a transitional measure, the first publication of the auction calendar following the entry into force shall include the information on the auctions held during the months of March to June of the relevant calendar year.

The definition '*additional auction*' was added in view of the introduction of such auctions in Article 13(a) of the Regulation.

Enhanced transparency around the capacity calculation and maximisation (Articles 6 and 7)

The amendments to Articles 6 and 7 introduce consultation and publication requirements for TSOs with regard to the calculation and maximisation of cross-border capacities. It ensures enhanced transparency regarding the methods used to determine the capacity levels that are made available to the market and the impact of system integrity and efficient network operation on those offer levels.

Article 6 also requires TSOs to apply a dynamic approach to capacity calculation and maximisation, whereby the recalculation of capacity or at least the revision of the underlying assumptions should happen at least every two years. Where the recalculation exercise leads to reduced cross-border capacity, Article 6 requires that TSOs analyse the impact of these reductions on flows and security of supply of the region impacted and consult neighbouring system operators.

Advance booking opportunities for monthly capacity products for the remainder of the quarter (Article 14)

The amendment of Article 14 will make it possible to book capacity for all remaining months in a given quarter as part of the standard monthly auctions. Under the new design, capacity

can be booked for each month individually in accordance with the ascending clock auction algorithm.

It is clarified that these auction possibilities will be introduced starting from the gas year 2027/2028.

Additional auctions for firm yearly, quarterly and monthly capacity products (Articles 15, 19(3))

Additional auction opportunities are created for shippers through the introduction of additional auctions for yearly, quarterly and monthly capacity products which re-offer unsold firm capacity from the standard auctions. This brings the capacity-trading auctions closer to commodity trading, which happens on a continuous basis.

The uniform-price auction algorithm will be applied for the additional capacity auctions, with a single bidding round taking place early in the day.

It is clarified that these auctions will be introduced starting from the gas year 2027/2028.

BoM standard capacity product and dedicated tariff product (Articles 16, 19(4) and TAR NC amendment)

The amendments introduce the BoM capacity product, a new standard capacity product to bridge the gap between the month-ahead and day-ahead timeframes. The capacity would be auctioned through the uniform-price auction, which allows for the time-efficient auctioning of capacities.

The proposal also includes a targeted amendment of the Tariff Network Code (Commission Regulation (EU) 2017/460) to accompany the introduction of the new capacity product with a dedicated tariff product. The amendment will introduce a dedicated multiplier to be defined by NRAs at a level between the daily multiplier and the monthly multiplier. On top of the consistent implementation of the new capacity product, a dedicated multiplier aims to ensure the attractiveness of the BoM standard capacity product.

It is clarified that this product will be introduced starting from the gas year 2027/2028.

First bidding round of within-day auctions (Article 18(2))

The first bidding round of within-day auctions has been shortened, but subsequent rounds remain the same.

Auction algorithms (Article 19 and Article 20(11))

The amendments to Article 19 clarify that the additional auctions of yearly, quarterly and monthly capacity products, as well as the BoM capacity auctions, must be auctioned using the uniform-price auction algorithm.

For interruptible capacity, the amendments clarify that yearly, quarterly and monthly capacity is auctioned using the ascending clock auction algorithm, while the interruptible day-ahead capacity auctions must be auctioned using the uniform-price auction algorithm.

The ascending clock auction algorithm consists of multiple bidding rounds and is preferred for the longer-term auction products. Conversely, the uniform-price auction is favoured for the shorter-term auctions, as it consists of a single bidding round.

Article 20(11) introduces the possibility for adjacent TSOs to jointly decide to amend the level of a price step at the end of an auction day, starting from the first auction round of the following auction day. TSOs may decide to adjust the price steps if they detect misalignment with the prevailing market conditions, and the adaptation of the price step would increase the likelihood that the auction process would allocate capacity in due time.

Alignment of main terms and conditions for bundled capacity products (Article 23)

The provisions require ENTSO for Gas to review and update its catalogue of main terms and conditions for bundled capacity products in view of market developments and the adapted provision of the CAM NC. It must also issue a report on these terms and conditions and update its template.

Adapted incremental capacity process (Articles 25 and 26)

The new incremental capacity chapter will have two articles. In line with current practice, Article 25 will feature a general obligation for TSOs to test the market demand for incremental capacity at cross-border points. This will happen every odd-numbered year. The detailed demand assessments would be initiated if the national regulatory authorities so decide.

NRAs will be empowered to decide whether to initiate the incremental capacity process and to design all the elements of the procedure. To reflect the need for cross-border coordination, Article 25 will require NRAs to cooperate in the design and implementation phases.

Finally, Article 26 gives NRAs the option of requiring ACER to provide support by means of targeted recommendations for designing and implementing the incremental process. ACER's recommendations will not have binding effects on requesting NRAs.

Further specifications regarding interruptible capacity (Article 27(3) and Article 19(5) and (6))

The addition in Article 37 clarifies how the offer of interruptible capacity in reverse flow should be maximised to the level of nominations in the forward flow direction.

ACER recommendation for the selection of a single booking platform (Article 32(7))

It is proposed to allow ACER to issue a non-binding recommendation for the selection of a single booking platform to be used on both sides of an interconnection point.

Specification of technical auction parameters by ENTSO for Gas (Article 33)

The proposed article introduces the possibility for ENTSO for Gas to specify non-essential technical parameters to align with changing market conditions. Those parameters are: (i) the frequency and default days of additional capacity auctions; (ii) the notification periods pursuant to which the TSOs inform the network users about the capacity to be offered in the upcoming auctions for standard yearly, quarterly and monthly capacity auctions, as well as the additional capacity auctions and the yearly, quarterly and monthly auctions for interruptible capacity; (iii) closing times of the first bidding round of the within-day capacity auctions; and (iv) the duration of the bidding rounds and the period between bidding rounds that take place under the ascending clock auction algorithm.

Before taking such a decision unanimously, ENTSO for Gas must assess stakeholder view.

Implementation monitoring (Articles 34)

The proposal updates the requirements for ACER's monitoring of the implementation of the Regulation. TSOs must submit all relevant information to ENTSO for Gas within 18 months of the entry into force of the Regulation and ENTSO for Gas must submit the information to ACER within 24 months. ACER must in turn issue a report on the use of implicit allocation methods and the conditionalities contained in standard capacity products for firm capacity.