

Minutes of Meeting

CAM Network Code: Presentation of draft code

21 June 2011, Diamant Conference Centre, Brussels, 11.00-15.30

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1. Introduction and EC view

ENTSOG welcomed participants to the meeting and invited Kristóf Kovács to give an introductory presentation on behalf of the EC.

The Commission believed that CAM NC process had gone well so far with sufficient involvement of stakeholders. Throughout the remainder of the process, ENTSOG should aim to ensure involvement of all member states, and in particular to increase involvement of stakeholders from central and eastern Europe, in order to ensure widespread ‘ownership’ of the code and smooth implementation. North western Europe has so far been heavily represented among participating stakeholders.

EC felt that further work and consultation were necessary on certain issues, notably the time horizon for implementing auctions. This should happen as soon as possible particularly given that the 10% of capacity reserved for short term would be calculated as a percentage of available capacity and that it would take some time for this figure to reach 10% of total capacity. Another key issue was how contracts and nominations for bundled products could be simplified as much as possible to ensure consistency across Europe.

1. Presentation of the draft network code

ENTSOG explained the content of the draft code [Note: presentation material available at www.entsog.eu] and invited participants to ask clarifying questions.

Participants asked a number of questions and made comments relating to key topics:

Auctions

- Does the NC proposal involve bidding window closure at a fixed time, and is it possible for a bidder to submit a bid immediately before the end of the window without having submitted anything previously? (Answer: Yes, under the current proposal – though mechanisms to encourage early bidding are under consideration and comments are welcome.)
- Why has a mechanism for early closure of the bidding window not been included in the draft NC – does ENTSOG see some disadvantages? (Answer: this has been excluded due to a lack of feedback from users so far on potential price discovery mechanisms. ENTSOG would welcome comments during the consultation period.)
- How will bids be submitted and will TSOs have flexibility to modify the bidding tools? (Answer: this will depend on the platform used. The Data & Solutions handbook will contain technical specifications – providing it is possible to implement binding rules through a handbook arrangement. The detail of this, and timelines for the handbook, are still to be finalised.)
- Is it possible to book concurrent quarters? (Answer: it is possible to bid for concurrent quarters, and if the bid is high enough the bidder will win the capacity. The cleared-price auction system proposed in the draft NC means that users can submit high bids if they are keen to increase their chances of gaining the capacity, but they will pay the same as other successful bidders, which may be less than their bid price. However the nature of the auction means that there is no guarantee that a user will be successful in obtaining capacity for concurrent quarters. The alternative would be a multiple-quarter auction system which would be unworkably complex.)
- A shipper commented that the draft NC specifies a single round rather than a multiple round auction – however there may be advantages to a multiple round auction. One potential disadvantage of multiple round auctions, that auctions at different IPs will end at different times, is an issue that shippers can manage. (Response: ENSTOG welcomes such feedback in response to the consultation.)

- What are the reserve prices for day-ahead and within-day capacity? (Answer: the regulated tariff.)

Tariffs

- Can the EC give any indication on the type of instrument likely to be used to implement tariff provisions? (Answer from EC: not at present – this is still under discussion. EC has engaged consultants for a scoping exercise, to provide a global view on tariffs (including electricity) and on what issues need to be tackled. This will determine the means used for this task. A final decision will be taken around the end of the year.)
- EC agreed it was appropriate for the CAM NC to tackle some tariff areas in order to provide a workable CAM regime.
- A shipper commented that the FG/NC code process was a workable way to examine an issue like tariffs and that use of regulated price reserve tariffs – with multipliers – was reasonable.
- Will reserve price for interruptible capacity be the same as for firm? (Answer: the intention is for the price to relate to the probability of interruption, implying different reserve prices.)

Code modification process

- A shipper commented that the code should be sufficiently binding to avoid a ‘two speed Europe’. A handbook may be appropriate in order to allow changes to be made without the need for a lengthy comitology process. However, any changes must be subject to consultation to ensure users can have a say on the IT (which systems are used) and on any other relevant areas.
- Another shipper supported the handbook proposal and agreed that the details shouldn’t be in the code but they should be specified somewhere.

Implementation period

- ENSTOG noted that it would not be possible to implement all provisions of the NC within 6 months and that it would not therefore be credible to include such a provision in the NC. In addition, it would be very difficult to start implementing the provisions before the code comes into force as anything may change during comitology.
- A shipper commented that it was essential to have clear dates for when things will be implemented, and suggested creating an ‘implementation bureau’ to give detailed reports e.g. on the development of IT and when everything would be ready.
- Another shipper accepted that 6 months would not be sufficient but agreed there was a need for clear dates to enable shippers to modify their own IT systems.
- ENTSG noted that it was not yet clear exactly how the national contract amendment process would work in each country (e.g. how long would be needed for regulatory approval) and that it was therefore difficult to say exactly how much time would be needed for implementation.
- A shipper noted that in Germany the period from fixing of the relevant BNetzA ruling until implementation of auctions would be less than 12 months, and felt that 12 months may be appropriate for CAM implementation. ENTSG felt that Germany may not be the ideal model for all TSOs across Europe.

- A further shipper accepted the need for time to develop workable systems (both by TSOs and shippers). It was suggested that TSOs could modify contracts within 6 months and write into the new contracts a longer period for implementation.
- A regulator pointed out that implementation times would be determined as part of comitology proceedings.
- ENTSOG encouraged stakeholders to raise these and other thoughts in response to the consultation. This is a key issue for TSOs since they will need to handle the practical aspects of implementation.
- The EC felt that an ambitious target for implementation was necessary, and that it was essential that the industry prepare for implementation in advance of the NC coming into force. They did not, however, want to get hung up on the exact number of months involved.

2. Suggestions for next steps

Participants made a number of suggestions for the next steps in the process. ENTSOG will consider all of these suggestions carefully.

- Participants agreed that auctions and tariffs were two key areas where further stakeholder sessions would be valuable.
- Regarding auctions, a shipper felt that it would be useful to have a session to lead participants through a simulated auction – e.g. a ‘day in the life of capacity auctions’ – possibly involving a business game. At the session the key issues should be explained in detail, in order to enable users to give detailed and constructive responses to the consultation. Eurogas supported an early session on auction design.
- A shipper asked whether it would be possible to include a list of common questions and answers on the ENTSOG website.
- Participants commented that the CAM NC process had run well so far and that the project plan for next 6 months seemed broadly sensible.

Next meeting: Tariffs and auctions workshops, 19 and 20 July 2011, ENTSOG offices