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: Sébastien Doligé

Organisation
Company/Organisation Name: EURELECTRIC
Job Title: Advisor

Contact details
Email: sdolige@eurelectric.org
Tel: 02 515 10 27
Mobile:

Address
Street: Bd de l'impératrice 66
Postal Code: 1000
City: Brussels
Country: Belgium

Countries in which your organisation operates:

How would you describe your organisation?

x	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
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 welcome the introduction of yearly products along with quarterly products since it would allow operators of gas power plants to hold a "baseload" capacity to operate their power plants for the following year. With quarterly products only, there would be 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.

Nevertheless to avoid loss of flexibility we would welcome the possibility of having annual monthly auction under option 2 as well.

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. No comments

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. In our previous response we highlighted the problems caused by lack of value discovery in a 10 day single round bidding window. We believe that the two options presented are an attempt to address this. Having a multi-round ascending clock seems to be the best option as it is simple and straightforward, provides more transparency with regard to price formation and shippers always have the choice of increasing their bid in the next round to secure capacity. The introduction of a bidding assistant would also help significantly reducing the administrative effort required.

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.

EURELECTRIC is in favour of option 1 as it fits well with a multi-round ascending clock process and TSOs may not be required to define a standard number of price steps, or increment price steps in a consistent way. Moreover we believe that pro-rating at the highest price step should be avoided in any case.

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.

We could go for option 2 as it would allow a greater percentage of capacity to go to short term products. This said we wouldn't be against option 1/step 1 as it might lead to pay a cheaper price for capacity (P2 vs P3 according to the example in ENTSOG's consultation).

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.

We cannot choose between the two options since under option 2 it is not clear whether shippers would be able to do anything at all with their partially unbundled capacity; option 1 on the other

hand would be difficult to implement in those situations where the technical capacity on both sides of the IP is quite different and might lead to additional but unwanted costs for shippers.

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.
Access to capacity may be easier for network users when bundling is realised. At the same time, as an intermediary measure, 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.

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. EURELECTRIC believes that this question should be treated in the Tariff guidelines as this is linked to the issue of how TSOs calculate capacity reserve prices. Several aspects need to be clarified before we can take a clear position. Bundled capacity reserve prices will be the sum of the respective entry and exit charges either side of an interconnection point; if entry and exit capacity reserve prices are calculated using a consistent methodology and represent the marginal cost of flowing gas out of one system (exit) and into another (entry) it is right that any auction premium over the combined cost is shared pro-rata to the respective entry and exit costs (option 1). However, this may not always be the case and may incentivise TSOs to manipulate their respective entry and exit charges to maximise revenue at congested interconnection points, hence the suggestion that a 50-50 split would be preferable (option 2).	