Capacity Allocation Mechanisms (CAM) Network Code Consultation

Second formal consultation on new or modified concepts

Contents

A. Introduction

On 17 August 2011, ENTSOG received a letter from the EC, inviting it to deliver the final CAM network code (NC) by 9 March 2012. This represents a six week extension to the initial deadline of 27 January 2012, following publication of the final ACER Framework Guideline (FG) on 3 August 2011.

In the interests of transparency, and to maximise the involvement of stakeholders in the CAM NC process, ENTSOG has decided to use these additional six weeks to hold a further round of written consultation. The consultation covers issues that have changed in the final ACER FG and issues on which ENTSOG is re-evaluating its positions following feedback in the original consultation.

The present consultation is limited to concepts related to specific issues, identified by ENTSOG, on which further market opinion is particularly valued. It does not propose a draft network code text for consideration. If an issue is not addressed here, this does not imply that the relevant text from the draft CAM NC will remain unchanged.

As this is ENTSOG's first network code, and as the timescale is longer than anticipated for future network codes, the choice to proceed with a second consultation round should not in any circumstances be construed as the general process to be followed for any and all network codes by ENTSOG.

B. How to respond to this consultation

ENTSOG welcomes responses to this consultation. Responses should relate to the issues covered in the present consultation document. ENTSOG has considered responses in other areas as part of the draft CAM NC consultation.

Respondents are asked to answer the questions raised throughout this document and listed together in Annex 1. In most cases a series of options is presented and space is provided for respondents to explain their preferred option. ENTSOG would be grateful if respondents could clearly indicate their preferred option and provide a brief but **fully reasoned justification** for their choice. This applies equally whether you agree or disagree with any ENTSOG proposal as it is important that ENTSOG is able to clearly determine the views of all respondents. If you do not respond to a question, ENTOSG will assume that you have no view on this issue.

Annex 1 is published separately as a Word document on ENTSOG's website. Please use this form to submit your response. As the time available for analysis of consultation responses will be very limited, ENTSOG cannot guarantee that it will take into account feedback provided other than in the proforma response format.

If you would like any part of your response to be treated as confidential, **please mark these sections clearly and explain why it is not possible for the information to be made public**. Please note however that ENTSOG's approach to developing the CAM NC relies heavily on the sharing and debate of views by all market participants. We would strongly encourage you to allow your full response to be made public, unless this is impossible for reasons of commercial confidentiality.

Please send responses to this document via email using the subject title, "Response to the CAM NC consultation" to **info@entsog.eu** by 14 November 2011. Any questions regarding this document can be sent to the same email address.

C. Background to this consultation

C.1 Network code development process

ENTSOG published the draft CAM NC for consultation on 21 June 2011, following an interactive code development process during which the main concepts were discussed with stakeholders. The consultation closed on 3 August 2011. ENTSOG fully analysed all of the responses received and published a consultation analysis report on 26 September 2011 (reference CAP0173-11) summarising the responses.

Two workshops (on auction design and tariffs) were held by ENTSOG during July 2011 and a further workshop, on the Sunset Clause, was held on 6 October 2011. These workshops provided a valuable opportunity for ENTSOG to inform stakeholders regarding these aspects and to listen to feedback on particular issues.

Input from stakeholders has formed a key input to discussions within the ENTSOG Capacity Working Group and its specialist sub-groups. These groups have been working to develop new options and to refine existing ones, in order to move towards a final CAM NC. This second consultation document sets out the options developed on certain key issues and seeks further views from the market.

On 3 August 2011 the final ACER Framework Guideline on CAM was published, and this will now form the basis for the final CAM NC. The FG included a sunset clause (requiring mandatory bundling of existing capacity after five years) and was accompanied by legal and economic impact assessments setting out the consequences of a sunset clause.

C.2 Planning and next steps

Responses to this consultation will help to determine the final approach taken by ENTSOG when drafting the CAM NC.

The project plan for the finalisation of the CAM NC was published on 14 October 2011 (reference CAP0196-11).

Table 1: Key dates in the process to finalise the CAM NC

24 October 2011	Second consultation on CAM NC concepts launched
3 November 2011	Workshop on Auctions
14 November 2011	Deadline for responses to the second consultation
December/January 2011	Stakeholder update session on CAM NC *(date to be confirmed)*
2 February 2012	CAM NC and accompanying document published; Stakeholder Support process starts
16 February 2012	Stakeholder Support process ends
9 March 2012	Final CAM NC submitted to ACER

D. Standard Products in auctions

D.1 Standard Capacity Products to be auctioned

Introduction

In the draft CAM NC ENTSOG proposed as the retained option for long term capacity allocation, to use an annual process to auction quarterly products, with a lead time of 6 months and a maximum bookable period of 15 years (that is, 60 consecutive and independent quarters). This proposal was chosen from several options presented in the Launch Document due to preferences expressed by network users during the Stakeholder Joint Working Sessions held in April and May 2011.

The majority of consultation respondents requested that, for the long term product, ENTSOG include a yearly option in the NC in addition to a quarterly option. Please refer to the consultation analysis document (CAP0173-11) for reasoning given. However, most did not clearly explain how this could work.

In response to the market's preferences, ENTSOG has examined ways to integrate a yearly product and presents a possible solution below as Option 2. ENTSOG remains open however to the option of auctioning quarterly products only, hence still proposing such alternative as Option 1. The different options are therefore to be considered as alternatives to each other. These two options are presented below, while the reasons for rejecting alternatives are shown at the end of the section.

Please note that under either option, independent but concurrent auctions would be run for each long term product on offer.

Options

Option 1: Long term product is quarterly only

This option is identical to the solution proposed in the draft CAM NC and supporting document.

The draft NC specified that auctions would be for the following standard capacity products: long-term, annual monthly, rolling monthly, daily, and within-day. It proposed that long term capacity would be sold through auctions of quarterly products. 'Long term' capacity could therefore have a duration of up to sixty quarters, but could be as little as one quarter.

Participants would be free to bid separately for their desired quantity of capacity for each of the 60 quarters offered, allowing them to build a profile of capacity bookings over the following 15 years to match their expected usage. Users would be able to build up an annual or longer product, should they wish, by purchasing consecutive quarters.

The table below shows the auctions that would be held each year under this option, using 2015 as a hypothetical example.

Table 2: Firm capacity auctions during 2015 under Option 1

Type of auction	Timing of auction	Product sold	Period covered
Long term	March 2015	Quarterly	1 October 2015 to 30 September 2030 (60 quarters)
Annual monthly	June 2015	Monthly	1 October 2015 to 30 September 2016 (12 calendar months)
Rolling monthly	3rd Monday of each month	Monthly	Next calendar month
Rolling daily/Day Ahead	Every day	Daily	Next gas day
Within-day	Every hour	Balance of day	Hour+2 until end of gas day

Option 2: Integration of yearly product

Under this option, yearly capacity products are sold on an annual basis for the next 15 years. Following the yearly auction, an annual quarterly auction is held for the year ahead (replacing the "annual monthly" auction proposed in the draft CAM NC and included in Option 1). Auctions for shorter durations (rolling monthly, rolling daily and within-day) are as described in the draft NC.

Table 3: Firm capacity auctions during 2015 under Option 2

Type of auction	Timing of auction	Product sold	Period covered
Long term	March 2015	Yearly	1 October 2015 to 30 September 2030[1] (15 years)
Annual quarterly	June 2015	Quarterly	Oct-Dec 2015, Jan-Mar 2016, Apr-Jun 2016, Jul-Sep 2016 (4 quarters)
Rolling monthly	3rd Monday of each month	Monthly	Next calendar month
Rolling daily/Day Ahead	Every day	Daily	Next gas day
Within-day	Every hour	Balance of day	Hour+2 until end of gas day

The starting date of a standard yearly product requires definition; this is discussed below in section D.2.

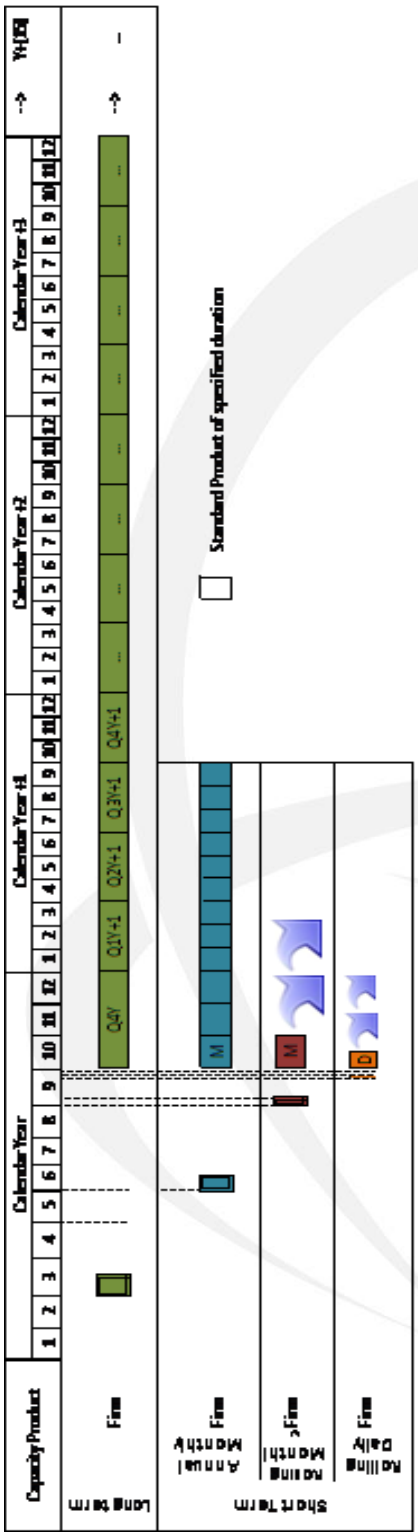
The revised ACER FG requires that TSOs withhold a certain proportion of available capacity (at least 10%) for firm capacity services with a duration of less than one quarter. Under Option 1, this reserved capacity would therefore first be released during annual monthly auctions (starting 12 months ahead); any unsold capacity from these auctions would be offered in rolling monthly and shorter duration auctions. Under Option 2, this reserved capacity would first be released during rolling

[1] Yearly product is here shown starting on 1 October. This issue is subject to consultation; see section D.2 below.

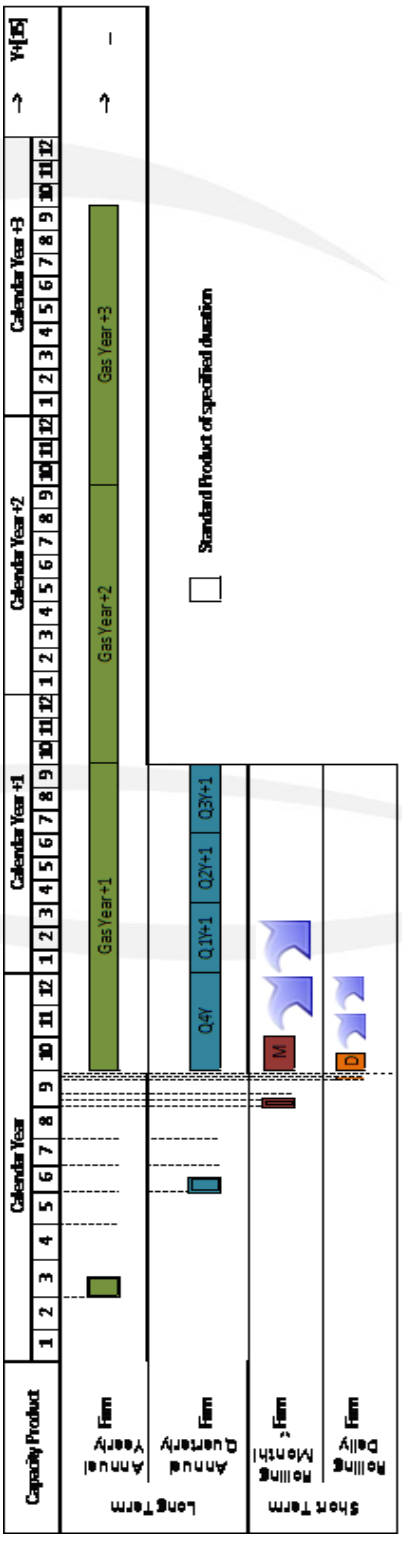
monthly auctions (starting month ahead); any unsold capacity from these auctions would be offered in shorter duration auctions.

Figure 1: Sequence of auctions[2] under the two options

Option 1



Option 2



[2] If interruptible capacity is offered, it is proposed to be sold according to the same schedule of auctions (running shortly behind their firm counterparts), but this consultation focuses on firm capacity only.

Evaluation of options

Table 4

Option	Evaluation
1 (long term product is quarterly only)	• Allows seasonal profiling of products more than 1 year ahead • Annual monthly auction means that 10% of capacity reserved for short term is released up to a year ahead • Avoids debate on start date for yearly product • Can be used to build up a contract of any duration to be compliant with wider range of commodity contracts • Does not answer consultation respondents' requests for inclusion of yearly product
2 (integration of yearly product)	• Answers consultation respondents' requests for inclusion of yearly product • 10% of capacity reserved for short term can only be released in month ahead (rolling monthly) auctions; refer to definition in paragraph 2.3 of the ACER CAM FG • Fewer auctions (15 yearly products per interconnection point, rather than 60 in quarterly auctions) • Some loss of flexibility (no ability to build seasonally profiled product more than a year ahead) • Requires EU-wide harmonization of the start date for yearly product

ENTSOG proposal

To take account of strong views of network users in response to the last consultation that integration of yearly was necessary, **Option 2 (integration of yearly product) is proposed by ENTSOG.**

Question 1: which option do you prefer and why?[3]

Option 1: Quarterly only

Option 2: Integration of yearly product (Post consultation proposal)

Please justify your choice. ENTSOG would particularly welcome any views on why the alternatives to your preferred option may not be technically feasible.

Reasons for rejection of alternative options

The following alternatives were not presented as options above for the following reasons:

[3] To answer this and all other questions, please use the response sheet on ENTSOG's website

Table 5

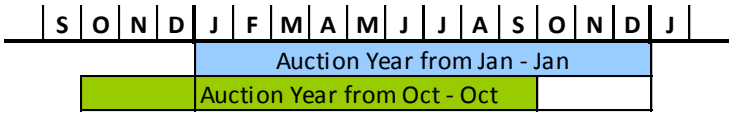
Alternative	Reason for rejection
Yearly product only, no quarterly	Not favoured by the market. Many said they would like both yearly and quarterly to be auctioned. No consultation respondent favoured elimination of quarterly.
"Linked quarters"	Not a feasible option, given the combinatorial nature of the problem and the complexity of the required algorithm to solve it. The only way to guarantee that users received a certain number of quarters together would be to auction those quarters together as a single product. This would imply an auction of an impractically large number of products (all possible combinations of 2 consecutive quarters, 3 consecutive quarters, 4 consecutive quarters…..) in order to cater for all possible preferences. It is necessary therefore to define a limited number of products of standard length, to be auctioned independently.
Auction yearly and quarterly at the same time	Not a feasible option. Overlapping auctions would mean that either the amount of capacity available in each auction would not be known, or the available capacity would have to be split into smaller portions using arbitrary quotas.
Auction quarterly for the next available years, then yearly for later years[4]	Not favoured by the market. A small number of consultation respondents requested this option but most did not indicate that they would prefer to be able to buy only quarters in nearby years.

D.2 Start date for yearly product

If Option 2 above (integration of yearly product) is adopted for the final CAM NC, it will be necessary to specify a start date in order to define the yearly product. As the CAM NC will specify concurrent auctions across Europe, and as capacity must be offered as a bundled product, it will be necessary to harmonise this start date across Europe.

Two options are presented below: a start date of 1st January, or a start date of 1st October. These are illustrated in Figure 2.

Figure 2: Options for start date of yearly product



[4] Such a model was presented as an option in ENTSOG's Launch Documentation (CAP0112-11, page 18)

Question 2: which option do you prefer and why?

Option 1: Yearly product starts on 1st January

Option 2: Yearly product starts on 1st October

Please justify your choice. ENTSOG would particularly welcome any views on why the alternatives to your preferred option may not be technically feasible.

E. Auction Algorithms

E.1 Overall methodology

Introduction

In the draft CAM NC ENTSOG proposed a single round auction in which unconstrained adjustment of bids was possible throughout the bidding window and interim information was published. However ENTSOG noted that under such a model, additional measures might be necessary in order to incentivise early bidding and allow full value discovery.

The supporting document noted that a number of alternative models were also possible, including a multiple-round model such as an ascending clock approach.

Both single and multiple round options gained support from respondents to the last consultation and both models have been subject to discussion and refinement within ENTSOG. While ENTSOG Members have expressed a preference for one of the two models, full reasoning that would favour one model over the other has not yet been developed. Therefore, both options are set out below for further debate.

The algorithm included in the final CAM NC will not ensure the outcome of one cross-border auction is linked to the outcome of an upstream or downstream auction. Given the combinatorial nature of this problem, the algorithm to solve it would either require discriminatory prioritisation between all possible options, or be unfeasibly complex.

Under both options, the level of the price steps would be announced in advance of the auction.

The options described below would apply to longer duration auctions: quarterly, annual monthly and rolling monthly auctions under Option 1 in section D.1, yearly, annual quarterly and rolling monthly auctions under Option 2 in section D.1. For day-ahead and within-day products, the simpler uniform price algorithm applied to these durations in the draft CAM NC was supported by the market, and no change is proposed.

Options

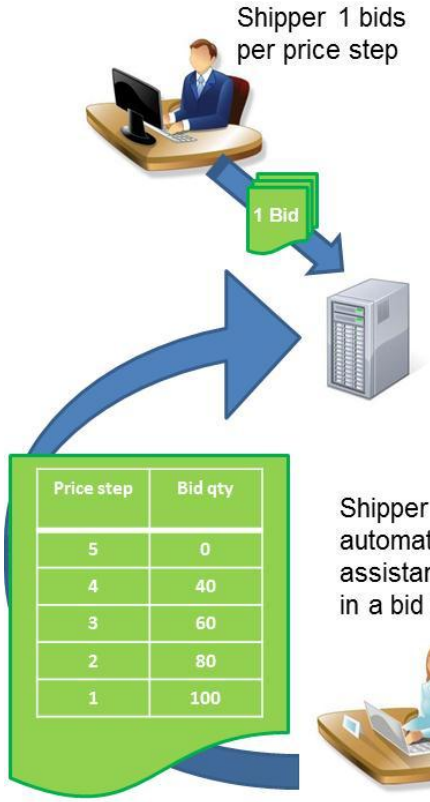
Option 1: Multiple round ascending clock model

Under this model, rather than users bidding simultaneously against a series of price steps at once, discrete price steps would be announced successively, at regular time intervals, starting with P_0 (an ascending clock approach). Capacity would be allocated for each standard capacity product on offer once demand at a certain price step is equal to or lower than the capacity on offer in that specific auction. This approach would mean that network users would always have the chance to actively decide whether to place a bid at a higher price or not. The conditions for a valid bid in a subsequent round is that the new quantity is lower or equal to the previous one, implying that participants must be present from the first round and that demand curve progressively submitted is a decreasing curve.

This option incorporates an “automatic bidding assistant” which allows bidders to specify their bids at each price step in advance of the auction, if they wish. Bidders therefore have the option of monitoring the auction process and actively deciding whether and how much to bid at each price

step, or (as with the single round option below) to submit all bids at the start of the process with no further involvement in the process required.

Figure 3: Illustration of multiple round ascending clock model with automatic bidding assistant



Price step	Quarter 4 (example)			
	Avail. qty	S1	S2	∑
5	120			
4	120			
3	120			
2	120			
1	120			

- Bid list to be sent completely to the tool only once
- Tool feeds bids into the relevant auction automatically

Price step	Q4			
	Avail. qty	S1	S2	∑
5	120			
4	120			
3	120			
2	120			
1	120	120	100	220

Announced price step

Price step	Q4			
	Avail. qty	S1	S2	∑
5	120			
4	120			
3	120			
2	120	100	80	180
1	120	120	100	220

Announced price step

Price step	Q4			
	Avail. qty	S1	S2	∑
5	120			
4	120			
3	120	80	60	140
2	120	100	80	180
1	120	120	100	220

Announced price step

Price step	Q4			
	Avail. qty	S1	S2	∑
5	120			
4	120	70	40	110
3	120	80	60	140
2	120	100	80	180
1	120	120	100	220

Announced price step

In the above example the auction clears at P4.

Option 2: Single round volume based model with value discovery mechanisms

This option is similar to the solution proposed in the draft CAM NC and supporting document. In summary:

- One bidding round with defined price steps, which may last several days
- Bidders bid volumes against announced prices
- Auction has pre-defined "latest end date"
- Publication of aggregated demand within the round (price discovery)

Figure 4: Illustration of single round volume based model

Price step	Quarter 4 (example)			
	Avail. qty	S1	S2	∑
5	120	50	0	50
4	120	70	40	110
3	120	80	60	140
2	120	100	80	180
1	120	120	100	220

Unlike the draft CAM NC solution, however, this option includes additional measures to support price discovery (requested by majority of consultation respondents if ENTSOG adopts a single round approach). This message was reiterated by participants at the ENTSOG Auctions workshop on 20 July 2011. Following input from consultation respondents ENTSOG has developed some measures to promote stability. These are described below.

In the explanations below, D_i represents a particular day of the bidding window; CP is clearing price; P_x represents a particular price step; Q is the quantity bid at a particular price step and on a particular day.

- Option 2 additional measure A: **Early Closure of Bidding Window**, in order to stimulate early value discovery.

  Early closure measures apply when stability in demand is reached or if demand is lower or equal to the offer.

  Proposal:

  - "immediate closure rule": bidding window closes after D_1 if $CP_{D1} = P_0$. Please note that this closure rule also applies if no bids are entered during Day 1.

  In addition:

  - "early closure rule": bidding window closes early, if the clearing price does not change due to bid revision(s) between the end of one day during the bidding window and the end of the next.

  Under this proposal, these measures would apply independently to each standard capacity product on sale. ENTSOG welcomes views on this, and particularly on whether it would be compatible with any potential future mechanism for the allocation of incremental capacity.

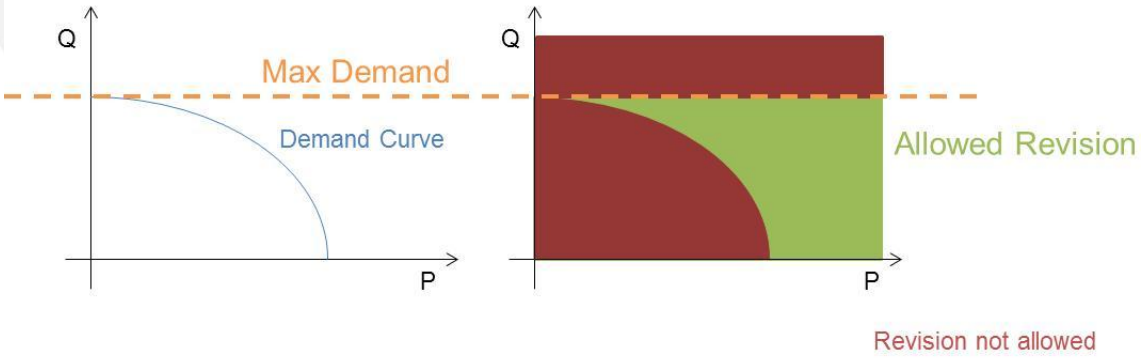
- Option 2 additional measure B: **Limitation of bid revision.**

  Similarly to ascending-clock the demand curve remains a decreasing function, with upper level defined on D1 for the lowest price possible, but eventual extension over prices. Bidders can increase their bids at a price step (except P_0) to try and gain the capacity they want, but cannot reduce them. Bids at the reserve price are binding. In mathematical terms,

  $Q_{P_x,D_i} <= Q_{P_x,D_{i+1}}$ for all P_x, except P_0, where $Q_{P_0,D_i} = Q_{P_0,D_{i+1}}$

  The restriction implied by this formula is illustrated below:

  Figure 5: Limitation of bid revision



  The bid standing at the time of closure of the bidding window on each day is the relevant bid for this assessment.

ENTSOG notes that a single round auction model could apply some, all or none of these stability measures. Please indicate which, if any, of these measures you would like to be included.

Evaluation of options

Table 6

Option	Evaluation
1 (Multiple round ascending clock model)	• Straightforward price discovery mechanism without need for additional rules • Considered by some stakeholders to provide greater transparency with regard to price formation • Design adaptable to different network users' needs, e.g. by using bidding assistants • Ensures immediate results in case of uncongested points • With each bidding round, bidder gets better understanding of likely clearing price
2 (Single round with value discovery mechanisms)	• Single round option was more favoured in draft CAM NC consultation • Could be considered to offer less transparent price formation (may be possible for users to find a way to avoid the auction closing early) • If early closure mechanisms are applied, ensures immediate results in case of uncongested points

ENTSOG proposal

ENTSOG seeks stakeholders' views on the most appropriate methodology.

Question 3: which option do you prefer and why?

Option 1: Multiple round ascending clock auction

Option 2: Single round volume based auction

Please justify your choice. ENTSOG would particularly welcome any views on why the alternatives to your preferred option may not be technically feasible.

Reasons for rejection of alternative options

The following alternatives were not presented as options above for the following reasons:

Table 7

Alternative	Reason for rejection
Pay-As-Bid methodology	Not favoured by the market. Overwhelming majority of consultation respondents favoured a cleared price model for all auction durations citing dangers of over-recovery and the "winners' curse".
"Pure" single round uniform price methodology for all durations, with no stability measures and no bid revision	Not favoured by the market. Majority of consultation respondents favoured volume based auctions, some opportunity to adjust bids during the auction process and some price discovery mechanisms. "Pure" single round may not be compatible with incremental capacity release.

E.2 Limitation of price steps

This section applies equally whether a single or multiple round methodology is eventually adopted.

A number of consultation respondents argued strongly that the number of price steps should be unlimited in order to avoid pro-rata at the highest price step.

To avoid a situation in which demand is still higher than offer at the end of the last price step, both multiple and single round algorithm options would either require unlimited price steps, or a pro-rata rule.

ENTSOG proposal

ENTSOG proposes that the CAM NC will describe the price steps, but will leave the number of price steps open.

- This approach limits or avoids the need to apply any pro-rata at the highest price step while still being volume-based auctions in which users place volume-bids against a range of prices.
- However ENTSOG notes that there may also be some advantages to an approach with a limited number of price steps. For example, such an approach would limit the range within which the final price would fall, which could be helpful to some shippers.

Question 4: which option do you prefer and why?

Option 1: Do not limit number of price steps (Post consultation proposal)

Option 2: Limit number of price steps

Please justify your choice. ENTSOG would particularly welcome any views on why the alternatives to your preferred option may not be technically feasible.

E.3 Minimisation of unsold capacity

This section relates to the use of pro-rata between price steps rather than at any maximum price step, and applies equally whether a single or multiple round methodology is eventually adopted.

If demand for capacity falls by a large percentage between any two successive price steps, there is a risk that demand for capacity at the clearing price will be substantially lower than the amount on offer. This outcome could be suboptimal both for users and TSOs. Some consultation respondents argued that it was essential to minimise unsold capacity even if this meant applying a pro-rata allocation, while others believed that avoiding pro-rata was the most important consideration and that any unsold capacity should be rolled forward to subsequent auctions.

ENTSOG has developed an option which is designed to take account of both viewpoints and presents this as a possible alternative to the methodology set out in the draft CAM NC.

Option 1: Minimise unsold capacity

- ***Step 1***: Small price steps are set, in order to reduce the risk that capacity falls by a large amount between two price steps. Within a single round model this is simply done by announcing small price steps in advance of the auction. Within a multiple round model this is done by offering a number of price steps within each auction round, as illustrated below. This allows price steps to be smaller than they would otherwise have been.
- The smaller the price step, the less unsold capacity is likely to result. All bidders at the lowest price step at which demand <= supply receive the capacity they have bid for.

Figure 6: Use of small price steps

Under multiple round ascending clock model:

Round	Price step	Q4			
		Avail. qty	S1	S2	∑
5	15	120			
	14	120			
	13	120			
4	12	120			
	11	120			
	10	120			
	9	120	75	45	120
3	8	120	80	50	130
	7	120	80	60	140
2	6	120	85	65	150
	5	120	90	70	160
	4	120	100	80	180
1	3	120	110	85	195
	2	120	115	90	205
	1	120	120	100	220

Under single round model:

Price step	Q4			
	Avail. qty	S1	S2	∑
15	120	60	20	80
14	120	60	20	85
13	120	65	25	90
12	120	70	30	100
11	120	70	35	105
10	120	70	40	110
9	120	75	45	120
8	120	80	50	130
7	120	80	60	140
6	120	85	65	150
5	120	90	70	160
4	120	100	80	180
3	120	110	85	195
2	120	115	90	205
1	120	120	100	220

- ***Step 2***[5]: If demand exceeds supply at the reserve price but some capacity is nevertheless unsold at the clearing price due to the volume based methodology, TSOs will apply a modified pro-rata methodology as shown in the diagram below. Under this methodology the amount of capacity allocated pro-rata is limited to the amount of unsold capacity rather than the total capacity on offer:
- The clearing price is the highest price (P_x) for which total demand is higher than or equal to the available capacity offered.
- All network users having placed bids at such P_x will be allocated as follows
    - If network users have bid at the subsequent price-step (P_{x+1}), all quantity requested at P_{x+1} shall be allocated to those bidders
    - The remaining quantity to be allocated, being the difference between the available capacity offered and the total demand at P_{x+1}, shall be distributed amongst bidders at P_x, proportionally to the difference between their requested quantity at P_x and P_{x+1}.
- Bidders will be able to specify that they do not wish to be allocated additional capacity using the pro-rata methodology under step 2 if they do not wish to take part in the pro-rata allocation.

Figure 7: illustration of option 1, step 2

Option 2: Draft CAM NC proposal

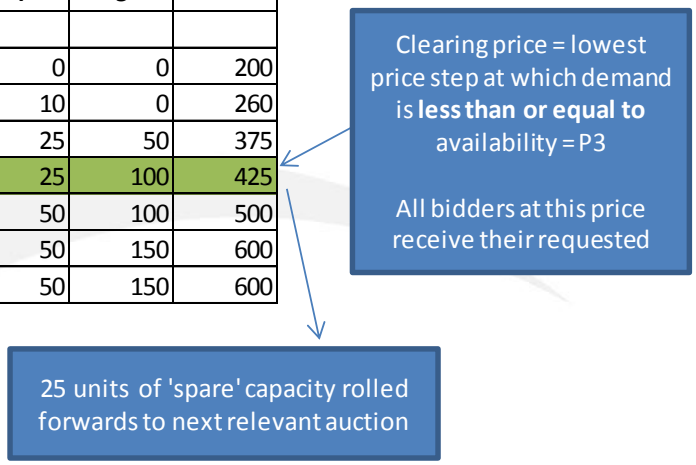
This option is identical to that set out in the draft CAM NC and is illustrated below. No pro-rata is applied but there may be some unsold capacity which is rolled forward to the next applicable auction.

[5] This proposal was put forward by a respondent to the previous consultation. ENTSOG notes that the methodology has both advantages and disadvantages and would particularly welcome views on this approach.

Figure 8: Illustration of option 2

450 units of capacity offered

Price step	Shipper 1	Shipper 2	Shipper 3	Shipper 4	Shipper 5	Total
…						
P6	0	0	200	0	0	200
P5	50	0	200	10	0	260
P4	100	0	200	25	50	375
P3	100	0	200	25	100	425
P2	100	50	200	50	100	500
P1	100	100	200	50	150	600
P0	100	100	200	50	150	600



Evaluation of options

Table 8

Option	Evaluation
1 (Minimise unsold capacity)	• All capacity is sold, providing demand > supply at the reserve price. • Pro-rata allocation may be applied, but the two step model reduces the need for it • Bidders may pay less per unit of capacity than under option 2 as the clearing price is set at the highest price step at which demand > supply, which will be lower than the alternative, the lowest price step at which demand < supply • This option may distort bidding behaviour as it is unlikely that demand will exactly equal supply at any price step; therefore the clearing price will almost always be lower than the price at which supply exceeds demand.
2 (Draft CAM NC proposal)	• Avoids any application of pro-rata (unless number of price steps is limited: see section E.2) • May result in unsold capacity which is rolled forward to the next applicable auction

ENTSOG proposal

ENTSOG proposes to apply Option 1 (minimise unsold capacity).

Question 5: which option do you prefer and why?

Option 1: Minimise unsold capacity (Post consultation proposal)

Option 2: Draft CAM NC proposal

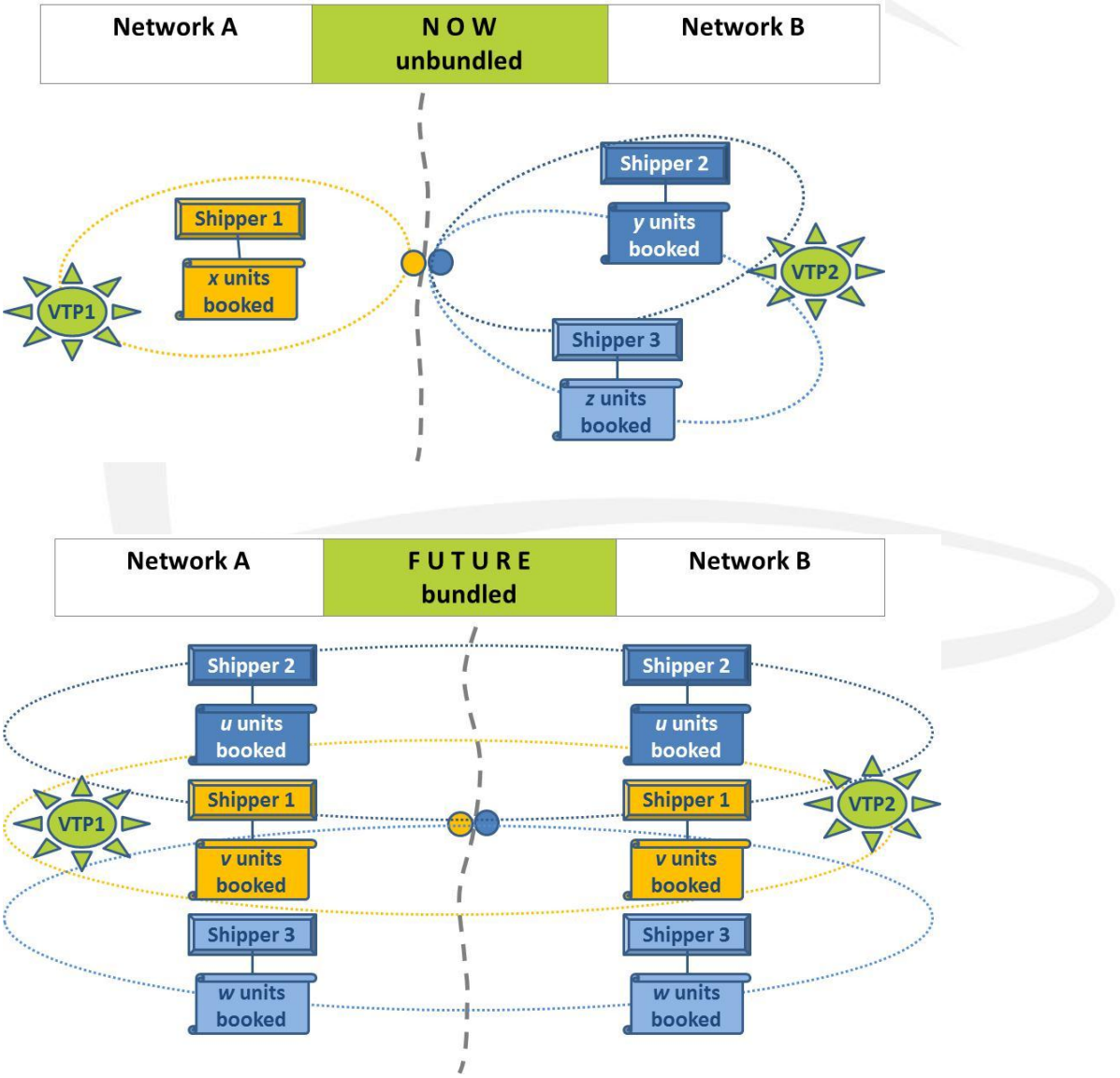
Please justify your choice. ENTSOG would particularly welcome any views on why the alternatives to your preferred option may not be technically feasible.

F. Sunset Clause

Introduction

Provision 2.4.2 of the FG, the 'sunset clause' specifies that existing capacity contracted before the entry into force of legally binding network codes shall be bundled five years thereafter, as illustrated below. Parties to the contracts (TSOs and network users) should seek to reach agreement on this bundled split.

Figure 9: illustration of bundling



If no agreement can be reached, the sunset clause specifies that bundled capacity will be split between the original capacity holders proportionally to their capacity rights by applying a default rule, details of which shall be found in the NC. The existing capacity contracts concerned should then be amended in accordance with the agreement(s) reached and/or default rule. National Regulatory Authorities will be entitled to impose sanctions should the existing capacity contracts not be amended to comply with the law. This represents a change from the original ERGEG Framework Guideline, as the original FG text prevented ENTSOG from inserting a mechanism due to legal constraints.

As amended, the FG now enables ENTSOG to introduce a mechanism, without eliminating the legal limits as to its effectiveness. Therefore, ENTSOG will include in the final code a mechanism in line with the FG article 2.4.2, including a default rule.

F.1 Default Rule

ENTSOG considers that any default rule should be based on the following principles:

- It should ensure a proportional and non discriminatory allocation of bundled capacity, in line with the requirements of the Framework Guideline;
- It should rely on objective criteria and leave no room for interpretation; and
- Technical constraints should always restrict the maximum amount of capacity to be bundled at a specific interconnection point (IP).

Development of options

In the following, ENTSOG would like to describe to the market how it has approached the task of developing a default rule that will eventually be incorporated in the final CAM NC. The structure of this section is similar to that presented at a dedicated ENTSOG Sunset Clause workshop on 6 October. Discussions and results of this workshop have influenced ENTSOG's position on the default rule issue. This position is described further towards the end of this section F.

From ENTSOG´s point of view a default rule can be derived using the following three steps:

- Step 1: Define what capacity is to be divided and allocated proportionally among concerned shippers.
- Step 2: Determine how non-matching capacity units are to be treated (necessary especially when booked firm capacities on both sides of the respective IP do not match).
- Step 3: Determine a mathematical formulation to define what "proportionally" means,

The final goal of steps 1 and 2 is to find determinations for parameters X, Y, Z and potentially U in the following general formula:

$$\text{Capacity holdings per side of respective IP shipper}_i \text{ after default rule applied} =$$
$$[\text{Bundled capacity holdings shipper}_i \text{ after default rule applied per side of respective IP}]$$
$$+ [\text{Unbundled capacity holdings shipper}_i \text{ per side of respective IP}]$$
$$= \frac{X}{Y} Z + U$$

whereas X/Y defines the proportionality factor to be applied for each network user to the total bundled capacity to be allocated (Z), and U determines the amount of unbundled capacity shippers hold after the default rule has been applied (depending on approach to be followed, and subject to legal feasibility; refer to approaches below).

Step 1: Define what capacity is to be divided and allocated proportionally among concerned shippers (i.e. determination of parameter Z)

The actual amount of 'capacity to be bundled' needs to be defined. From a theoretical perspective there are two different approaches of how parameter Z could be defined:

- Minimum Z-rule: Under this rule, Z as the capacity to be bundled after implementation of the default rule is determined by the lower of the aggregated bookings on either side of the IP; or
- Maximum Z-rule: Under this rule, Z as the capacity to be bundled after implementation of the default rule is determined by the higher of the aggregated bookings on either side of the IP.

Examples of the application of the two alternative rules are shown later in this chapter.

Step 2: Define how non-matching capacity units are to be treated.

According to the ACER FG *"existing capacity contracted before the entry into force of the same network code(s) shall be bundled no later than five years thereafter".* Therefore, it is necessary to decide how capacity is treated which cannot be bundled "easily" due to a lack of corresponding capacity on the other side of the IP. Three different ways of treating non-matching capacity are theoretically possible:

- Non-matching firm capacity contracts will be set aside;
- Non-matching firm capacity will be supplemented by allocating additional capacity; or
- Non-matching firm capacity contracts remain unbundled and will be split proportionally among shippers (either among active shippers at respective side of the IP or among all shippers active at the IP). However, the handling and existence of such unbundled capacity remains subject to NRAs' approval.

Step 3: Determine a mathematical formulation to define what "proportionally" means

ENTSOG regards the following determination of parameters X and Y as satisfying best the objective to split and bundle capacity proportionally - independent of the number of shippers active at the IP, the capacity booked at both sides, capacity technically available, and other factors. Nevertheless, ENTSOG welcomes any suggestions for alternative approaches that may better meet the objective.

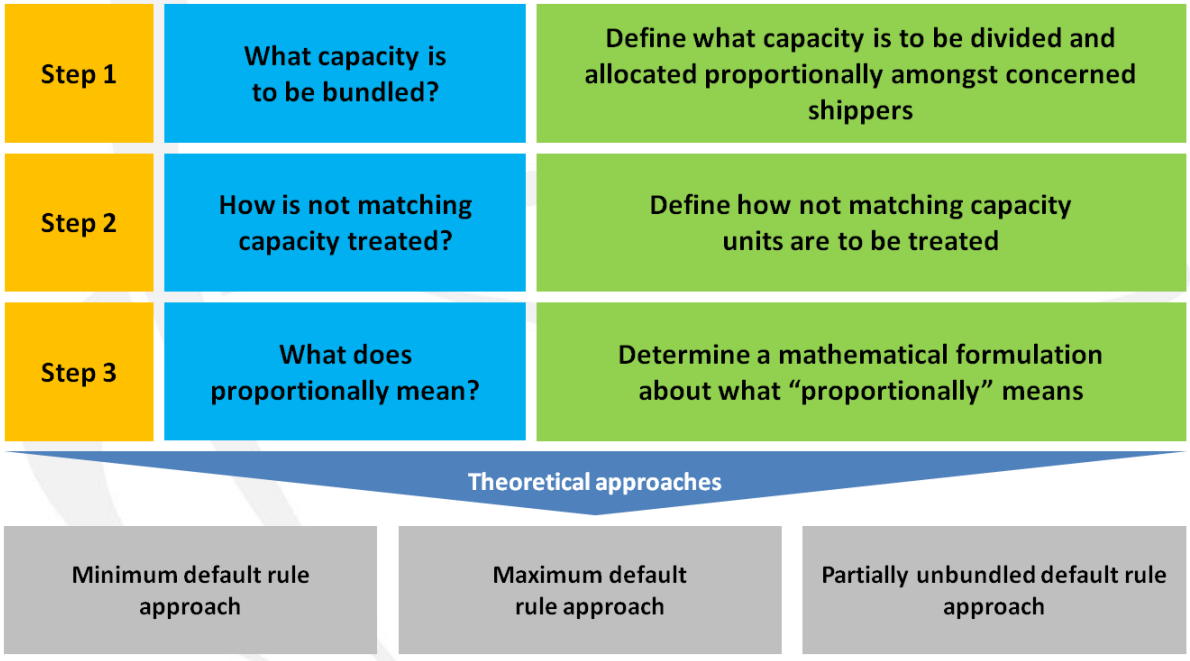
- X = (Capacity holdings shipper$_i$ at entry and exit before bundling), i.e. Individual capacity rights to which the subsequently bundled capacity needs to be proportional (numerator of the proportionality formula); and
- $Y = \sum_{j=1}^{n} (\text{Capacity holdings shipper}_j \text{ at both sides of the IP})$, i.e. the whole of all capacity rights at both sides of the IP with which individual capacity rights will be compared (denominator of the proportionality formula).

After having completed all three steps, the following formula can be derived which could be applied regardless of the combination of options chosen:

$$\text{Bundled capacity holdings shipper}_i \text{ after default rule application} = \frac{(\text{Capacity holdings shipper}_i \text{ before bundling})}{\sum_{j=1}^{n}(\text{Capacity holdings shipper}_j \text{ at both sides of the IP})} \times (\text{Capacity to be bundled})$$

By combining the different methods for determining parameter Z (capacity to be bundled) with the possible answers to the open question of how non-matching capacity is treated, ENTSOG initially produced three different default rule approaches for discussion with stakeholders. The impacts and implications of those default rule approaches were elaborated at the above mentioned dedicated ENTSOG workshop on 6 October which was attended by TSOs, shippers, regulators and the Commission.

Figure 10: Summary of ENTSOG's approach to the development of a default rule



Alternative approaches

As described above, three different approaches regarding the default rule are theoretically possible from ENTSOG's perspective and have been subject to analysis during the ENTSOG workshop on the sunset clause/default rule.

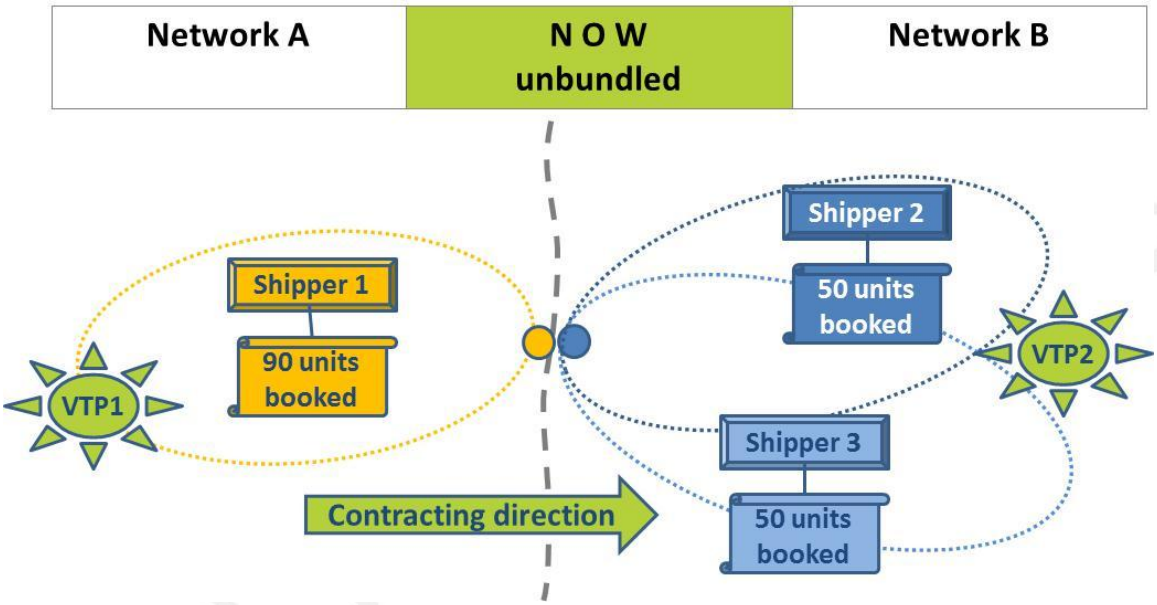
- Minimum default rule approach:
  - Parameter Z: Under this approach, the capacity to be bundled after implementation of the default rule is determined by the lower of the aggregated bookings on either side of the IP.

- Parameter U. i.e. treatment of non-matching capacity: Remaining unbundled capacity contracts are set aside, i.e. U=0.

- Maximum default rule approach
  - Parameter Z: Under this option, the capacity to be bundled after implementation of the default rule is determined by the higher of the aggregated bookings on either side of the IP.
  - Parameter U. i.e. treatment of non-matching capacity: Additional capacity needs to be allocated amongst concerned shippers, i.e. U=0.
- Partially unbundled default rule approach:
  - Parameter Z: Under this approach, the capacity to be bundled after implementation of the default rule is determined by the lower of the aggregated bookings on either side of the IP (i.e. application of minimum Z-rule)
  - Parameter U. i.e. treatment of non-matching capacity: Remains unbundled and will be split proportionally amongst shippers.

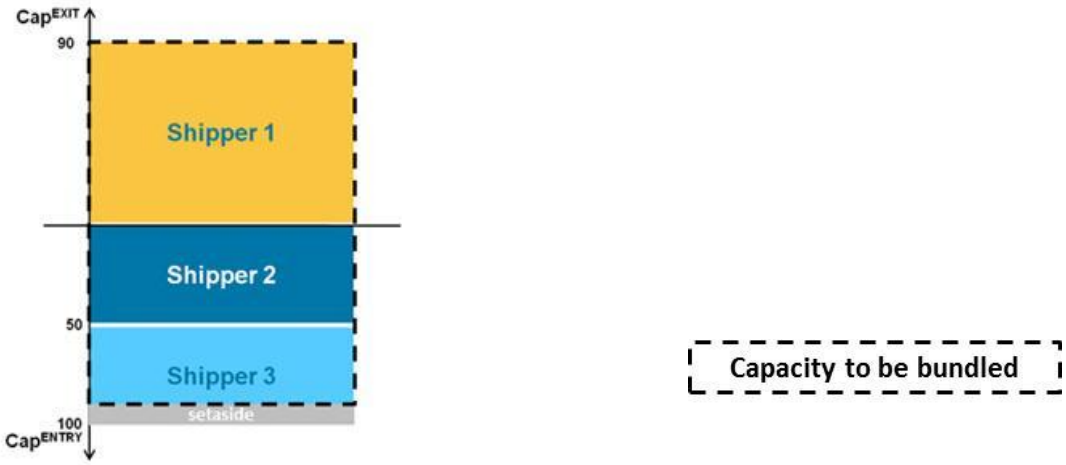
Below, all three different approaches are illustrated by reference to an example in which three shippers have booked unbundled capacity on two sides of a unidirectional IP, as shown in the diagram below. There is a mismatch in the booked capacity at the two sides of the IP.

Figure 11: Scenario used in default rule examples



Minimum default rule approach

Figure 12: Capacity to be bundled under the minimum default rule approach



The split of bundled capacity in the illustration above would be as follows:

- According to the minimum Z-rule, 90 units have to be bundled; and
- 10 units of firm capacity would have to be set aside proportionally.

Example (minimum default rule approach, no capacity constraints)

Table 9: example of application of minimum default rule

	TSO 1 (network A) before bundling	TSO 2 (network B) before bundling	TSO 1 (network A) after bundling	TSO 2 (network B) after bundling
Techn. Cap.	90	120	90	120
Cap. to be bundled	90	90	90	
Booking S1	90	0	42.5	42.5
Booking S2	0	50	23.75	23.75
Booking S3	0	50	23.75	23.75
Sum	90	100	90	90

Shipper 1's position after bundling

- Exit: 90/190*90=42.5
- Entry: 90/190*90=42.5

Shipper 2's position after bundling

- Exit: 50/190*90=23.75
- Entry 50/190*90=23.75

Shipper 3's position after bundling

- Exit: 50/190*90=23.75
- Entry 50/190*90=23.75

Evaluation (minimum default rule approach)

The following table sums up consequences noted at the workshop:

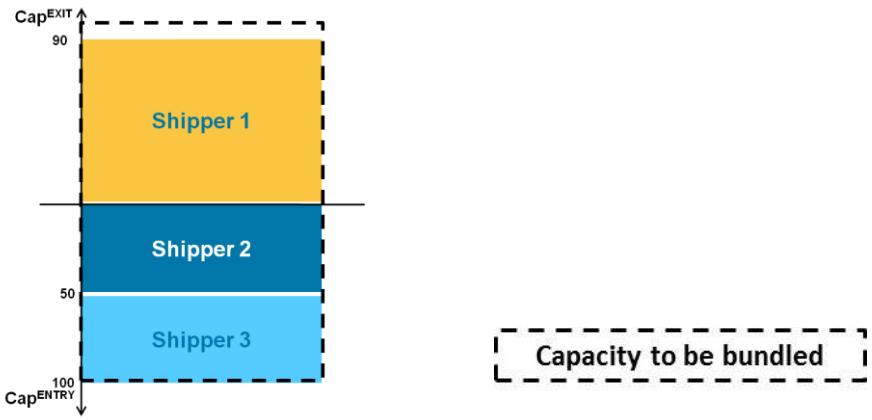
Table 10

Approach	Evaluation
Minimum default rule	• The majority of workshop participants considered that this approach was not appropriate as contracted capacity would have to be set aside at one side of the border[6]. • Booking levels are not maintained. • Unless otherwise agreed by the NRA, there would be lost revenue associated with set aside contracts (i.e. under-recovery by TSOs) which must be recovered from remaining users. This issue is more significant the greater the mismatch between firm bookings at entry and exit of the respective IP. • Previously booked capacity would be freed up and if capacity were available on the other side of the IP it might be possible to offer this to the market as bundled capacity.

Note: Under the minimum default rule approach, technical capacity constraints will never be a crucial factor since this default rule would mean that the lower value of the two technical capacities at either side of the IP would determine the maximum of capacity to be bundled.

Maximum default rule approach

Figure 13: Capacity to be bundled under the maximum default rule approach



[6] Please note, that due to the application of the default rule (regardless of its actual design), capacity contracts will be affected in general. In order to proportionally split and bundle, some new capacity contracts will have to be acquired while some existing contracted capacity will be reduced.

The split of bundled capacity in the illustration above would be as follows:

- According to the maximum Z-rule, 100 units have to be bundled
- 10 units would have to be additionally allocated proportionally to shippers

Example (maximum default rule approach, no capacity constraints)

Table 11: example of application of maximum default rule (no capacity constraints)

	TSO 1 (network A) before bundling	TSO 2 (network B) before bundling	TSO 1 (network A) after bundling	TSO 2 (network B) after bundling
Techn. Cap.	120	120	120	120
Cap. to be bundled	100	100	100	
Booking S1	90	0	47.5	47.5
Booking S2	0	50	26.25	26.25
Booking S3	0	50	26.25	26.25
Sum	90	100	100	100

S1's position after bundling

- Exit: 90/190*100=47.5
- Entry 90/190*100=47.5

S2's position after bundling:

- Exit: 50/190*100=26.25
- Entry 50/190*100=26.25

S3's position after bundling

- Exit: 50/190*100=26.25
- Entry 50/190*100=26.25

Example (maximum default rule approach, capacity constraints)

Note: the outcome of this example is only a hypothetical one as the CAM Framework Guideline does not provide a framework for the allocation of capacity that does not yet exist. In the evaluation below, ENTSOG deals with the implications of this argument.

Table 12: example of application of maximum default rule (capacity constraints)

	Exit (before bundling)	Entry (before bundling)	Exit (after bundling)	Entry (after bundling)
Techn. Cap.	90	120	90	120
Cap. to be bundled	100	100	100	
Booking S1	90	0	47.5	47.5
Booking S2	0	50	26.25	26.25
Booking S3	0	50	26.25	26.25
Sum	90	100	100	100

S1's position after bundling

- Exit: 90/190*100=47.5
- Entry 90/190*100=47.5

S2's position after bundling:

- Exit: 50/190*100=26.25
- Entry 50/190*100=26.25

S3's position after bundling

- Exit: 50/190*100=26.25
- Entry 50/190*100=26.25

Evaluation (maximum default rule approach)

The following table sums up consequences noted at the workshop:

Table 13

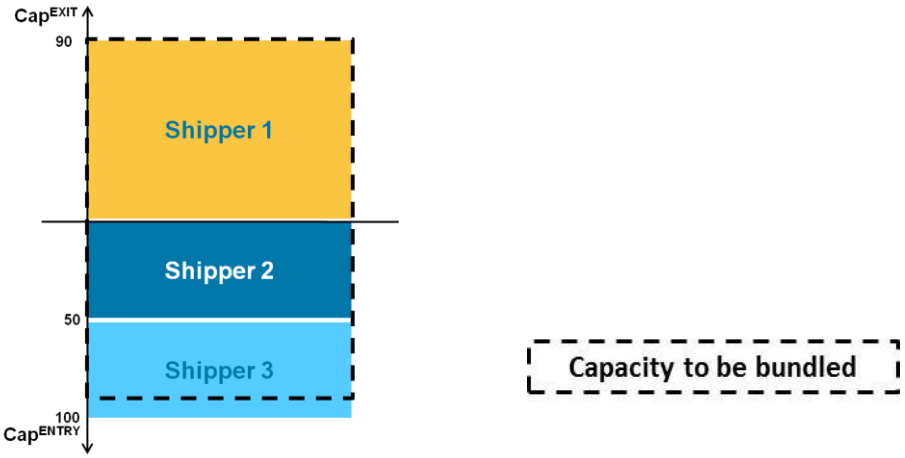
Approach	Evaluation
Maximum default rule	• Booking levels are maintained • No under-recovery problem • Some users would be forced to take on additional units of capacity to make the bundling feasible • Capacity would be allocated outside the auction process (if agreed by NRAs), and only among shippers already active at the respective IP. Therefore at least those units filling up the non-matching part have to be allocated in discriminatory manner. The greater the mismatch between bookings at entry and exit side, the more significant this issue. • Technical constraints restrict the maximum capacity that can be bundled. In this case, capacity may either be left unbundled or matched with interruptible capacity, depending on legal feasibility.[7]. NRA approval for the intended approach would be required.

The implications shown in the examples above lead ENTSOG to conclude that any workable default rule must first apply a technical lesser-of-rule, meaning that additional firm capacity is allocated only if available. If capacity is not available, another approach would have to be used.

Partially unbundled default rule approach

Under this approach, the capacity to be bundled after implementation of the default rule is determined by the lower of the two bookings on either side of the IP, as under the minimum default rule approach.

Figure 14: Capacity to be bundled under the partially unbundled default rule approach



The split of bundled and unbundled capacity in the example above would be as follows:

[7] This differs from what was initially said at the ENTSOG workshop where the issue of technical constraints was left open. Following further discussions, ENTSOG's specialist group working on this issue believes that it is important to limit the maximum capacity that can be bundled to the technical firm capacity.

- According to the minimum rule, 90 units have to be bundled; and
- Not matching units remain unbundled and will be split proportionally between shippers.

Example (partially unbundled default rule approach, no capacity constraints)

Table 14: example of application of partially unbundled default rule

	TSO 1 (network A) before bundling	TSO 2 (network B) before bundling	TSO 1 (network A) after bundling	TSO 2 (network B) after bundling
Techn. Cap.	90	120	90	120
Cap. to be bundled	90	90	90	
Booking S1	90	0	42.5	42.5
Booking S2	0	50	23.75	23.75 + 5 unb.
Booking S3	0	50	23.75	23.75 + 5 unb.
Sum	90	100	90	100

S1's position after bundling

- Exit: 90/190*90=42.5
- Entry 90/190*90=42.5

S2's position after bundling:

- Exit: 50/190*90=23.75
- Entry 50/190*90=23.75
- Unbundled entry: 5 (if unbundled capacity split only between Shippers 2 and 3)

S3's position after bundling

- Exit: 50/190*90=23.75
- Entry 50/190*90=23.75
- Unbundled entry: 5 (if unbundled capacity split only between Shippers 2 and 3)

Evaluation (partially unbundled default rule approach)

The following table sums up advantages and disadvantages developed at the ENTSOG default rule workshop:

Table 15

Approach	Consequences
Partially unbundled default rule (under the assumption that capacity can remain unbundled)	• No capacity bookings are lost (from TSO perspective) and no party is forced to take on additional capacity • Flange trading of remaining unbundled capacity may be possible, if agreed by NRAs. This approach could be considered as not being fully in line with ACER FG since some firm capacity units will remain unbundled after the default rule was applied. • In case unbundled capacity cannot exist after an application of the default rule, non-matching units then would (subject to NRAs' approval) have to be filled up with either firm (if available) or interruptible units, as it will not be possible to nominate against unbundled capacity. This makes the partially unbundled default rule approach similar to the maximum default rule approach analysed before. • The partially unbundled default rule approach was considered most appropriate by the workshop participants because it maintains booking levels and does not result in the allocation of additional units in a discriminatory manner outside of auctions. In addition, no party is forced to take on additional capacity units auctions (Note: Both latter arguments only hold true under the assumption that non-matching capacity units can remain unbundled).

Note: Under this approach, technical capacity constraints will never be the crucial factor since the default rule as such will lead to the fact that the lower value of the two technical capacities at either side of the IP determines the maximum of capacity to be bundled.

Options

According to the ACER FG a default rule must be implemented in the CAM NC, notwithstanding serious concerns expressed by ENTSOG and many market players.

The analysis of alternative approaches, set out above, has led ENTSOG to the decision to at least exclude the so called minimum default rule approach from the list of feasible options since this approach would be disadvantageous to both shippers and TSOs active at the respective IP.

ENTSOG considers that the following options represent possible approaches to be applied that may minimise the problems associated with the application of a sunset clause:

- Option 1: a maximum default rule approach with technical lesser-of-rule applied ahead of the default-rule as a precondition (amount to be bundled is capped at technical capacity)
- Option 2: a partially unbundled default rule approach.

The final choice of either approach will be subject to the question of whether non-matching capacity units can remain unbundled.

ENTSOG proposal

Following discussions of the possible approaches at the abovementioned workshop, ENTSOG concludes that it is not able to propose a specific default rule to be included in the CAM NC. This is due to the following two reasons:

- ENTSOG has consistently questioned the legal feasibility of the sunset clause (or at least its appropriateness) as well as its practicability. ENTSOG is of the opinion that both issues have been proven valid at the ENTSOG workshop.
- All theoretically possible approaches elaborated involve disadvantages and/or trade-offs which need to be further clarified or to be weighed against each other: either capacity contracts have to be terminated, or capacity has to be allocated in a discriminatory manner outside of auctions or capacity remains unbundled. This aspect is even more crucial when considering the fact that the examples studied here are quite simple ones: difficulty will increase when introducing for example the situations where they are several TSOs present on one IP or where shippers are present (but at different proportions) at both sides of the IP.

ENTSOG would welcome additional feedback on the process regarding the default rule followed so far. In addition ENTSOG welcomes feedback regarding the approaches described and on those chosen as being valuable ones for further elaboration, and is happy to discuss alternative possibilites on a bilateral as well as a multilateral basis.

Question 6: which option do you prefer and why?

Option 1: Maximum default rule with cap at technical capacity

Option 2: “Partially unbundled” default rule

Please justify your choice. ENTSOG would particularly welcome any views on why the alternatives to your preferred option may not be technically feasible.

Reasons for rejection of alternative options

At the ENTSOG workshop, one participant suggested a different approach regarding the split of capacity between concerned shippers. It was suggested to first apply a minimum rule (determining the capacity to be bundled as the minimum of aggregated bookings at either side of the IP) including proportional cuttings on that side of the border with higher aggregated bookings. After this step, the proposal foresees that remaining bookings by each shipper are divided by 2 resulting in the amounts of bundled contracts on either side of the border.

Example:

Table 16: ENTSOG approach (please note that this analysis is a hypothethical one since minimum rule is rejected by ENTSOG)

	Exit (before bundling)	Entry (before bundling)	Exit (after bundling)	Entry (after bundling)
Techn. Cap.	90	120	90	120
Cap. to be bundled	90	90	90	
Booking S1	90	0	42.5	42.5
Booking S2	0	50	23.75	23.75
Booking S3	0	50	23.75	23.75
Sum	90	100	90	90

Table 17: Alternative approach

	Exit (before bundling)	Entry (before bundling)	Exit cuttings	Entry cuttings	Exit (after bundling)	Entry (after bundling)
Techn. Cap.	90	120	90	120	90	120
Cap. to be bundled	90	90	90	90	90	
Booking S1	90	0	90	0	45	45
Booking S2	0	50	0	45	22,5	22,5
Booking S3	0	50	0	45	22,5	22,5
Sum	90	100			90	90

From ENTSOG's perspective, the alternative approach does not meet the criteria of being proportional. This can be shown with the help of the following example.

Table 18: ENTSOG approach (please note, that this analysis is a hypothethical one since minium rule is rejected by ENTSOG):

	Exit (before bundling)	Entry (before bundling)	Exit (after bundling)	Entry (after bundling)
Techn. Cap.	90	120	90	120
Cap. to be bundled	1	1	1	
Booking S1	1	0	0,0	0,0
Booking S2	0	50	0,5	0,5
Booking S3	0	50	0,5	0,5
Sum	1	100	1	1

Table 19: Alternative approach

	Exit (before bundling)	Entry (before bundling)	Exit cuttings	Entry cuttings	Exit (after bundling)	Entry (after bundling)
Techn. Cap.	90	120	90	120	90	120
Cap. to be bundled	1	1	90	90	90	
Booking S1	1	0	1	0	0,5	0,5
Booking S2	0	50	0	1	0,3	0,3
Booking S3	0	50	0	1	0,3	0,3
Sum	90	100			1	1

Although shippers 2 and 3 each held 50 times more capacity at the IP before bundling they end up having less bundled capacity than shipper 1 after the application of the default rule. ENTSOG´s initial proposal leads to a result with "correct" proportions, i.e. both shippers 2 and 3 hold 50 times more bundled capacity than shipper 1 (note 0.0 is only a rounded value).

ENTSOG welcomes suggestions for alternative options which meet the criteria of proportionality and mathematical certainty.

F.2 Further questions on the sunset clause

In addition to the issues discussed above, a number of questions may need to be answered before a sunset clause can be fully developed for inclusion in the final CAM NC. The example provided is a very simple case and in practice complications will need to be dealt with. Some of these questions are set out below and ENTSOG would welcome input from respondents in relation to any of these issues.

- Simulated negotiations at the sunset clause workshop suggested that it may be relatively easy for some, but not all, members of a subgroup of shippers to reach agreement among themselves. Those partial agreements can have an impact on third parties and might therefore be discriminatory. Question: Should partial agreements between contracting parties be respected , how would this work and what would be the impact of the default rule in such case; should the default rule only apply to the portion not subject to agreement? If partial agreements were respected, how would the principle of proportionality be ensured?
- Can non-matching capacity remain unbundled after the application of the default rule?
- Will a bundle of firm and interruptible capacity be considered as bundled capacity?
- In case of remaining unbundled capacity after the application of a default rule, how should this be split between shippers (to those which were already active on the side where unbundled capacity remains before the application of the default rule, to all shippers at the IP)?
- How should bundling happen at Virtual Interconnection Points? (see paragraph 2.4.3 of the FG)
- What approach should be followed in more complex cases than the simple example shown above; for example where:
    - There are more than two TSOs at a single IP;

- There are multiple trading points connected to a single IP;
- "Firm" products have differing characteristics?

- Price aspects – what will happen if prices are not the same for each entry exit system at the IP?

Question 7: Please provide (in the response form on the ENTSOG website) any views, information or evidence in relation to the further questions raised by ENTSOG in the bullet points above regarding the sunset clause.

G. Tariffs

G.1 Split of auction premium from bundled products

In the draft CAM NC consultation, the proposed default rule for the split of auction revenues from bundled capacity products was proportional to the reserve prices of the capacities in the bundle, unless individual agreements are concluded per interconnection point (Option 1).

Whilst the majority of respondents did not react to this particular issue at all, some consultation respondents pointed to the fact that Option 1 may involve arbitrary results or strange incentives. The argument is that, at a given interconnection point, the parameters to derive the point-specific reserve price (regulated tariff) at both sides of an interconnection point could be set in very different ways. Even with cost reflective reserve prices, there are various ways to design the tariff structure, which impact on the level of the specific tariff at an interconnection point. (These are, for example, the entry/exit split, the commodity/capacity split, or locational factors). Some respondents noted that there may be a risk that these parameters could be misused to raise the tariff at "profitable" points, in order to appropriate congestion rents where there is high capacity demand.

Notwithstanding the issues raised concerning the split of the auction premium proportional to the reserve prices (Option 1) described above, the post consultation proposal is to keep Option 1 as a default rule (if a more appropriate apportionment is not agreed on individually), because it is regarded as being fair and, principally, is based on transport costs as a pertinent apportionment driver. However, ENTSOG would like to make market participants aware of the issues raised in connection with Option 1. In light of these issues, consultation respondents are requested to state whether there is merit in deviating from the draft CAM NC proposal.

An alternative default rule (again, in absence of an individual agreement at an interconnection point) could be to split the auction premium into equal shares (Option 2).

Question: which option do you prefer and why?

Option 1: Keep split of auction premium proportional to reserve prices as default (Post consultation proposal)

Option 2: Split of auction premium into equal shares as default

Please justify your choice. ENTSOG would particularly welcome any views on why the alternatives to your preferred option may not be technically feasible.

Annex 1: Consultation response sheet

Responses to CAM Network Code – second formal consultation on new or modified concepts

Consultation Response Sheet

Please complete the fields below and send via email using the subject title, "Response to the CAM NC consultation" to **info@entsog.eu** by 14 November 2011.

Name
First and Last Name:

Organisation
Company/Organisation Name:
Job Title:

Contact details
Email:
Tel:
Mobile:

Address
Street:
Postal Code:
City:
Country:

Countries in which your organisation operates:

How would you describe your organisation?

	Association (please specify type)
	End user
	Network user
	Trader
	Other (please specify)

In the questions below, ENTSOG would be grateful if respondents could clearly indicate their preferred option and provide a brief but **fully reasoned justification** for their choice. This applies equally whether you agree or disagree with any ENTSOG proposal as it is important that ENTSOG is able to extract the clear views of all respondents. If you do not respond to a question, ENTOSG will assume that you have no view on this issue.

Question 1 (Standard Capacity Products to be auctioned): which option do you prefer, and why?

	Option 1: Quarterly only
	Option 2: Integration of yearly product (Post consultation proposal)

Please justify your choice. ENTSOG would particularly welcome any views on why the alternatives to your preferred option may not be technically feasible.

Question 2 (Start date for yearly product): which option do you prefer, and why?

	Option 1: Yearly product starts on 1st January
	Option 2: Yearly product starts on 1st October

Please justify your choice. ENTSOG would particularly welcome any views on why the alternatives to your preferred option may not be technically feasible.

Question 3 (Auction algorithms: overall methodology): which option do you prefer, and why?
☐ Option 1: Multiple round ascending clock auction ☐ Option 2: Single round volume based auction
Please justify your choice. ENTSOG would particularly welcome any views on why the alternatives to your preferred option may not be technically feasible.

Question 4 (Limitation of price steps): which option do you prefer, and why?
☐ Option 1: Do not limit number of price steps (Post consultation proposal) ☐ Option 2: Limit number of price steps
Please justify your choice. ENTSOG would particularly welcome any views on why the alternatives to your preferred option may not be technically feasible.

Question 5 (Minimisation of unsold capacity): which option do you prefer, and why?
☐ Option 1: Minimise unsold capacity (Post consultation proposal) ☐ Option 2: Draft CAM NC proposal

Please justify your choice. ENTSOG would particularly welcome any views on why the alternatives to your preferred option may not be technically feasible.

Question 6 (Sunset clause: choice of default rule): which option do you prefer, and why?
☐ Option 1: Maximum default rule with cap at technical capacity ☐ Option 2: "Partially unbundled“ default rule
Please justify your choice. ENTSOG would particularly welcome any views on why the alternatives to your preferred option may not be technically feasible.

Question 7 (Sunset clause: further questions): Please provide any views, information or evidence in relation to the further questions raised by ENTSOG in section F.2 regarding the sunset clause.

Question 8 (Tariffs: split of auction premium from bundled products): which option do you prefer, and why?
☐ Option 1: Keep split of auction premium proportional to reserve prices as default (Post consultation proposal) ☐ Option 2: Split of auction premium into equal shares as default
Please justify your choice. ENTSOG would particularly welcome any views on why the alternatives to your preferred option may not be technically feasible.