

Endesa Ireland Response to Draft CAM Network Code Consultation

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<p>Question 1: Do you consider that the level of detail in the draft NC is appropriate for an EU Regulation?</p> <p>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?</p> <p>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?</p> <p>Endesa Ireland considers that the NC should require the minimum level of detailed rules necessary. This would allow TSOs flexibility to adapt the rules to national conditions, in accordance with the principle of subsidiarity.</p> <p>Endesa Ireland considers that there is merit in a separate ‘lighter’ modification procedure, but this should be open and transparent and provide the opportunity for all interested parties to make submissions. There must also be a procedure for resorting to the full modification procedure foreseen in the Third Package where a TSO does not agree with the proposed modification, or where it is seen to be contrary to the ACER FGs.</p>

<p>Question 4: How do you consider that a process to review the handbook, and to modify it where necessary, should be designed?</p> <p>As in response to Question 2, any process for review of the handbook should be open and transparent and give interested parties the opportunity to make submissions and suggestions.</p>

<p>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.</p> <p>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</p>

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

Endesa Ireland submits that the adoption of auctions as a standard allocation mechanism is not necessary where no congestion exists on interconnectors; this applies to all products.

As there is no problem with congestion on Irish gas interconnectors Endesa Ireland is of the view that they are not necessary and should not be required. A requirement to implement auctions would increase costs for Irish customers for no benefit. Indeed, Endesa Ireland notes ERGEG's 2010 *Report on Capacity Allocation Mechanisms and Congestion Management Procedures at Selected Interconnection Points* which reports at section 3.1 that the 'vast majority of respondents indicated that there is no physical congestion in the selected network'. It is also stated that all of the TSOs who responded to this question stated that 'users do not face problems in contracting the capacity they need', while a minority of NRAs estimated users do face problems in contracting the capacity they need. On this basis the need for EU intervention to require auctions at all interconnection points across Europe must be called into question.

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?

As set out in Question 5, Endesa Ireland does not support the requirement for auctions for any products, including within-day where no congestion exists.

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?

As set out in Question 5, Endesa Ireland does not support the requirement for auctions as it is seen to incur unnecessary operational costs where no congestion exists on interconnectors.

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?

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

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?

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?

See response to Question 5.

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

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

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

Endesa Ireland does not consider that bundled capacity on the basis of a single nomination is workable in practice. Given that shippers hold separate contracts (and therefore individual relationships) with each TSO there would need to be a mutual recognition of these contracts and, at a minimum, related shippers at each side of the interconnection point.

Endesa Ireland would welcome clarification on the bundled capacity concept, including who the contracting parties would be, how payment would be arranged and how any disputes would be resolved.

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?

Interruptions should be pro-rata, regardless of contract date. Otherwise, newer entrants to the market could be at a disadvantage.

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

As stated above, Endesa Ireland is not in favour of a requirement for auctions, but considers that where they do occur the NRA should determine the reserve price.

Endesa Ireland considers that under Article 7(7) regarding revenue under-recovery it should be clear that RA approval is required before tariffs are adjusted to collect revenue shortfall.

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

It is clear that in this instance the European Commission invited ENTSG to develop a Network Code on Gas Capacity Allocation Rules in January 2011. However, Endesa Ireland considers that it would be more appropriate that NCs are not consulted upon until the relevant ACER Framework Guidelines have been completed, otherwise the draft NCs are subject to change based on the outcome of the FGs.

Question 19: ENTSG 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 ENTSG website, www.entsg.eu, and what could be improved?

No comment.



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

Regarding Article 8(5) Endesa Ireland considers that a single EU-wide booking platform is not necessary until there is a single European Market. For markets with low-levels of interconnection, a single platform will impose costs on final customers without providing any benefits.