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.

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Countries in which your organisation operates:

How would you describe your organisation?

	Association (please specify type)
	End user
✓	Network user
✓	Trader
	Other (please specify)

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
	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.

As we stated in our response to the previous CAM consultation we support the use of quarterly products in the long term auctions. Quarterly products give shippers the flexibility to buy the capacity they need. For example one shipper may only require capacity in the summer to inject into storage where as another shipper may only require winter capacity. Quarterly products will meet the needs of both.

Annual products will force shippers to purchase their peak winter requirements during periods where it is not needed thus leading to an inefficient use of capacity.

Quarterly products can be combined to make annual products if the shipper so wishes or used as a flexible capacity management tool by the shipper to profile their usage.

With Option 2 there is no ability for shippers to book monthly capacity one year in advance as the annual monthly auction is not included. The removal of this auction reduces the flexibility available to shippers when trying to optimise their portfolio. With the annual monthly auction removed the only time to buy the 10% of capacity that has been held back from the long term auction is in the month ahead auction. This auction is held less than a month from the actual flow date and we question if this is an efficient way for the TSO to release this capacity.

Whilst we recognise that capacity that is bought under an annual service can be reallocated via the secondary market, a more efficient allocation process (which can be achieved by quarterly products) reduces reliance on the secondary market.

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

	Option 1: Yearly product starts on 1st January
✓	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.

As stated above we do not agree with yearly product as opposed to quarterly products. However if they were to be the only product that was offered in the long term auctions, then they should be sold in line with the gas year.

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

	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.

A single round volume based auction would give shippers the transparency they require during the auction, as results of each days activity is published at the end of the day. With a single round volume based auction shippers requiring capacity at multiple IPs have the ability to adjust there

requirements based on the interim results published at the end of each day.

Question 4 (Limitation of price steps): which option do you prefer, and why?
✓ 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. As a process for including incremental capacity does not exist within the network code price steps should not be limited to avoid pro-rata allocations. It became apparent at the auction workshop on the 3rd November that there was a requirement for small price steps to avoid shippers being unable to bid at the next price step.

Question 5 (Minimisation of unsold capacity): which option do you prefer, and why?
☐ 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. The CAM NC proposals allow for unsold capacity from the long term auction to be carried forward to the next auction, in this case the annual monthly capacity auction. If not sold then it is again rolled into the next auction. This is an efficient use of capacity that allows shippers to optimise their portfolios and adjust their capacity booking nearer the actual flow day. Option 2 also allows for the 10% of capacity held back in the long term auctions to be released in the annual monthly capacity auction. This is a far better time to release this capacity than the month ahead auction as proposed in the latest consultation. Releasing capacity several months from the flow date gives room for new entrants to acquire capacity.

Question 6 (Sunset clause: choice of default rule): which option do you prefer, and why?

	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.

As we have previously stated we do not support the sunset clause. There should be the ability for shippers to book capacity to a delivery point of their choosing, be it a hub or to the flange. However if there has to be a default rule then it should be Option 2.

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.

As well as the issues surrounding the re-negotiation of gas supply contracts there are issues associated with taxation and credit that have to be addressed. See BP's response to the previous ENTSOG CAM NC consultation.

As stated we are against the introduction of the clause and do not see why shippers should be forced to open up supply contracts to negotiate new delivery terms. This could lead to parties trying to widen the negotiations to other contractual clauses.

If shipper A is negotiating with shipper B and C and has reached agreement with shipper B but not shipper C in the allocation of capacity, shipper B should not be penalised.

Regarding partial agreements if shippers A and B have come to an agreement as to how capacity should be split then they should not be penalised if shipper A has not reached agreement with shipper C, Option 2 would allow for this situation. If there is a mismatch of capacity then TSOs should be allowed to sell interruptible unbundled capacity on one side of the flange. This would address the issue of non-matching capacity remaining unbundled.

Question 8 (Tariffs: split of auction premium from bundled products): which option do you prefer, and why?	
✓	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. As prices differ from one system to another, and look likely to remain that way in the future it would seem the fairest way of allocating revenues is to split the auction premium proportional to the reserve prices as is suggested in Option 1.	