

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 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, ENTSG 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 ENTSG proposal as it is important that ENTSG is able to extract the clear views of all respondents. If you do not respond to a question, ENTSG 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 checked="" type="checkbox"/> | Option 1: Quarterly only |
| <input type="checkbox"/> | Option 2: Integration of yearly product (Post consultation proposal) |

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

GasTerra prefers quarterly products as a long-term option and does not identify any related significant risks for the network users to acquire the long-term capacity they need. Thanks to the possibility for seasonal profiling quarterly products offer, they actually allow a better match between the individual needs of each network user and the available transport capacity. This reduces the risk of contractual congestion, which the yearly products bring along: Quarterly products do not require network users to buy capacity, which they are not going to use in the summer months.

The choice for quarterly products avoids eventual long-lasting discussions on the harmonization of the starting date for yearly products across Europe.

Another advantage of the quarterly products is the earlier release of reserved short term capacity (in monthly auctions instead of in rolling monthly auctions).

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

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|-------------------------------------|--|
| <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.

As noted above GasTerra's preference goes to quarterly products and one of the reasons is that this avoids long-lasting discussions on the starting date of the gas year.

If yearly products are introduced anyways, GasTerra prefers 1st October as a starting date.

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

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|-------------------------------------|--|
| <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.

In a multiple round ascending clock auction the price is more transparent and stable. In a single round process (with continuously changing bids) the price is less stable and the outcome is less predictable. The "true market value" will probably emerge only at the end of the bidding window, so the start of the process will be superfluous. The proposed value discovery mechanisms do address these problems, but they also complicate the procedure. In a multiple round auction algorithm with predefined steps, on the other hand, the market parties have at the end of every bidding round the highest degree of transparency without any necessity for additional rules. GasTerra's preference goes, therefore, to the multiple round ascending clock auction.

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.

Applying a pro-rata approach should be avoided since it interferes with the principle of a market-based allocation. Moreover, the revised FG CAM state explicitly that capacity is allocated via auctions, which does not leave any room for a pro rata mechanism.

Option 1 (non limited price steps) results anyways in a better fit between shippers needs and the available transport capacity.

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

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

As already noted in the answer to Question 4, GasTerra believes that pro-rata allocation of capacity shall be avoided.

The sequence of long term and short term auctions, as provided for by the current Draft CAM NC proposal, minimises unsold capacity for which there is demand by assigning the remaining capacity to the next auction. In the same time it allows a match between the individual network user's needs (i.e. his offer in the auction) and the capacity he acquires, which is not the case in option 1.

Unsold capacity should be rolled over to the next auction, in which the shipper can buy the amount of needed capacity at the price he is willing to pay.

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

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|--------------------------|---|
| <input 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.

GasTerra strongly opposes to the introduction of a mandatory bundling and the accompanying Sunset clause. We welcome the introduction of bundled products, but as an option and not as an obligation. Such an obligation is disproportionate to the results it aims to achieve and lacks a sound legal basis. The reports commissioned by ACER have failed to convincingly prove the opposite.

As indicated in the Second formal consultation document itself, both possibilities present a large number of commercial, technical and administrative problems.

It is our opinion that ENTSG shall refer to those problems and not formulate a default rule in the CAM NC.

If obligatory bundling is to be introduced, the precise availability of capacity at (and equal at both sides of) each IP shall be agreed on by the relevant TSOs on the basis of applying a more integrated approach to their technical planning.

Question 7 (Sunset clause: further questions): Please provide any views, information or evidence in relation to the further questions raised by ENTSG in section F.2 regarding the sunset clause.

The further questions on the sunset clause, listed in section F.2 demonstrate once again the weaknesses of the concept. This only reinforces GasTerra's position that bundling shall be an option, but not an obligation.

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) |
| <input type="checkbox"/> | Option 2: Split of auction premium into equal shares as default |

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

your preferred option may not be technically feasible.

We believe that both adjacent NRA's will competently regulate the tariffs at both sides of an IP at a cost reflective level and in compliance with the rules of the relevant NC. Therefore a split of the auction premium over the adjacent TSO's can best be performed using option 1 as the default.

