Responses to CAM Network Code – second formal consultation on new or modified concepts

Consultation Response Sheet

Please complete the fields below and send via email using the subject title, "Response to the CAM NC consultation" to **info@entsog.eu** by 14 November 2011.

Name
First and Last Name: Olivier CAUVIN

Organisation
Company/Organisation Name: POWEO SA
Job Title: Supply & Origination

Contact details
Email: olivier.cauvin@poweo.com
Tel: +33 (0)1 70 60 74 94
Mobile: n/a

Address
Street: 44 rue Washington, Immeuble Artois
Postal Code: 75408 Paris cedex 8
City: Paris
Country: France

Countries in which your organisation operates: Wholesale markets (trading): France, Belgium, Germany and the Netherlands. Retail markets (supply to end users): France

How would you describe your organisation?

	Association (please specify type)
	End user
	Network user
	Trader
X	Other (please specify) Supplier to end users

In the questions below, ENTSOG would be grateful if respondents could clearly indicate their preferred option and provide a brief but **fully reasoned justification** for their choice. This applies equally whether you agree or disagree with any ENTSOG proposal as it is important that ENTSOG is able to extract the clear views of all respondents. If you do not respond to a question, ENTOSG will assume that you have no view on this issue.

Question 1 (Standard Capacity Products to be auctioned): which option do you prefer, and why?

	Option 1: Quarterly only
X	Option 2: Integration of yearly product (Post consultation proposal)

Please justify your choice. ENTSOG would particularly welcome any views on why the alternatives to your preferred option may not be technically feasible.

We already expressed this view in the previous consultation on 3rd August 2011, please refer to our answer for further details and justification, and in particular Question 5 where we highlighted three reasons why not to choose quarterly products.

We would like to express two additional comments regarding standard capacity products:

1. Regarding Within Day products, we would like to insist once again on the fact that we do not agree with ENTSOG's proposal. As per our answer to the previous consultation, Question 7, we wrote:
   "POWEO doesn't agree with a within-day auction that takes place every hour for the remaining hours. It will lead to complexity and this mechanism would be in competition with the UIOLI process.

POWEO suggests offering all the remaining capacity after the day-ahead auction into the UIOLI mechanism."

2. Under Option 2, Annual Quarterly products become part of Long Term products. We do not understand this proposal. If it is simply to respect the ACER FG requirement that a "10% quota be kept for capacity services with a duration of less than one quarter", it should be stressed to the ACER that this definition made sense when Long Term products were being formed as Quarterly products, but no longer makes sense now that Yearly products are integrated. This could lead to cases where there is no capacity left for Annual Quarterly. Instead we would simply recommend to include Annual Quarterly into the Short Term products, which would ensure that it is possible to modulate bookings in the year before the delivery, without having to wait for Rolling Monthly products. Besides, this would be symmetrical to the previous proposal where Annual Monthly were part of Short Term products.

Question 2 (Start date for yearly product): which option do you prefer, and why?

	Option 1: Yearly product starts on 1st January
X	Option 2: Yearly product starts on 1st October

Please justify your choice. ENTSOG would particularly welcome any views on why the alternatives to your preferred option may not be technically feasible.

Considering (i) the seasonality in gas demand and flows, (ii) the fact that season products represent the majority of the long-term traded products on the wholesale gas markets and (iii) that most supply contracts start on 1st October, we believe yearly capacity products should start on 1st October.

Question 3 (Auction algorithms: overall methodology): which option do you prefer, and why?

X	Option 1: Multiple round ascending clock auction
	Option 2: Single round volume based auction

Please justify your choice. ENTSOG would particularly welcome any views on why the alternatives to your preferred option may not be technically feasible.

Option 1 is a known, straightforward option that will allow transparent price discovery. We would have preferred a single round volume based auction but it appears that, even with the proposed

constraints of limiting resubmission of bids, the complexity of that design might inevitably have loopholes and therefore lead to undesirable behaviours by certain shippers.

Question 4 (Limitation of price steps): which option do you prefer, and why?
X Option 1: Do not limit number of price steps (Post consultation proposal) ☐ Option 2: Limit number of price steps
Please justify your choice. ENTSOG would particularly welcome any views on why the alternatives to your preferred option may not be technically feasible. In our answer to the previous consultation on 3rd August 2011, we expressed the fact that we do not understand why it is a requirement to pre-define price steps (either their number or the increment). We stick to that view. That being said, we understand from ENTSOG revised proposal that using a freely-defined price curve is out of question. Therefore, from the two options suggested by ENTSOG, we clearly prefer the option 1, which ensures (i) no pro-rata is applied, (ii) a valid price signal emerges from the auction should there be congestion and (iii) that any shipper can have the certainty on the volume he will get (but not the price).

Question 5 (Minimisation of unsold capacity): which option do you prefer, and why?
X Option 1: Minimise unsold capacity (Post consultation proposal) ☐ Option 2: Draft CAM NC proposal
Please justify your choice. ENTSOG would particularly welcome any views on why the alternatives to your preferred option may not be technically feasible. We believe minimizing the unsold capacity is clearly the most desirable option. We fully support ENTSOG proposal, in particular the option given to shippers to specify whether they wish to be applied a pro-rata or not.

Question 6 (Sunset clause: choice of default rule): which option do you prefer, and why?
X Option 1: Maximum default rule with cap at technical capacity ☐ Option 2: "Partially unbundled“ default rule
Please justify your choice. ENTSOG would particularly welcome any views on why the alternatives to your preferred option may not be technically feasible. We believe there should not be any exception to the bundling rule; hence no coexistence of bundled and unbundled capacity, so option 2 is really not an option.

Question 7 (Sunset clause: further questions): Please provide any views, information or evidence in relation to the further questions raised by ENTSOG in section F.2 regarding the sunset clause.
Issue #1: we agree to the fact that partial agreements might have an impact on third parties and might therefore be discriminatory. That being said, we believe that bilateral agreements shall be respected. One possible means to address this issue would be to have NRAs facilitating multi-lateral meetings where shippers holding capacity on either side of an IP openly meet and discuss/negotiate way forwards. This will not prevent bilateral agreements, but will ensure that any shipper has the opportunity to identify and negotiate with shippers holding capacity on the other side of the IP. Issue #2: we do not believe that any capacity should remain unbundled after the application of the default rule. As highlighted at Question 6, the coexistence of bundled and unbundled capacity should not be an option. As pointed out by ENTSOG, this implies forcing the bundling through firm (if available) or interruptible capacities. So be it. Issue #3: as a result, the bundle of a firm and interruptible capacity cannot be fully considered as a firm, bundled capacity for long-term horizons. One possible way to address this is to give priority to such interruptible capacity to be transformed into firm in the sort-term (as, in fact, a significant part of so-called “interruptible” capacities are in fact “conditional” and part of it can be transformed into firm capacity sometime in day d-1 for day d).

Question 8 (Tariffs: split of auction premium from bundled products): which option do you prefer, and why?
X Option 1: Keep split of auction premium proportional to reserve prices as default (Post consultation proposal) ☐ Option 2: Split of auction premium into equal shares as default
Please justify your choice. ENTSOG would particularly welcome any views on why the alternatives to your preferred option may not be technically feasible. If we have to choose, as highlighted in the supporting document to this consultation, Option 1, though not perfect, appears to be fairer than Option 2. This is based however on the argument that the reserve price is equal to the existing regulated tariff, which is an argument that we do not fully agree with, in particular for short-term products. For further details, please refer to our answer to the previous consultation, and in particular Question 17. That being said, we believe this question should not be treated within the CAM NC: it is relevant to the tariff NC, and therefore should be treated as part of that latter document.

As a final comment, we understand that the scope of the NC is limited to “cross-border Interconnection Points as well as interconnections between adjacent entry-exit systems within the same member state, insofar as the points are subject to booking procedures by users. For the avoidance of doubt, the provisions of this Network Code shall not rule on the capacity allocation issues with regard to exit points to end consumers and distribution networks, entry points to supply-only networks, entry points from LNG terminals and production facilities, or entry/exit points to or from storage facilities.” (CAP0140-11, article 2.1).

That being said, there is currently a wide variety of products and booking procedures for entry/exit capacities to/from storage facilities that are located within member states. We believe it would be desirable to address this issue beyond the Guidelines for Good TPA Practice for Storage System Operators (GGP SSO) which date back to 2004. Considering the significant evolution of the gas market in recent years, we believe further recommendations for storage facilities located within member states would assist the development of the European gas market as a whole.