**Annex 1: Consultation response sheet**

**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 by 3 August 2011.**

**Name:** Antonio Melcón Álvarez

**Company/Organisation Name:** CEPSA GAS COMERCIALIZADORA, S.A.

**Address:**Street: RIBERA DEL LOIRA, 50

Postal Code: 28008

City: MADRID

Country: SPAIN

**Contact details:**

E-mail: antonio.melcon@cepsa.com

Tel.: 00 34 91 374 9071

Mobile: 00 34 629279435

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

**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?**

We do not support ENTSOG’s proposal to modify the Network Code on CAM by any other procedure rather than the one foreseen in Third Package (i.e Comitology).

Should detailed rules be necessary, an effort must be made to include them in the NC. Only if proved that it is not feasible, some detailed rules could be left aside.

Rules should be developed and updated according to the procedures established by the Third Package.

Rules established by a separate procedure would not be legally binding; thus, they would not be directly applicable by Member States and problems would arise in their implementation.

It should be borne in mind that Network Codes will only be legally binding for Member States once they have satisfactorily passed the comitology procedure and become an annex of Regulation 715/2009. This implies that if Network Codes or any amendments to them do not go through the comitology procedure, Member States, or TSOs in this case, cannot be force to adopt them. Consequently, no harmonisation of applicable rules shall be aimed.

**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?**

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

**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.**

The introduction of quarterly products should not prevent the introduction of annual products.

Quarterly products have certain advantages: they would allow shippers the flexibility to profile the capacity booked and at the same time and allow them to combine quarters to form longer duration products. Quarterly products are appropriate for shippers with peak and non-peak demand.

Annual standard products should be introduced in the Standard Capacity Products. This would partially mitigate the problems encountered to book flat capacity for a period of time; the NC does not envisage any coordination mechanism for this (e.g. rejection of allocations below a minimum, or priority for bids covering several periods).

The lack of these types of mechanisms to ensure a flat allocation throughout the year is also a problem for annual auctions covering 12 months.

**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?**

We think that it should be reserved a higher percentage of the total capacity as short term one, since only a 10% is not enough to promote the liquidity of the wholesale market.

We think that a 20% -or even higher- is a more appropriate value. Just an example, the Open Seasons arranged by the SGRI reserved for short term contracting a 20% of the total cross border capacity at the French-Spanish interconnection. If we consider what is established within the Spanish system, this value is of 25% and it has demonstrated its efficiency in the liberalization process in Spain.

**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?**

**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?**

No. The suspension of these auctions will have only a minor impact in the reduction of the operational costs and might avoid certain operations.

**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 a Pay-As-Bid methodology would be more appropriate than uniform price, particularly for auctions of shorter duration products?**

Yes, we support the Pay-As-Bid method as the most appropriate should we want to have a clear reference of what a market price for the cross-border capacity is at any time. This mechanism would lead to the different agents bidding at a market price for the capacity, especially within the 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?**

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?**

**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?**

**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?**

As regards to the defined sequence of interruptions we do not share ENTSOG approach that the Capacity contract with the oldest Contractual Time stand shall prevail; this measure could be regarded as discriminatory.

**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?**

The draft NC on CAM states that:

“Any revenue from an auction of Bundled Capacity shall be split between the transmission system operators placing capacity elements in the bundle according to a pro-rata rule, based on the proportions of the Reserve Prices of the capacity elements placed in the bundle at the time of the auction.”

We are open to different solutions, and would favor a default rule to split the revenue. However, if the capacity term of the regulated tariff was to be the reference, tariff calculation methodologies across Europe would need to be harmonised, including the determination of all parameters which have a significant impact on the level of the capacity term. Otherwise, wrong incentives on tariff determination would be introduced by the code.

Although Article 13 of Regulation 715/2009 establishes that the tariffs have to be cost-reflective and at the same time, they have to avoid cross-subsidies between network users, it must be borne in mind that cost reflectivity in meshed networks is far from being perfect and there is ample room for regulators to set capacity terms at different levels; these decisions could hardly be challenged on the basis of lack cost reflectivity.

Thus, We consider that the NC should not, at this stage, support any mechanism on how to split this potential revenue from auctions if further measures are not adopted.

**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, and what could be improved?**

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

Regarding the booking unit, the draft version of the NC under consultation foresees two booking units: kWh/h or kWh/day assuming a flat flow rate over the day.

We believe that the uniform booking unit across Europe should be kWh/day and in fact this is the only possible option. Otherwise, the NC will be rejected by ACER.

ERGEG’s FG in point 2 states that:

“The capacity offered shall be expressed in energy units per unit of time.”

It is a must to distinguish between the physical operation of the network and the commercial offering of capacity. From the commercial point of view, it is more convenient to book, and consequently nominate, in kWh/day.

Having kWh/h as the booking unit will imply that all the information flows between TSOs and network users will inevitable be in hours, and consequently the nomination, balancing, metering, invoice; thus, all the process chain should be in kWh/h which seems to be quite inconvenient for practical and economical reasons.