**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**](mailto:info@entsog.eu) by 3 August 2011.

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| **Question 1:** Do you consider that the level of detail in the draft NC is appropriate for an EU Regulation? |
| Response:  The level of detail seems generally appropriate. |

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| **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 stakeholderrequest and discussion? |
| Response:  Yes, this NC should set out detailed rules.  Given the level of detail of the NC, it is reasonable to think that they will need to be adapted in the future. We recognise that a procedure via ACER and including inputs from all stakeholders, as foreseen in the Third Energy Package, can be a lengthy process. Nevertheless, we believe that ACER or the Commission can establish standard simplified procedures for changes in the NC, which are more rapid and that at the same time ensure the adequate level of stakeholders’ involvement. |

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| **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? |
| Response:  Principles and details of CAM mechanisms should not be separated, to ensure a coherent view. Nevertheless, details with limited impact could be developed in a ‘lighter’ change process. |

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| **Question 4:** How do you consider that a process to review the handbook, and to modify it where necessary, should be designed? |
| Response:  We believe that it is reasonable that ENTSOG leads the process of developing such a handbook and involves all stakeholders duly. |

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| **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. |
| Response:  We welcome the possibility for shippers to book long term capacity. Nonetheless, being the capacity sold via 60 independent quarterly auctions, there is a risk for market operators of not being able to buy all the 60 consecutive quarters needed to secure a period of 15 years of capacity. We therefore suggest the introduction of yearly products along with quarterly products.  In addition, we believe that 10% of capacity withheld for short term auctions may be too little, and would like to promote extensions (e.g. 15% or 20%) to be based on the case by case evaluation by the involved NRAs. |

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| **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? |
| Response:  An auction design where booking windows last for 10 business days is useful if the information provided each day to bidders is reliable in order for them to better shape their bids. Nevertheless, we think that the mechanism currently proposed by ENTSOG has the following shortfalls:   1. The information that will be provided by the TSOs may be influenced and distorted by strategic behaviours: for instance, if there will be no obligation to participate to each session of the auction, the clearing price published every day could be distorted by the fact that some bidders could decide to take part only to the last and crucial session of the auction or also to bid very low during the first sessions with the aim of distorting the price signal and “surprising” the market with the last bid. 2. The above explained distortions could be avoided by introducing some corrective measures (i.e. value discovery mechanisms), such as the obligation to participate on the first day of a bidding session or for each consecutive business day a volume which is equal or higher to the previous’ day bidding for each price step. Nonetheless, it should also be noted that the introduction of these measures risks to “stiffen” the auction, reducing the freedom of bidders.   As concerns the information that should be made public at the end of each booking window, we suggest: requested volumes, allocated volumes, clearing price and number of participants to the auction.  In addition, we would appreciate the following provision to be further specified: ‘extra capacity the TSO at its discretion is willing to make available’ (4.9,8, defined as ‘G’). |

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| **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? |
| Response:  No, we think that the proposal is reasonable and reflects market needs. Nevertheless, within-day auctions depend on capacity available and so should be kept under review. |

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| **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? |
| Response:  We believe that a standard auction system for a multitude of Interconnection Points (IPs) should be implemented (covering all relevant TSOs). If the system is working well, there would be no incremental costs for those Interconnection Points (IPs) where no purchases of capacity are made in within-day or day ahead auctions over a certain period of time. It would therefore not be reasonable to suspend these auctions, since they are not causing any additional marginal costs. |

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| **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? |
| Response:  We believe that the auction algorithms are effective provided there is an element of transparency coming from multi-rounds auctions. The algorithms described are obviously based on daily balancing. Within-day capacity is always allocated for the remaining hours of a given day. Specific hourly capacity cannot be allocated. In order to harmonise such cross border capacity or interconnection auctions with balancing in a balancing zone we believe that a harmonised gas day is of utmost importance. |

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| **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? |
| Response:  No, it would not be more appropriate. |

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| **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? |
| Response:  If it is meant 10 bids per interconnection point or per capacity offered, then yes, they should be sufficient. |

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| **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? |
| Response:  We believe that such mechanisms make sense, aiming to avoid or minimize opportunistic or other undesired behaviour in auctions. Please see the answer to point 6.2 above. |

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| **Question 13:** In your view, how could a split of bundled capacity between existing holders of unbundled capacity best be arranged? |
| Response: Please note that the following response applies to questions 13-15.  Access to capacity may be easier for network users when bundling is realised. At the same time, trading at the border should still be allowed as it would help e.g. shippers to manage existing contracts or for backhaul purposes. As a result, the corresponding exit and entry capacity available at both sides of every point connecting adjacent entry-exit systems shall be integrated in such a way that the transport of gas from one system to an adjacent system is provided on the basis of a single allocation procedure and single nomination. But this should be without prejudice to TSOs to offer entry/exit capacity separately alongside bundled capacity where the market requires this. |

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| **Question 14:** In your view, what effect would mandatory bundling have on network users? Please provide supporting evidence, if available. |
| Response:  Please see the response to the question above. |

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| **Question 15:** Do you consider that the approach to bundled capacity set out in the NC is appropriate, within the constraints of the FG? |
| Response:  Please see the response to the question above. |

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| **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? |
| Response:  We consider the process set out in the draft NC as appropriate. |

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| **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? |
| Response:  We believe that ENTSOG has correctly identified the key tariff issues. We would need to go much more into detail to evaluate these issues. As a general remark, we believe that it is extremely important to review regularly allowed revenues for TSOs and the establishment of regulated tariffs, and we welcome the ‘revenue equivalence of booking profiles’ principle as defined in the supporting document. We believe that regulated tariffs in a balancing zone should be homogenous and that regional differences should be avoided as much as possible. FG for tariffs must be seen in parallel.  In addition, EURELECTRIC believes that auction revenues exceeding the allowed revenue should be primarily used for removing congestion by investments or providing incentives to the Transmission System Operators to offer maximum capacity. |

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| **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 uses a similar process to develop future NCs? What approaches would you suggest to enable ENTSOG to improve the process? |
| Response:  We believe that the process which ENTSOG has followed to produce this draft NC is reasonable and appropriate, hence we would like ENTSOG to use a similar process with the other NCs in the future. We would prefer that the processes for developing the Framework Guidelines and the Network Codes are developed in sequence as foreseen in the 3rd Package. |

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| **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](file:///C:\Users\petgk\AppData\Local\Microsoft\Windows\Temporary%20Internet%20Files\AppData\Local\Microsoft\Windows\Temporary%20Internet%20Files\Low\Content.IE5\VYR5GE1D\www.entsog.eu), and what could be improved? |
| Response:  We think that ENTSOG should develop a website which allows (real-time) access to the actual physical use of all high pressure pipelines in the EU. Every market participant must have the possibility to check at any moment the real physical use of European grids (in particular cross-border Interconnection Points). |

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| **Do you have any other comments or observations you would like to make?** |
| Response:  - To maximally make use of the available capacity, the possibility of setting the reserve price for short term allocation (day-ahead, within-day) auction equal to zero might be considered. This could prevent the possibility, when the market value of the capacity is below the regulated price, that capacity is not used at all. This could bring additional revenue to the TSOs, who would otherwise have zero revenue from such a capacity. At the same time, the risk that this measure could introduce discriminations between short and long-term allocation should be taken into account.  - Backhaul should be enabled at every interconnection point to maximum capacity given by the flows of gas via the point.  - The Network code shall also allow that the short-term (day-ahead, within-day) capacity is sold as a spread at exchanges as suggested by the pilot project of GRTgaz/Powernext for the PEG Nord and PEG Sud, which integrates market coupling with continuous trading.  - Planned maintenance shall be published on a website. The information shall contain the following: … (3.1.3.) Should give also information about alternative interconnection capacity, if available.  - Capacity calculation and maximisation (3.3.3.) Adjacent transmission system operators should also publish which measures are available to increase capacity if bottlenecks are identified (in particular adjacent transmission system operators can have an influence on available capacity if operation of compressors in adjacent systems is modified).  - As shown in the supporting document to the questions, we share the view that incentives must be developed to motivate TSOs to offer the maximum capacity and to have an interest in increasing capacity (even beyond actually visible capacity demand).  - kWh/d should be the relevant unit of capacity, but this does not necessarily imply from our point of view that the capacity use must be flat over the day. Line pack and other measures for intraday modulation must be taken into account.  - On open seasons, the allocation of capacity during open seasons should be brought in line as close as possible with the present NC.  - Finally, how to avoid the risk that long term capacity bookings develop into an obstacle for market participants to get access to capacity should be elaborated in more detail in the – different but intertwined – Congestion Management Procedures (CMP). |

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