

Response Sheet for Stakeholder Engagement Document: Potential Modifications to the CAM NC Following Receipt of ACER Opinion

Please complete the fields below and send via email using the subject title, “Response to the CAM NC stakeholder engagement document” to info@entsog.eu by 10 August 2012.

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How would you describe your organisation?

<input type="checkbox"/>	Association (please specify type)
<input type="checkbox"/>	End user
<input checked="" type="checkbox"/>	Network user
<input type="checkbox"/>	Trader
<input type="checkbox"/>	Other (please specify)

In the questions below, ENTSOG would be grateful if respondents could clearly indicate their view and provide a brief justification.

Question 1

A number of changes to the CAM NC submitted to ACER in March 2012 are proposed in sections C.1 – C.11 above. Please indicate whether you support these changes. If you do not support some changes, please indicate which changes you do not support, and why.

eni has specific remarks on the following points:

- **C2-New Capacity-Standard Capacity Products**

We agree with ENTSOG's proposal that standard capacity products may provide also the basis for sale of new capacity but that new capacity remains exempted from the specific rules on allocation (e.g. obligation to sell each product independently). New capacity allocation mechanisms should be discussed within the on-going work on incremental capacity.

- **C2-New Capacity-Bundling**

We would like to (re)affirm our concerns on the provision that imposes exclusive and mandatory allocation of bundled capacity products. As stated in many occasions in the past, we believe that such rule would have troublesome implications and collateral effects for the European gas market. Bundled products should be introduced as an option and this should apply also with reference to the allocation of new capacity.

- **C2-New Capacity-Breakdown**

The introduction of short-term mandatory quotas in the context of allocation of new capacity would have complex implications (e.g. in terms of potential socialization of costs) that should be carefully assessed and discussed with stakeholders. We therefore share ENTSOG's approach and we expect to thoroughly discuss this point in the framework of the on-going work on allocation of incremental capacity.

- **C5-Existing Capacity Breakdown and Additional Auctions for Quarterly Products**

We agree with ENTSOG that this point has already been fully discussed with stakeholders. The current text is consistent with the outcome of those discussions and it already goes beyond FG provisions.

- **C6-Sale of Unbundled Firm Capacity**

The ACER's request to offer the "technically mismatched" capacity only in the rolling monthly auctions does not seem to be proportionate. The ENTSG's proposal to limit the allocation of such capacity for a period covering the time required to develop incremental capacity at the other side of the IP is a step in the right direction. This limitation could make sense in order to keep in place the possibility to offer bundled capacity as an option for network users.

In this context, we note that - with stakeholders' request for bundling as an option still in place - the whole subject of relationship among bundled and unbundled capacity should be reassessed if, in the next steps of the process, such request is accepted.

- **C.9 Tariffs**

eni agrees with ENTSG that – even without including specific tariff provisions - the CAM NC should clearly state that the new allocation rules – combined with rules set by the forthcoming Tariff NC - should not entail undue cross-subsidisation among network users.

Question 2

Do you support the proposed changes to the day ahead auction timing set out in section D.1? If not, why not?

We welcome the efforts made by ENTSG to optimize the day ahead auction timing in order to facilitate procurement of gas in the day ahead commodity market.

As for the bidding window duration, we nevertheless consider ENTSG's proposed reduction from 90 to 30 minutes as excessive for economical (more than technical) reasons.

A high number of bidding processes – potentially one at each IP - would have to be managed contemporaneously and independently. Moreover, for IPs where the day-ahead UIOLI applies, the capacity offered will be known only at the opening of the window. Therefore, such a short bidding time would imply higher costs for network users in terms of resources to be devoted to the bidding activity. This is also because the Uniform-Price-Auction algorithm would require shippers to submit - in the proposed timeframe - their capacity requests for different price steps altogether.

These increased costs do not appear to be justified by sufficiently higher benefits. Indeed, the commodity market would have by itself a certain degree of ability to adapt to the timing of the capacity market and liquidity could develop accordingly to emerging needs.

To shorten the bidding window from 90 to 60 minutes seems instead an acceptable compromise. Therefore we propose the following timing (CET) for the day-ahead auction, which would nevertheless entail a save of 1 hour with respect to the previous Code provisions:

16:30 – 17:30 Bidding Window

17:30 – 18:00 Processing Window

Question 3

Do you support the proposed changes to the within-day auction timing set out in section D.2? If not, why not?

In particular, do you believe that a 30 minute bidding window and 60 minute nomination window are sufficient for a within-day process?

In line with answer #2, we believe that the within-day bidding window should last more than 30 minutes. In order to keep in place the possibility to run an auction each hour, we therefore support the previous Code provision (bidding window 60 minutes including – in our understanding – 15 minutes of processing time).

This should not entail a reduction of the nomination window (60 minutes).

Question 4

Do you support the proposed changes to the drafting on default interruption lead times set out in section D.3? If not, why not?

Yes

Question 5

Do you support the proposed changes to article 4.1(2) of the CAM NC, in relation to competing capacities? If not, why not?

Yes, even if it is not clear how non-independent auctions will have to be conducted.

This is a good example of possible complications that may arise from the application of the new allocation rules. Therefore, monitoring the correct functioning of the new regulatory framework in the first period of implementation will be necessary.