



## COMMENTS

### **Proposal ENTSOG „Network Code on Capacity Allocation Mechanism“ – draft document 21.06.2011**

GEODE would like to thank ENTSOG for the work done so far, as well as for the transparent procedure and the occasion to comment the Network Code CAM proposal.

As an European association of independent and local distribution system operators and energy suppliers GEODE only comments selected issues of the proposal.

#### **I. Implementation and bindingness of the Network Code**

The ACER Framework Guidelines (FG) intend the Network Code of the TSOs to be adopted (FG chapter 1.1 FG CAM), according to chapter 1 of the proposal of the Network Code. It remains inexplicit though, to which extent the NC is legally binding and how it will precisely and legally be implemented by the TSOs. This is especially relevant if the European Commission will not start the comitology process. Nevertheless the issue of bindingness and precise implementation should be settled unambiguously for the period of time between the adoption of the NC and a possible comitology process.

#### **II. Bundled Capacity**

According to the Evaluation of responses published by ACER the 2nd of August 2011 the NC has to put it very clear that between entry-exit-systems (both crossborder and within the Member States) there are only bundled capacities offered from the TSO side and that there will not be any complementary offers or active marketing measures of single capacities. In this regard GEODE welcomes ACER's intention to amend the existing contracts.

The FG CAM intend the NC to standardize the terms of contract and to word general terms and conditions. The NC proposal so far provides only a limited amount of such standards. GEODE points out that a distinct description of the procedures and the standards for IT & data is absolutely indispensable.



During the elaboration of these procedures and data formats it should be taken into account that procedure should allow the shipper to conclude only one contract for a bundled product, to emit only one nomination and to receive only one invoice.

The procedures between both system operators involved have to be elaborated and operated internally. The shipper's contact person is the "operating TSO". The principles have to be expressed clearly in the NC.

### **III. Auction design**

As have shown the ENTSOG workshops about auction design, are single-tier auctions not leading to satisfying results. In conformity to the proposal at hand there are no incentives provided for the shipper to emit serious bids at the auctions. This leads to a lack of clarity and for a considerable time, the shipper doesn't know whether he gets capacity and if so, how much he will have to pay for. In addition it is not appropriate to apply a pro-rata procedure in order to allocate capacity in case of excess demand. These risks and the economic uncertainties penalize shippers of smaller enterprise size.

GEODE therefore favors multitiered auction procedures. We would like to take this opportunity to underline once again our considerable concerns regarding the secondary trading of capacity. So far it remains completely unspecific how strategic capacity bookings by single shippers will be prevented as they seek for benefits that are unjustifiable when promoting remarketing of initially regulated products on the secondary market. We therefore suggest to at least record and regularly analyze significant auction data from the TSOs over a sufficient period of time in order to prevent abuse. ACER and stakeholders (the latter in an appropriate anonymous way) have to get access to the data as well as to the results of the analysis.

### **IV. Comment on the „tariffs“**

The regulation of the pricing of short-term capacity in relation to long-term capacity remains in chapter 7.3 remains unclear. It should at least be clarified that the totalling of prices for short-term capacity (f.ex. 1 day) does not exceed the pricing of correlative long-term products (f.ex. quarter or year). GEODE generally considers long-term capacity products as more sustainable regarding its value as they imply less uncertainty of supply for the shipper. Therefore short-term capacity should be submitted to lower pricing than long-term capacity products.



It is further unclear how to use the auction revenues. The wording “use for different aims” in chapter 7.6. should be erased. Auctions revenues should be either used to reduce tariffs or physical capacity congestions.

In addition there has to be clarity that the finally agreed auction price is a “breathing” price, as the regulated tariff is exposed to future changes. Fixed pricing in the future would turn capacity into an object of speculation. GEODE renews in this context the expression of general concerns regarding separate capacity bookings by shippers (dissociated from commodity gas) and especially secondary remarketing by the selfsame.

Brussels, 3rd of August 2011

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