

14 November 2011

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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How would you describe your organisation?

<input checked="" type="checkbox"/>	Association (please specify type). All business activities from mid to downstream of the gas chain are represented within AFG: infrastructure operators, equipment & appliance manufacturers, installers, shippers & suppliers companies, etc.
<input type="checkbox"/>	End user
<input type="checkbox"/>	Network user
<input type="checkbox"/>	Trader
<input type="checkbox"/>	Other (please specify)

In the questions below, ENTOSG 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 ENTOSG proposal as it is important that ENTOSG 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?

<input type="checkbox"/>	Option 1: Quarterly only
<input checked="" type="checkbox"/>	Option 2: Integration of yearly product (Post consultation proposal)

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

Strong preference for option 2 that enables at the same time to book more easily long-term durations over the year and to adjust the required profile through monthly or quarterly products. Option 2 prevents insufficient bookings in certain period (summer for instance), moreover yearly products are more coherent with long-term gas contracts, as well as storage or regasification contracts, and reduce risks to secure capacity.

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

- | | |
|-------------------------------------|--|
| <input type="checkbox"/> | Option 1: Yearly product starts on 1 st January |
| <input checked="" type="checkbox"/> | Option 2: Yearly product starts on 1 st October |

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

Option 2 reflects better the majority of gas supply contracts signature date, and avoid splitting winter into different reference years.

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

- | | |
|-------------------------------------|--|
| <input checked="" type="checkbox"/> | Option 1: Multiple round ascending clock auction |
| <input type="checkbox"/> | Option 2: Single round volume based auction |

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

Option 1 is easier to implement and to use, provides a good price formation/discovery; is more transparent than option 2, and allows bidders to know their position so as they can decide whether to bid or not the following round.

Question 4 (Limitation of price steps): which option do you prefer, and why?

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|-------------------------------------|---|
| <input checked="" type="checkbox"/> | Option 1: Do not limit number of price steps (Post consultation proposal) |
| <input type="checkbox"/> | Option 2: Limit number of price steps |

Please justify your choice. ENTSG would particularly welcome any views on why the alternatives to

your preferred option may not be technically feasible.

Option 1 is coherent with the multiple round ascending clock option. This approach avoids indeed the need to apply any pro-rata at the highest price step, and should help minimize underselling of capacity.

Question 5 (Minimisation of unsold capacity): which option do you prefer, and why?

- | | |
|-------------------------------------|---|
| <input checked="" type="checkbox"/> | Option 1: Minimise unsold capacity (Post consultation proposal) |
| <input type="checkbox"/> | Option 2: Draft CAM NC proposal |

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

Option 1 is more suitable to limit the unsold capacity.

Option 2 can lead to significant unsold capacity in certain cases, whereas the delay due to the postponement of the unsold capacity to the next auction could be long as regard long term products.

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

- | | |
|-------------------------------------|---|
| <input checked="" type="checkbox"/> | Option 1: Maximum default rule with cap at technical capacity |
| <input type="checkbox"/> | Option 2: "Partially unbundled" default rule |

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

AFG is in favour of the bundled capacity as far as they are proposed in addition to other existing products. Bundled products should not be implemented to the exclusion of other capacity products and to unduly forbid flange trading. Both form of trading i.e. flange as well as hub-to-hub trading, are needed to stimulate the liquidity within the corresponding markets.

If an option is to be chosen, option 1 allows better optimization of the capacity sold.

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.

In coherence with the previous answer, if one considers the hybrid system with flange and hub-to-hub trading, the sunset clause is meaningless.

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.

Option 1 seems to be more relevant in particular from an investment perspective since reserve prices are determined according to regulated revenues which are coherent with the volume of investments. However, AFG is of the view that it is more appropriate to deal with this question within the Guidelines framework – Tariffs Network Code.