

Responses to Draft CAM Network Code Consultation

Consultation Response Sheet

Please complete the fields below and send via email using the subject, “Response to the CAM NC consultation” to info@entsog.eu by 3 August 2011.

Name

First and Last Name: Georg Dorfleutner

Organisation

Company/Organisation Name: GSE – Gas Storage Europe

Job Title: Vice Executive Secretariat

Contact details

Email: Georg.dorfleutner@gie.eu

Tel: +32 2 209 05 07

Mobile: +32 495 298 290

Address

Street: avenue de Cortenbergh 100

Postal Code: 1000

City: Brussels

Country: Belgium

Question 1: Do you consider that the level of detail in the draft NC is appropriate for an EU Regulation?

GSE believes that overall, the level of detail of the draft NC is adequate and would like to note that we welcome ENTSG's work. Nevertheless, it needs to be pointed out that the provisions of this Network Code are based on the assumption of a non-congested market. Accordingly the aspects of security of supply are not fully taken into account in the proposed allocation mechanisms. The fact that long term booking is based solely on quarterly products indicates such lack integration of security of supply aspects. Further explanation concerning this issue you may find in our response to Question 5 here below.

Furthermore the described allocation system involves certain tariff issues which are beyond the scope of this Network Code and should be rather tacked in the Tariff NC.

Question 2: Should this NC set out detailed rules? If so, do you consider that where changes are necessary, they should be made through the change process foreseen in the Third Package, or (if legally possible) through a separate procedure where modifications can be made following stakeholder request and discussion?

GSE is convinced that any kind of change of the Network Code or related document needs to be based on an ex ante consultation of the market. A formal process should be ensured for all changes so as to ensure continuity and predictability. It needs to be mentioned that the given allocation mechanisms will determine the booking behaviour of market participants which is related to long term payment obligations (contracts up to 15 years).

Question 3: In your view, is it credible that principles and details of CAM mechanisms could be separately identified? What elements of this (or other) code(s) might be considered for a "lighter" change process and how might such changes be made binding?

As mentioned in our response to Question 2 market consultation and a formal process are key to a predictable system.

Question 4: How do you consider that a process to review the handbook, and to modify it where necessary, should be designed?

As mentioned in our response to Question 2 market consultation and a formal process are key to a predictable system.

Question 5: Do you agree with the NC proposal for long term auctions of quarterly products? If not, please explain your proposed alternative and the rationale for this.

GSE does not support the proposal of long-term quarterly products sold concurrently at all interconnection points in Europe. We believe that such a solution would be detrimental to security of supply as it would also impact on the use and valuation of storage facilities, which naturally operate on a yearly basis. The ENTSOG proposal suggests that long-term transmission capacity would be booked via quarterly auctions and for a maximum of 15 years ahead. In order to book long-term capacity at various interconnection points, this would imply the necessity to bid for 60 separate products multiplied by the number of interconnection points concerned. This may prove to be a considerable challenge given that the decision on whether to procure or not transmission capacity at a given point may depend on whether sufficient capacity has been successfully procured at other points. Moreover, a market participant which may have successfully bode for capacity at one point may fail to do so at another point which may in turn impact on the security of supply along a given supply route. As a result, this uncertainty as to whether or not sufficient transmission capacity will be procured may have implications for the use of storage. It will raise the question what to book first, storage or transport capacity. In this context, we would like to note that as present there is no obligation, nor should there be, for offering combined transport-storage products.

Moreover, GSE would like to note that ENTSOG's proposal for long-term quarterly auctions is not coherent with the proposals made during the ongoing debate on the Gas Target Model. We refer here in particular to the proposal of "chain products" as a way of ensuring capacity availability for shippers along a given supply route - in other words, a way of securing continuity of supply. We are concerned that such differing approaches could bring about inconsistencies and further uncertainty for market players with a detrimental impact on storage and security of supply to customers. We note also that the design of long-term products as proposed by ENTSOG is neither coherent with the Regulation 715 which defines long-term products as products with a duration of a minimum of one year.

Thus, even shippers might prefer booking quarterly products as the previous consultation has shown long term products play an important role for storages and accordingly for security of supply.

Additionally, as ENTSOG's proposals concerning the auction design also includes tariff implications it is unclear how the proposed multipliers will be applied and, as we understand from the Supporting Document of the draft NC, they could even lead to arbitrarily higher cost of transmission capacity during the summer period. What follows is that it would be more costly for storage user to transport gas to storage during the injection period. Such a situation would be a dissuasive factor for storage users to ensure that adequate amount of gas is in storage ahead of the winter period with consequences on the level of security of supply.

Question 6: Do you consider that the auction design set out in the draft NC includes sufficient measures to allow system users to purchase the long-term capacity they want? If not, how could the

measures be improved, while remaining consistent with the FG and keeping the complexity of the auction design to a manageable level?

Response:

Question 7: Do you consider that the within-day auction proposal set out in the draft NC could be improved from a user perspective? If so, what improvements would you suggest?

Response:

Question 8: The draft NC proposes that TSOs will implement all auction systems at all Interconnection Points (IPs). However, if no purchases of capacity are made in within-day or day ahead auctions at a particular IP over a certain period of time, do you consider that it would be appropriate to suspend these auctions for some time, in order to reduce operational costs?

Response:

Question 9: Do you consider that the auction algorithms set out in the draft NC are appropriate for the Standard Capacity Products to which they are proposed to apply? If not, what modifications would you suggest?

Response:

Question 10: Do you believe that any of the potential alternatives described would be more suitable? In particular, do you consider that a Pay-As-Bid methodology would be more appropriate than uniform price, particularly for auctions of shorter duration products?

Response:

Question 11: Under an open-bid algorithm (whether uniform price or pay as bid), do you consider

that ten bids per user is a sufficient number?

Response:

Question 12: Do you consider that mechanisms supporting value discovery should form part of the NC? If so, which mechanisms do you believe would be most effective?

Response:

Question 13: In your view, how could a split of bundled capacity between existing holders of unbundled capacity best be arranged?

Response:

Question 14: In your view, what effect would mandatory bundling have on network users? Please provide supporting evidence, if available.

Response:

Question 15: Do you consider that the approach to bundled capacity set out in the NC is appropriate, within the constraints of the FG?

Response:

Question 16: Do you consider that the process set out in the draft NC for determining the sequence of interruptions is appropriate? If not, what system would you prefer?

Response:

Question 17: ENTSOG would welcome feedback, observations and suggestions related to this section of the supporting document and to Annex 2. Do you consider that ENTSOG has correctly identified the key tariff issues in these sections?

Response:

Question 18: What is your view of the process that ENTSOG has followed in order to produce the draft NC? Would you recommend that ENTSOG use a similar process to develop future NCs? What approaches would you suggest to enable ENTSOG to improve the process?

GSE wants to underline the importance of a close co-operation with other infrastructure operators as the upcoming Network Codes will not only impact on TSOs.

In general it is to question if a time schedule that foresees a consultation of the Network code before the final publication of the related Framework Guideline is reasonable. To the opinion of GSE, all parties will benefit if future Network Code consultations will take place after the related final Framework Guideline has been published.

Question 19: ENTSOG is developing a new website and would welcome stakeholder views on how to make it as useful as possible. What are your views about the current ENTSOG website, www.entsog.eu, and what could be improved?

Response:

Do you have any other comments or observations you would like to make?

Response: