

## 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](mailto:info@entsog.eu) by 3 August 2011.

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

The level of detail seems to be appropriate, but could be even more detailed. In particular the issue of long term capacity bookings and how to avoid that long term capacity bookings develop into an obstacle for market participants to get access to capacity, should be elaborated more in detail.

**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?

Yes, it should set out detailed rules.

Following the proposed NC, open seasons are not necessary any more. Open seasons should therefore be prohibited or seen as a phase of capacity allocation under the framework of this NC for the upcoming 15 years.

Concerning the change process we recognise that a procedure via ACER and including inputs from all stakeholders is a lengthy process. But we believe that ACER can establish standard procedures for changes in the NC, which function more rapidly.

**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?

Principles and details of CAM mechanisms should not be separated. There should always be a coherent view. Nevertheless details could be developed in a lighter change process.

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

We believe that it is reasonable that ENTSG leads the process of developing such a handbook and involves all stakeholders duly.

**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.

In principle we agree. However, we think that long term products up to 60 quarters (15 years) is too long. Even long term products should not be beyond 5 years of duration. Capacity bookings above 5

years should definitely be prohibited.

10% of capacity withheld for short term auctions is insufficient. We propose between 25% and 33%. In addition, we think that long term gas sale & purchase agreements are harmful for the further development of liquid markets. If capacity cannot be booked for more than 5 years there would be also no reason to sign long term gas sale & purchase contracts.

**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?

The auction design seems reasonable to us.

We do not really understand why TSOs can offer additional capacity at their discretion like in the NC, article 4.9.8., see G ? Why didn't they offer this capacity already at a previous moment?

**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?

No, we think that the proposal is reasonable and reflects the needs of the market. Nevertheless, within-day auctions depend on capacity available. For this reason we firmly believe that renomination rights must be eliminated, otherwise capacity would always remain limited. Those with longer term bookings, losing renomination rights, may participate to within-day auctions as any other market participant.

**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?

We believe, that a standard auction system for a multitude of interconnection points should be implemented (covering all relevant TSOs). If the system is working well, there would be no incremental costs for those interconnection points where there is no fluctuating demand or liquidity. It would be therefore reasonable not to suspend these auctions. Such auction do not trigger any additional marginal costs.

**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?

As we understand the NC, yearly auctions for monthly products should be designed and in addition there should be monthly auctions for monthly capacity. It is necessary to put a higher priority on short term standard capacity products (25-33%).

The auction algorithms described are obviously based on daily balancing. Within-day capacity is always allocated for the remaining hours of a given day. Specific hourly capacity cannot be allocated. We have at the moment hourly balancing in Austria. But as VERBUND we prefer daily balancing. In order to harmonise such cross border capacity or interconnection auctions with balancing in a balancing zone we believe that a harmonised gas day is of top importance.

All in all we believe that auction algorithms (volume-based Cleared-Price auction algorithm, Uniform-Price auction algorithm) described are appropriate.

**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?

No, they would not be more appropriate.

**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?

If 10 bids per interconnection point or per capacity offered, then yes.

**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?

We believe that such mechanisms make sense. There must be rules eliminating gaming and other undesired behaviour in auctions. Nevertheless we are not in a position to make recommendations.

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

First unbundled capacity of existing holders should be bundled wherever possible. If unbundled capacity remains, which cannot be bundled, then holders of such capacity should have a possibility to terminate unbundled bookings. Then the relevant TSO should increase capacity on one side of the interconnection point in order to bundle the product accordingly.

Anyhow, the best solution would be to abolish long term capacity bookings altogether. That means,

that all existing long term capacity bookings should be imperatively by EU law terminated after a maximum of 5 years. All unbundled existing capacity would continue to exist for the next 5 years and after that no further problem would arise from this issue.

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

We are strongly in favour of mandatory bundling and are convinced that access to capacity is easier for network users when mandatory bundling is realised. Yet, we believe that mandatory bundling is only the second step, the first step must be the elimination of long term capacity bookings.

It is also important to integrate several physical interconnection points into one homogenous virtual interconnection point (such as for example Oberkappel + Überackern + Freilassing etc. into one virtual interconnection point NCG to Austrian market area East).

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

The approach is appropriate. Nevertheless, wherever at interconnection points capacity is not the same at both directions, this should not lead to unbundled capacity but to an effort to increase the capacity at the end where capacity is lower, in order that capacity can be truly bundled.

**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?

We consider that the process set out is appropriate.

**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?

We believe that ENTSOG has correctly identified the key tariff issues. We would need to go much more into detail to evaluate these issues. As a general remark we believe that it is extremely important to review regularly allowed revenues for TSOs and the establishment of regulated tariffs. In particular we believe that regulated tariffs in a balancing zone should be homogenous, regional differences should be avoided as much as possible. FG for tariffs must be seen in parallel.

**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?

**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](http://www.entsog.eu), and what could be improved?

We think that ENTSOG should develop a website, which allows (real-time) access to the actual physical use of all high pressure pipelines in the EU. Every market participant must have the possibility to check at any moment the real physical use of European grids (in particular cross border interconnection points).

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

Why should capacity at entry points from LNG terminals and production facilities, or entry/exit points to or from storage facilities be excluded from NC? (2.1.)

Planned maintenance shall be published on a website. The information shall contain the following: ... (3.1.3.) Should give also information about alternative interconnection capacity, if available.

Capacity calculation and maximisation. (3.3.3.) Adjacent transmission system operators should also publish, which measures are available to increase capacity, if bottlenecks are identified. (in particular adjacent transmission system operators can have an influence on available capacity if operation of compressors in adjacent systems is modified).

As shown in the support document to the questions we share the view that incentives must be developed to motivate TSOs to offer the maximum capacity and to have an interest in increasing capacity (even beyond actually visible capacity demand).

If kW/d is the relevant unit of capacity, this does not necessarily imply from our point of view that the capacity use must be flat over the day. Line pack and other measures for intraday modulation must be taken into account.