**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:  Enel believes the level of detail in the draft NC is appropriate.  In general terms, Enel would like to stress that the new NC shall not impact in any way on the existing long terms contracts (gas, transportation and interconnection capacity), fundamental for the security of the system also in next years. Therefore it is important that all the rules are implemented in a way that does not hinder/reduce the possibility for the owner of gas long term contracts to keep the correspondent long term capacity for all the contract years.  Further, we believe that any new rules shall not create obstacles for operators to buy gas through long term contracts and, in this framework, shall not prevent the possibility for buyers to negotiate flexibilities, which are essential for the users and the market, with the producers. In this sense, we appreciate the possibility to book long term capacity but we propose some amendments to the mechanisms proposed by ENTSOG in order to ensure the coherence with the typical gas long term contracts. |

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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:  Enel believes that the NC must set out mostly principles to be implemented in more details by national TSOs; in this way a general harmonisation will be reached while leaving to national TSOs some “degrees of freedom” useful for adapting NC rules to national specific features.  For changes of the NC, Enel is in favour of standard and “light” procedures; however in any case NC modifications should be approved by ACER and involve stakeholders’ participation. |

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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:  As stated above, we believe more appropriate that details are set out directly by national TSOs on the basis of the principles set out by ENTSOG and on the general context of the EU gas system. |

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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, under the supervision of ACER/NRAs, 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:  Enel welcomes the possibility for shippers to book long term capacity.  Nonetheless we do not agree with the proposal of quarterly products for LT auctions.  We believe that longest term products should be offered (at least yearly products); this would be much more coherent with the long term gas contracts and could reduce the risk for shippers with long term gas contracts of not being able to secure capacity for all the quarters of a long term allocation. |

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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:  In general, Enel believes that capacity allocation mechanisms shall facilitate operators who buy gas via long term contracts. Long term contracts are indeed fundamental for the system in terms of promotion of infrastructural investments and guarantee of security of supply and in many cases are also the way non-EU producers (to which Europe is highly and increasingly dependent) sell gas.  Besides what answered above, Enel believes that operators should have the possibility to buy products for the upcoming 20-25 years, a time span more coherent with some typical LT gas contracts.  Further, the auction timing should be coherent with the gas LT contract usual timing. In this regard, we do not agree with ENTSOG proposal that long term capacity auctioned will be effective the year after the auction and we propose that LT capacity auctions are held well in advance to its effectiveness. |

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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:  In general, Enel agrees with ENTSOG proposal and underlines the necessity that the auction rules are to be coherent with the gas market in order for them to be effective. |

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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:  Enel does not agree with the proposal to suspend auctions, even in case of no purchases in the previous days. Indeed, according to Enel, it is important for operators to have the possibility to buy capacity every day even if at cost of a slight increase in operational costs (however, if “standard” auctions are implemented we do not see how operational costs could increase very much). |

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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:  In the volume-based cleared-price auction mechanism, should the total demand be higher than available capacity at the maximum price step, Enel believes that firstly the Minimum Amount of Capacity of all bidders should be allocated. The method proposed by the consultation (allocation proportional to individual bid quantity) could indeed disregard some bids in case of allocation lower than the Minimum Amount of Capacity requested; we do not agree with this methodology, as it could unreasonably “cut” operators that offers the same price as the others and this, in turn, could cost them relevant costs if they have long term contracts obligations to fulfill (e.g. Minimum Contractual Quantities to be withdrawn). Should the allocated capacity be less than the minimum amount of capacity requested, further rounds with higher price steps should be allowed instead of curtailing demanded quantities. |

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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:  In general, Enel agrees with ENTSOG proposal. |

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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:  Enel agrees with ENTSOG proposal. |

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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:  ENEL believes that mechanisms supporting value discovery make sense, aiming to avoid or minimize opportunistic or other undesired behaviour in auctions.  Indeed, an auction design where booking windows last for some days (10 days for LT contracts) is useful if the information provided each day to bidders is reliable in order for them to better shape their bids.  In order to limit the possibility of “strategic” behaviors, we propose to apply some corrective measures as: the obligation to participate to each session of the auction, the participation in each consecutive business day with a volume which is equal or higher to the previous’ day bidding for each price step, reduced length of the bidding window, early closure of the bidding window after a defined period (e.g. 2 days) of bid stability, some restrictions on placing and/or amending bids. |

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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:  Enel deems positive the process of capacity bundling; nevertheless we underline that any bundling mechanism must not impact in any way the existing long term contracts and the rights of the owner of these gas/transport contracts. |

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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:  See answer 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:  Enel believes that ENTSOG approach to bundled capacity is appropriate. |

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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:  In general terms, Enel agrees with ENTSOG proposal.  We believe that interruptible capacity auction should be limited to products up to 1 year.  Detailed regulation on definition and allocation of this capacity shall be set out by national TSOs. |

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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:  ENEL believes that ENTSOG has correctly identified the key tariff issues. As a general remark, we believe that it is extremely important that the allowed revenues for TSOs are regularly reviewed following transparent procedures and involving stakeholders. |

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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 use a similar process to develop future NCs? What approaches would you suggest to enable ENTSOG to improve the process? |
| Response:  ENEL believes the process followed by ENTSOG is reasonable and appropriate. |

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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:///D:\Documents%20and%20settings\a261137\Local%20Settings\Temporary%20Internet%20Files\AppData\Local\Microsoft\Windows\Temporary%20Internet%20Files\Low\Content.IE5\VYR5GE1D\www.entsog.eu), and what could be improved? |
| Response:  ENEL thinks that ENTSOG website should give full access to information about the available capacity (for 20-25 years ahead, coherently with our proposal of long term auction time span) and to actual physical flows related to all the IPs in the EU. |

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| **Do you have any other comments or observations you would like to make?** |
| Response:  Enel believes that 6 months (after the entering into force of the NC) for the implementation of the new rules is a very short period, given all the changes involved in terms of communication among EU TSOs, communication between TSOs and market participants, implementation of new IT systems, etc. Enel therefore propose to increase this time period and to delegate the definition of an appropriate time lag to national and EU regulators. |