

Report on analysis of responses to the Incremental Proposal

Please note: this report covers ENTSG's analysis of responses and does not indicate any assessment of ENTSG's view as to the final network code proposal. The opinions expressed in this document are those of respondents to the draft INC proposal consultation and not those of ENTSG.

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A. Introduction

On 30 May 2014, ENTSOG published the draft Incremental Proposal and launched a market consultation which closed on 30 July 2014.

- [Draft Incremental Proposal](#)
- [Draft Amendment Proposal to NC CAM](#)
- [Supporting Document for Incremental Proposal](#)

In order to ensure that the final Incremental Proposal is robust, workable and supported by the market, and in order to fulfil its legal obligations, it is important that ENTSOG take full account of all consultation responses. To facilitate this, the Incremental team consisting of ENTSOG advisers and members of national TSOs has identified the main themes and queries from the stakeholders regarding the Incremental Proposal in this document.

This report sets out an abstract of the stakeholder responses. It is intended to provide an accessible summary of market opinion on the issues that arose in the consultation responses, and should be read alongside the full responses themselves, which are available on the ENTSOG website [here](#). Within ENTSOG, the report will form a key input to the discussions of the Incremental Advisory Kernel Group and its specialist sub-groups during the preparation of the final Incremental Proposal.

Respondents' views are set out as they were provided to ENTSOG. This report does not offer any view on the merits of these arguments.

This document will eventually form the basis for a 'consultation response report', which will be published alongside the final Incremental Proposal. The consultation response report will set out the decisions taken by ENTSOG in preparing the final Incremental Proposal, together with an explanation of the consideration that we have given to the views of the market (together with other important factors including the constraints faced by TSOs) when taking these decisions.

This analysis report first sets out how ENTSOG carried out the analysis of consultation responses, and gives an overview of the number and type of responses received. Section D of this document then examines each of the key themes covered by the consultation:

- Coordination requirements
- Information provision
- When to offer incremental and new capacity
- Allocation of incremental and new capacity via auctions
- Open Season Procedures
- Economic test principles
- Tariff issues regarding incremental and new capacity
- Other issues.

B. Methodology

The presentation of consultation responses is performed in three stages:

1. *Statistical analysis*: provides statistical evaluations of the responses and lists of the individual respondent's position on a respective section of the Incremental Proposal.
2. *Content analysis*: the second section provides a more detailed summary of positions mentioned in the responses. It includes arguments brought up in the consultation and states the respective party or parties mentioning it. "Where the same stakeholder(s) expressed the identical sentences or concept in various sections of the Report, they have been reported only once in the most relevant section, in order to avoid unhelpful duplications and therefore facilitate the reading of the document"

Please note: In this section, equal or similar responses to questions of different respondents were grouped according to ENTSG's understanding of the arguments mentioned in the individual responses. It is therefore the case, that a party mentioned to be in support for a specific statement must not necessarily have stated the statement literally in the actual response. For specific positions of individual respondents, interested readers are asked to use the document providing all consultation responses published on the ENTSG website as mentioned above.

3. *Market position*: the third section is a summary of the ENTSG understanding of the market position, taking into account the statistical positions of the respondents and the arguments mentioned.

All responses were treated equally regardless of the type, nationality, size or any other characteristic of the respondent, with two exceptions:

- The views of associations have been identified separately from those of individual respondents in a number of areas. This will allow these views to be given greater prominence during later decision making processes, if the overall view of the market is not clear and if the association presents a clear position. ENTSG welcomes responses from associations as they represent the agreed position on a number of subjects and thus avoid the need for all of the members to respond individually.
- Where two or more companies under common ownership provided identical or virtually identical responses to the same question, they have been treated as a single response when counting the number of respondents who support a particular position. This is to avoid such responses skewing the overall results.

When reading this report, it is important to take the following points into account:

- The numbers in favour of or against a particular position should not be taken as a definitive guide to the market's opinion. For example, a number of respondents may have decided to submit their views collectively via an industry organisation rather than responding individually.
- Similarly, the number or strength of arguments put forward may not on its own provide an accurate guide to the views of the market. Those who do not support the option presented in the draft Incremental Proposal as the preferred way forward may be more likely to present strong arguments than those who do.
- An examination of the above two factors together is likely to be the most effective way to take full account of the market's views.

The consultation questionnaire format only included a “yes, I agree” and a “no, I don’t agree” option. Most respondents choose either of the two options with their opinions being “yes, I agree, but not on all aspects” or “no, I don’t agree because one aspect isn’t yet prominent enough”.

C. Overview of consultation responses

Table 1: Type of respondents

Overall responses received	21	
European associations	7	<ul style="list-style-type: none"> - Association of European Energy Exchanges (europex) - European Federation of Energy Traders (EFET) - EURELECTRIC AISBL - EUROGAS - Gas Infrastructure Europe (GIE) - IFIEC Europe - The International Association of Oil & Gas Producers (OGP)
National associations	3	<ul style="list-style-type: none"> - Dutch sector association for energy companies (Energie-Nederland) - Spanish National Association of Manufacturers of Capital Goods (SERCUBE) - SEDIGAS (Spanish Gas Association)
Network users	10	<ul style="list-style-type: none"> - EDF SA - Edison - EDP - Enel Spa - ESB - ESSO Nederland BV - Gas Natural - Gazprom - GDF Suez Energy - Statoil
Infrastructure operators	1	<ul style="list-style-type: none"> - GDF SUEZ Infrastructures

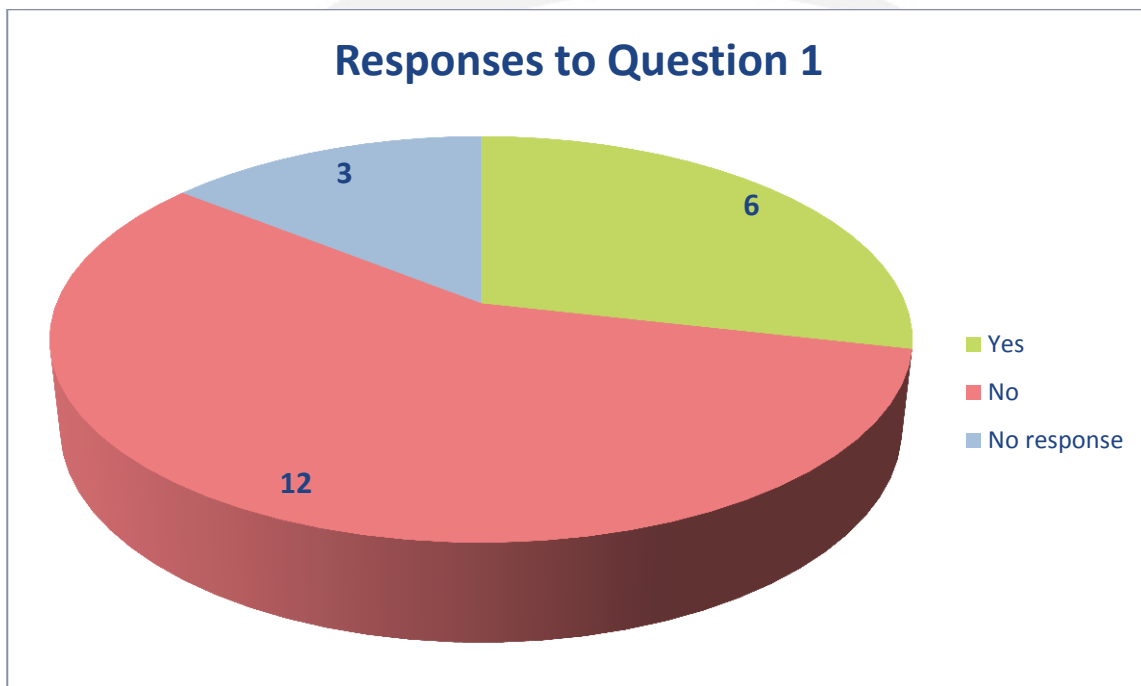
- Confidential responses: none

D. Themes

D.1 Subject matter, Scope and Definitions (Articles 1-3 of CAM NC)

Question 1: Do you agree with the additional definitions proposed in Article 3 (CAM NC)? If not, please elaborate.

Statistical analysis:



Yes	No	No Response
Enel Spa	EDF SA	Energie-Nederland
ESB	Edison	europex
GDF SUEZ Infrastructures	EDP	SEDIGAS
GIE	EFET	
SERCOBE	Esso Nederland BV	
IFIEC	EURELECTRIC AISBL	
	EUROGAS	
	Gas Natural	
	Gazprom	
	GDF Suez Energy	
	OGP	
	Statoil	

Content analysis:

- The definition of Open Season Procedures in the amended NC CAM should clearly state that a **non-binding phase** is part of each OSP in order to test market demand and to ensure the dialogue between the involved parties (EDF, Edison, Eurelectric, Eurogas, GDF Suez Energy)

- The definition of Open Season Procedures is **unnecessary** as the concept is explained in the articles of the respective section (EFET, ESSO Nederland, OGP, Statoil)
- The definition of the **bidding ladder** is misleading and confusing and requires further clarification in the refined proposal (EDP, EFET, ESSO Nederland, Statoil, OGP)
- The definition of **economic test** could be improved by simply saying that it is the assessment of the economic viability of incremental and new capacity projects (EFET, ESSO Nederland, OGP, Statoil)
- **Physical reserve capacity** at an IP should be treated as incremental capacity and not as new capacity (Gas Natural)
- The **subject matter** of NC CAM should be changed in a way that equalises auction processes and Open season processes (Gazprom)

Market position:

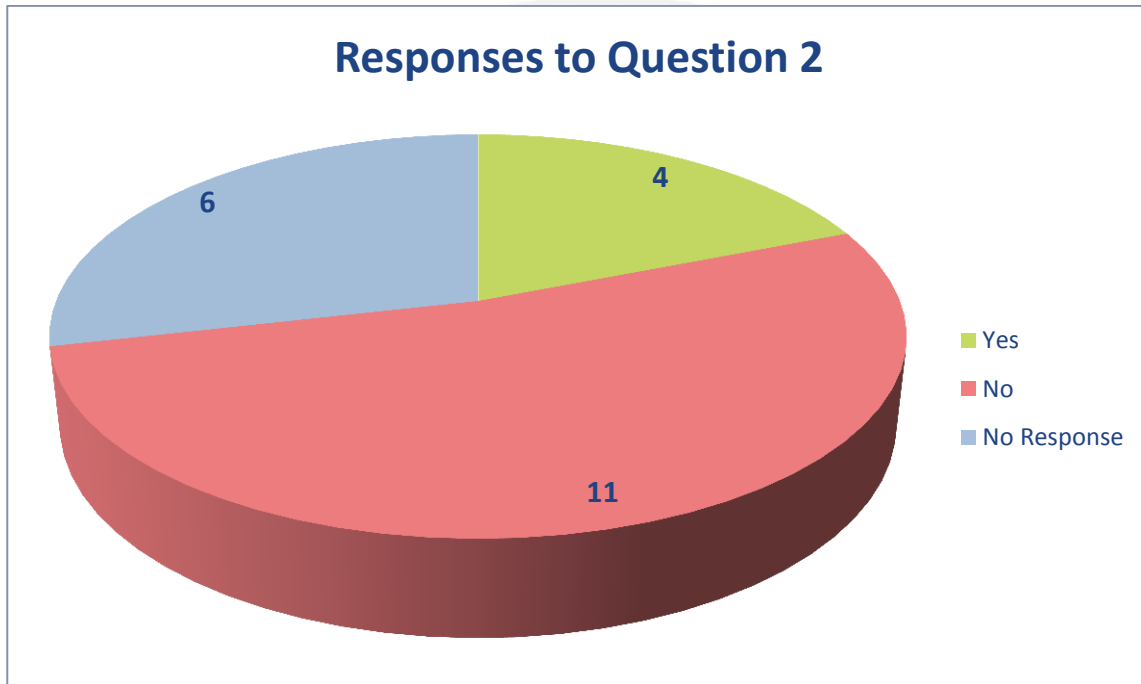
Many respondents including four associations offered feedback to further refine the additional definitions proposed by ENTSOG in the initial Draft Incremental Proposal. In specific, this concerned the definitions of the terms 'open season procedure', 'bidding ladder' and 'economic test'. While most respondents suggest clarifying the definitions for bidding ladder and economic test, there are different positions on the definition of open season procedures.

One group of stakeholders including two associations is suggesting to further clarify and to extend the definition of open season procedures in order to clearly define that an open season procedure needs to include a non-binding phase. The other group of stakeholders including two associations is suggesting to delete the definition from the NC and to describe the process within the respective article. On the one hand, it is suggested to clarify, and even extend the definition, especially to detail the non-binding phase.

D.2 Articles 4 – 20 and 21 - 28 of CAM NC

Question 2: Do you agree with the proposed amendments and changes to Articles 4-20 and 21 to 28 (CAM NC)? If not, please elaborate.

Statistical analysis:



Yes	No	No Response
EURELECTRIC AISBL	Edison	EDF SA
Gas Natural	EDP	Enel Spa
GIE	EFET	Energie-Nederland
SERCOBE	ESB	europex
	Esso Nederland BV	GDF SUEZ Infrastructures
	EUROGAS	SEDIGAS
	Gazprom	
	GDF Suez Energy	
	OGP	
	Statoil	
	IFIEC	

Content analysis:

- Regarding Article 8(8), there should be no **short-term reservation quotas** for incremental and new capacity (EFET, Gazprom, and GDF Suez Energy). Furthermore, it was highlighted that short-term reservation quotas for incremental and new capacity increase to risk of stranded capacities (Eurogas)

- Regarding Article 8(8), it would be preferable to apply a **progressive allocation** of long-term products with different reservation quotas, keeping as much flexibility as possible (EDP)
- Regarding Article 8(8), it was stressed that ample short term capacity should be available for (also new) network users for **short term gas market opportunities** and hence improvement of the functioning of the IEM (IFIEC)
- Regarding Article 8(9), it was stressed that if regulators demand the availability of reservation quotas, they should provide the source of **financing/securitization of such quota** which is within their legally justified capabilities (Gazprom)
- Regarding Article 11(6), it is suggested to repeal the wording “if any” where it appears in the text with the understanding that any of the elements of the formula could be in principle be equal to 0 (ESSO Nederland, OGP, Statoil)
- Regarding Article 11(8), the removal of the word ‘technical’ may in principle be ok provided that the second sentence is removed (ESSO Nederland, OGP, Statoil)
- Regarding Article 11(8), the **lead time** of one months may not be aligned to the lead time for the publication of reserve prices currently discussed in the NC TAR drafting (ESSO Nederland) and should clearly be marked as a minimum and that TSOs should use at least reasonable endeavours to give more notice (EFET, Gazprom)
- Regarding Article 11(10), it is not clear why the term ‘published’ was replaced by ‘made available’ (ESSO Nederland, Gazprom, OGP, Statoil)
- Regarding Article 17(3)(f), the text should refer to the relevant bidding ladder (ESB)
- Regarding Article 17(20), support was expressed for the principle that all information needed to calculate tariffs and the minimum levels required for a positive economic test is known upfront and the important of transparency for network users was highlighted (ESB)
- Regarding Article 17(20), it was highlighted that whilst the drafting is correct within the context of NC CAM and the proposed NC Tariff, the use of a **variable price** will undermine the functioning of the economic test (EFET, Gazprom, Statoil) and that ‘any other charges’ foreseen in this Article should be limited (ESB)
- Investments should be uncoupled from investors, in many cases being an incumbent, a market dominating party with ‘deep pockets’, having an interest in maintaining market dominance for a long period, hence blocking the **market development** (IFIEC)
- Investments should be paid by network users based on capacity use, hence, market access should be related to the right to market use (IFIEC)

Market position:

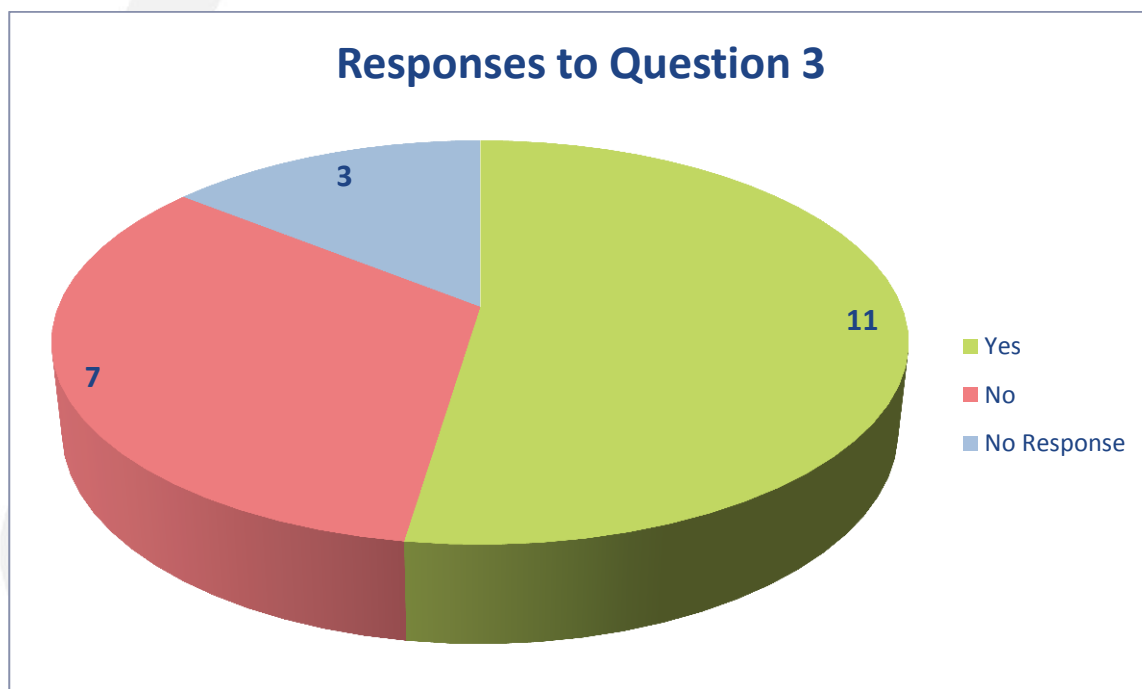
The majority of respondents offered suggestions to further refine the amendments proposed to Articles 4-20 and 21-28 in NC CAM. This mainly concerned article 8.8. Respondents including two major associations are criticising the foreseen application of short term reservation quotas for incremental and new capacity, based on the argumentation that such quotas could result in unused capacity.

Another point of interest for a large group of respondents is the one month lead time for the publication of capacity quantities on offer in the annual yearly capacity auction, which is suggested to be a minimum and which should be reconsidered in the context of the discussions currently taking place in the drafting phase of the NC Tariff with regards to the publication lead time of reserve prices.

D.3 Coordination requirements (Article 20a of CAM NC)

Question 3: Do you agree with the level of co-ordination between TSOs and NRAs involved in an incremental or new capacity project as foreseen in Article 20a (CAM NC)? If not, please elaborate.

Statistical analysis:



Yes	No	No Response
EDF SA	EFET	Energie-Nederland
Edison	Esso Nederland BV	europex
EDP	EUROGAS	SEDIGAS
Enel Spa	GDF Suez Energy	
ESB	OGP	
EURELECTRIC AISBL	SERCOBE	
Gas Natural	Statoil	
Gazprom		
GDF SUEZ Infrastructures		
GIE		
IFIEC		

Content analysis:

- Network users should be deeply involved in the process of designing offer levels (EDP, ESB, Gas Natural), e.g. by **conducting consultations** (Edison, Eurogas, GDF Suez Energy)
- Regarding Article 20a(4), the text seems too vague (Eurogas) and should be refined to indicate the clear list of **mandatory deliverables** of the coordination, the process leading to those deliverables, as well as the consequences of not delivering on those deliverables (ESSO Nederland, OGP, Statoil)
- The terms '**single offer timeframe**' and '**commissioning timeframe**' should be clearly defined (EFET, ESSO Nederland, OGP, Statoil)
- Regarding Article 20a(3), it was stressed that the coordination between TSO's and NRAs should not be limited to the harmonisation of the capacity levels on offer, but should also include the harmonisation of the bundled product on offer on the IP (Eurogas, GDF Suez Energy)
- It was stressed that a reasonable level of **coherence of chosen parameters** on both sides of the border should be achieved (EDF, Eurelectric)
- Regarding Article 20a(3), it was suggested to strengthen wording by replacing '[...]transmission system operators shall aim at delivering offer levels[...]' by '[...]transmission system operators shall deliver offer levels [...]' (EFET)

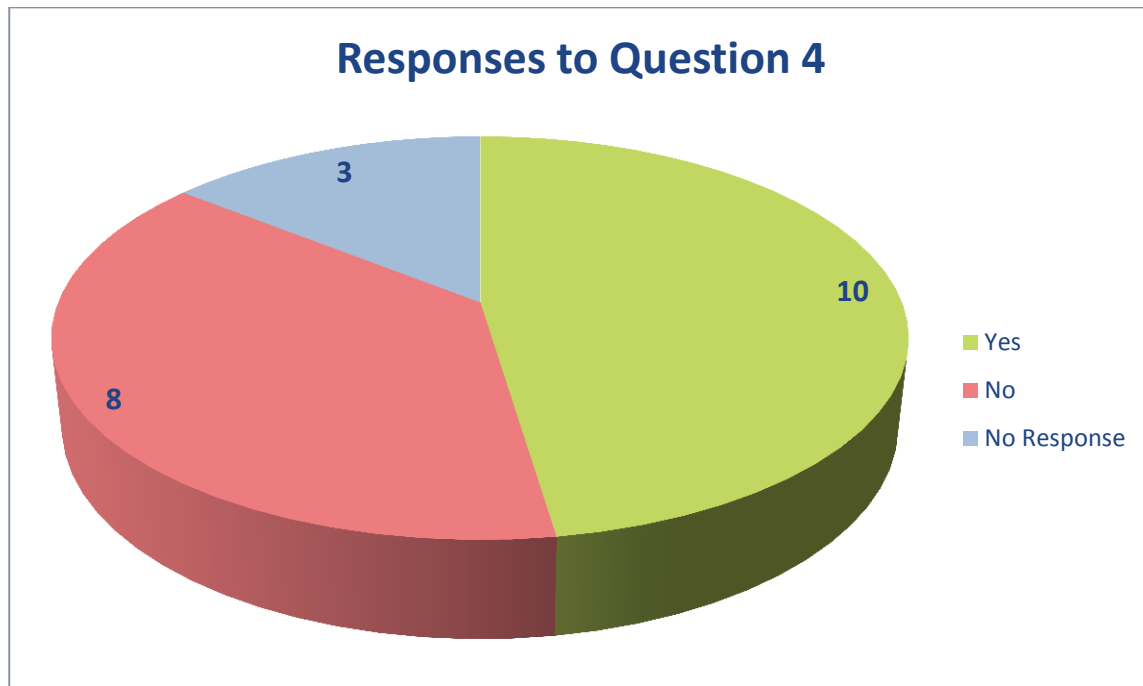
Market position:

The majority of respondents agrees with the level of co-ordination between TSOs and NRAs foreseen in the initial Draft Incremental Proposal.

Some respondents make suggestions to strengthen the role of network users in the process by involving them in the design of offer level, e.g. in the form of a public consultation Furthermore, it is suggested to clarify certain parts of this section in the initial Draft Incremental Proposal by including clear rules, procedures, and deliverables.

Question 4: Do you agree with the auction default and the alternative open season procedure as defined in Article 20a (5) (CAM NC)? If not, please elaborate.

Statistical analysis:



Yes	No	No Response
EFET	EDF SA	Energie-Nederland
ESB	Edison	europex
Esso Nederland BV	EDP	SEDIGAS
Gas Natural	Enel Spa	
GDF SUEZ Infrastructures	EURELECTRIC AISBL	
GIE	EUROGAS	
OGP	Gazprom	
SERCOBE	GDF Suez Energy	
Statoil		
IFIEC		

Content analysis:

- No default should be foreseen and OSP and auctions should be **defined on an equal level** in the amended NC CAM for the allocation of incremental and new capacity (EDF, Edison, EDP, Enel, Eurelectric, Eurogas, Gazprom, GDF Suez Energy)
- Agreement to an auction default, provided that the **criteria** and the process to deviate from it are made sufficiently clear (ESSO Nederland, OGP, Statoil)

- Current drafting provides sufficient **flexibility to apply OSP** (Edison, Enel, Eurelectric)
- Network users should be involved in the process of deciding on the application of auctions or OSP (EDP, ESB)
- If auction process is defined as a default, the amended NC CAM should provide sufficient flexibility to use OSP instead of auctions (EDF)

Market position:

The responses show that the majority of respondents including five associations do support the definition of a default rule for the allocation of incremental and new capacity in the initial Draft Incremental Proposal being a standard NC CAM capacity auction. In contrast, there is also a group of respondents including two associations who want to define auctions and open season procedures on an equal level for the allocation of incremental and new capacity.

Of those in favour of an auction default, most respondents were stressing that the Incremental Proposal should provide sufficient flexibility and clarity on when to apply of open season procedures as an alternative to the default rule – the possibility of open season procedures as an allocation rule, be it on equal footing as auctions or as an alternative to the default is therefore recognized by all.

Question 5: Do you have any additional remarks to the provisions in Article 20a (CAM NC)?

Yes
EDF SA
Edison
EFET
EURELECTRIC AISBL
Gazprom
Statoil

Content analysis:

- While agreeing on this specific section, the Incremental Proposal should be stronger and clearer on the co-ordination leading to a **redistribution of revenues**. The current wording “transmission operators and national regulatory authorities or Member States may agree on mechanisms for redistribution” is potentially too weak, as it could enable national regulatory authorities or Member States to prevent investment that furthers the internal gas market. Therefore it is proposed that Article 44 be strengthened to require the relevant parties to

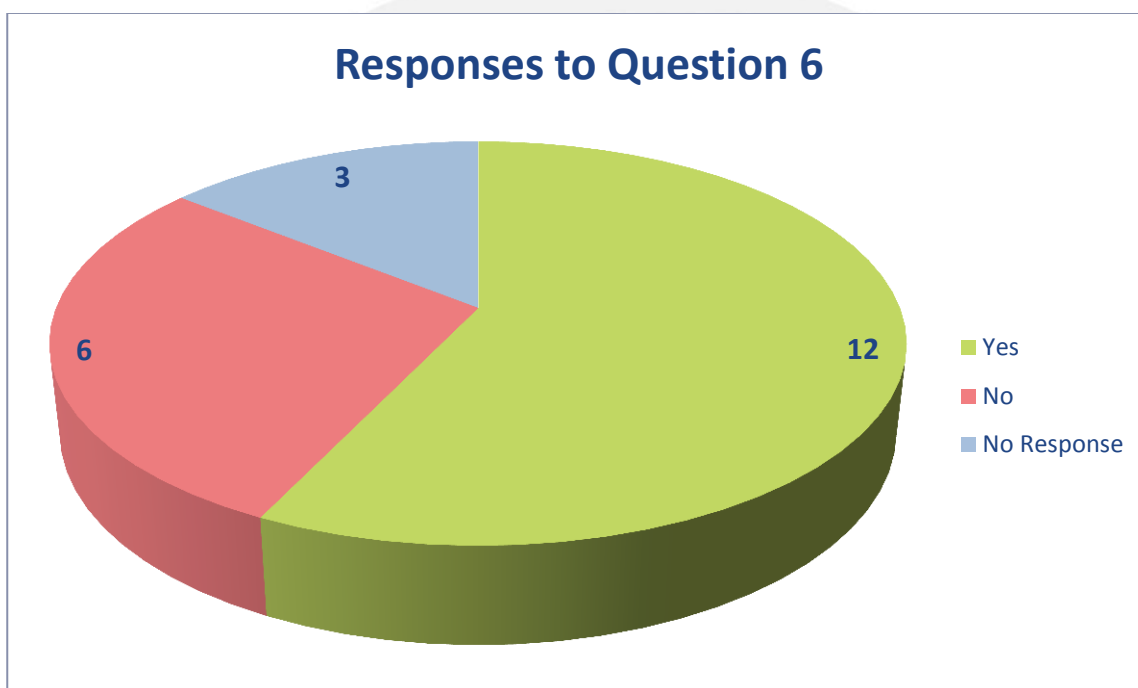
use “best endeavours” to agree, with the possibility of adjudication by ACER or the EU Commission in the event of continued failure to agree (EFET, Gazprom, Statoil)

- The **level and content** of the cooperation and coordination between TSOs and NRAs should be specified (EDF, Edison)
- The section should include some **minimum compulsory requirements** to be given by the TSOs before the investment such as the estimation of costs for each TSO, the distribution of profits, the environmental externalities, the penalties if deadlines are not met, etc. (EDF, Eurelectric)
- **Unhampered market access** is crucial for network users in order to acquire capacity in the first place. In some markets, network users do have to fulfil strict registration obligations which can lead towards a situation that only already registered market participants can buy bundled capacities (Eurelectric)
- A strong coordination should take place when setting the individual **f factors** (Edison)

D.4 Information provision (Article 20b of CAM NC)

Question 6: Do you agree with ENTSG's proposal of a demand assessment to be the basis for conducting technical studies and subsequently designing offer levels? If no, please elaborate.

Statistical analysis:



Yes	No	No Response
EDF SA	EFET	Energie-Nederland
Edison	Esso Nederland BV	europex
EDP	Gas Natural	SEDIGAS
Enel Spa	Gazprom	
ESB	OGP	
EURELECTRIC AISBL	Statoil	
EUROGAS		
GDF Suez Energy		
GDF SUEZ Infrastructures		
GIE		
SERCOBE		
IFIEC		

Content analysis:

- The demand assessment should be carried out on a **yearly basis** (EFET, ESSO Nederland, Gazprom, OGP, Statoil)

- In case **externalities** (e.g. security of supply, strategic reasons) are taken into account in the technical studies, it has to be clear how it effects reserve prices and to which extend the investment is going to be supported by the network users and by the members states (EDP)
- Additional drivers as **market conditions, security of supply and market integration** criteria should be included in the technical design of offer levels (Gas Natural)
- In case the demand assessment also includes “**non-economic**” demands for the capacity, it should clearly be explained who will pay for this a way which does not prevent the development of new capacity (Gazprom)

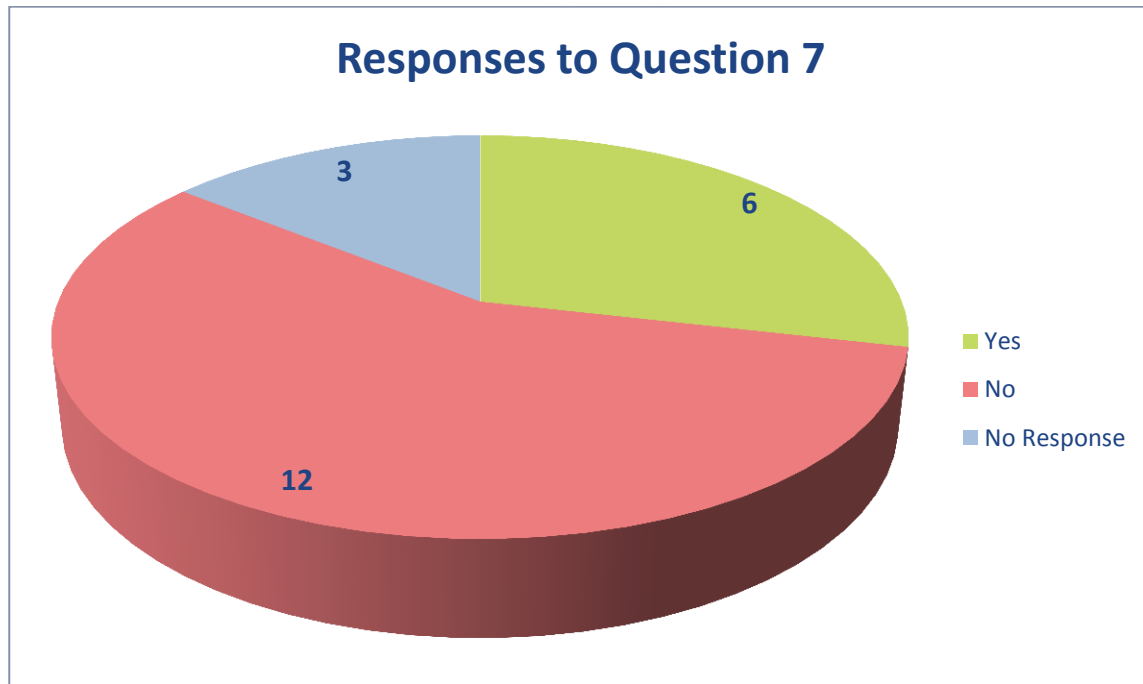
Market position:

The consultation indicates that most respondents support the approach of a demand assessment for incremental and new capacity as suggested by ENTSOG in the initial Draft Incremental Proposal. An issue noted by some respondents is that such a demand assessment should not only be carried out on a bi-annual basis but once a year or even on a direct response basis if possible.

Another issue raised by some respondents is the integration of externalities in the demand assessment, especially with regards as to how these would be handled in terms of cost recovery.

Question 7: Do you agree with the scope of information to be provided to the NRA and to be published by TSOs involved in an incremental or new capacity process as foreseen in article 20b(2) (CAM NC)? If not, please elaborate.

Statistical analysis:



Yes	No	No Response
	EDF SA	Energie-Nederland
Gas Natural	Edison	europex
Gazprom	EDP	SEDIGAS
GDF SUEZ Infrastructures	EFET	
GIE	Enel Spa	
SERCOBE	ESB	
IFIEC	Esso Nederland BV	
	EURELECTRIC AISBL	
	EUROGAS	
	GDF Suez Energy	
	OGP	
	Statoil	

Content analysis:

- **Additional information** related to investments costs, the methodology for calculating underlying tariffs and the level of the guarantees and financial commitments required to enter in an OSP should be included (EDF, Edison, EDP, Enel Spa, Eurelectric, Eurogas, GDF Suez Energy)

- The choice between OSP and auctions should not just be done by TSOs and NRAs but with the **involvement of network users** (EDF, Edison, EDP, Eurelectric, Eurogas, GDF Suez Energy)
- TSOs should provide a **justification for choosing an auction or an open season** on the basis of the relevant criteria, in consultation with the industry (EFET, ESSO Nederland, Statoil, OGP)
- Information provision should be conducted in a **user friendly manner** with the aim to allow an easy analysis of them and avoiding any type of misunderstanding (EDP)
- It should be clarified that the submission of information to the NRA is an application of approval and thus the information is not final at the moment of submission (ESB)

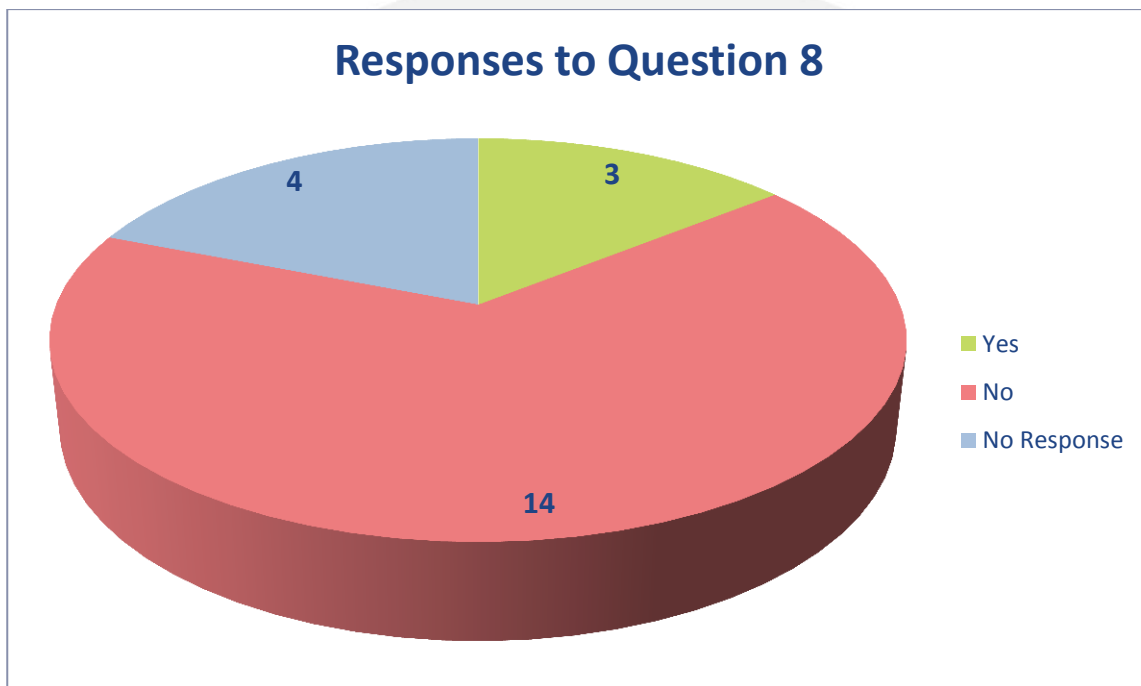
Market position:

The responses show that a majority of the respondents including four associations does not fully agree to the scope of information foreseen to be provided to the respective NRA and to be published by TSOs. It is indicated that additional information provision would be welcomed, especially with regards to costs and tariff calculation.

Furthermore, it is indicated by some respondents that stakeholder could be involved besides TSOs and NRAs via a consultation in case a choice has to be made between OSP and auctions.

Question 8: Do you agree with the lead-time foreseen for the publication of information relevant to an incremental or new capacity project and especially the economic test as described in article 20b (3) (CAM NC)? If not, please elaborate.

Statistical analysis:



Yes	No	No Response
GDF SUEZ Infrastructures	EDF SA	Energie-Nederland
GIE	Edison	europex
SERCOBE	EDP	IFIEC
	EFET	SEDIGAS
	Enel Spa	
	ESB	
	Esso Nederland BV	
	EURELECTRIC AISBL	
	EUROGAS	
	Gas Natural	
	Gazprom	
	GDF Suez Energy	
	OGP	
	Statoil	

Content analysis:

- One month as a minimum lead time for the publication seems to be **insufficient** (EDF, Edison, EDP, Enel, Eurogas, ESB, ESSO Nederland, Eurelectric, Gas Natural, Gazprom, GDF Suez Energy, OGP, Statoil)
- Suggested minimum lead time of **two months** (EDF, Edison, Enel, Eurelectric)
- Suggested minimum lead time of **three months** (EDP, Eurogas, GDF Suez Energy)
- Time for a **public consultation** of the parameters (esp. the f factor) should be taken into account (EFET, ESSO Nederland, OGP, Statoil)
- If the lead time means that in case of OSP no or few information is provided until one month before the beginning of the binding phase, it would not be appropriate to stimulate participation in the OSP (Edison, Eurogas, GDF Suez Energy)
- The Article should be strengthened, so that TSOs have a '**best endeavours**' requirement to publish at least 2 months before the auction or the binding open season phase (EFET, Gazprom)
- In case of OSP, the lead time should be not be linked to the binding phase (EDP, Eurelectric)
- In case of OSP, relevant information should be published before the non-binding phase (Enel)

Market position:

The majority of respondents including four associations are indicating that the one month lead-time foreseen in the initial Draft Incremental Proposal is not sufficient. The proposals made for alternatives range from a fixed one month lead-time with best endeavours to publish at least two month ahead to a fixed lead-time of three months.

Regarding OSP, a few respondents are stressing that relevant information should be published before the non-binding phase, so a strict lead-time should not apply to the binding phase of the OSP but to the non-binding phase.

Question 9: *Are there any other issues that you wish to address regarding information provision as foreseen in article 20b? If yes, please elaborate.*

Yes
Edison
EFET
ESB
Esso Nederland BV
EUROGAS

Gas Natural
OGP
Statoil

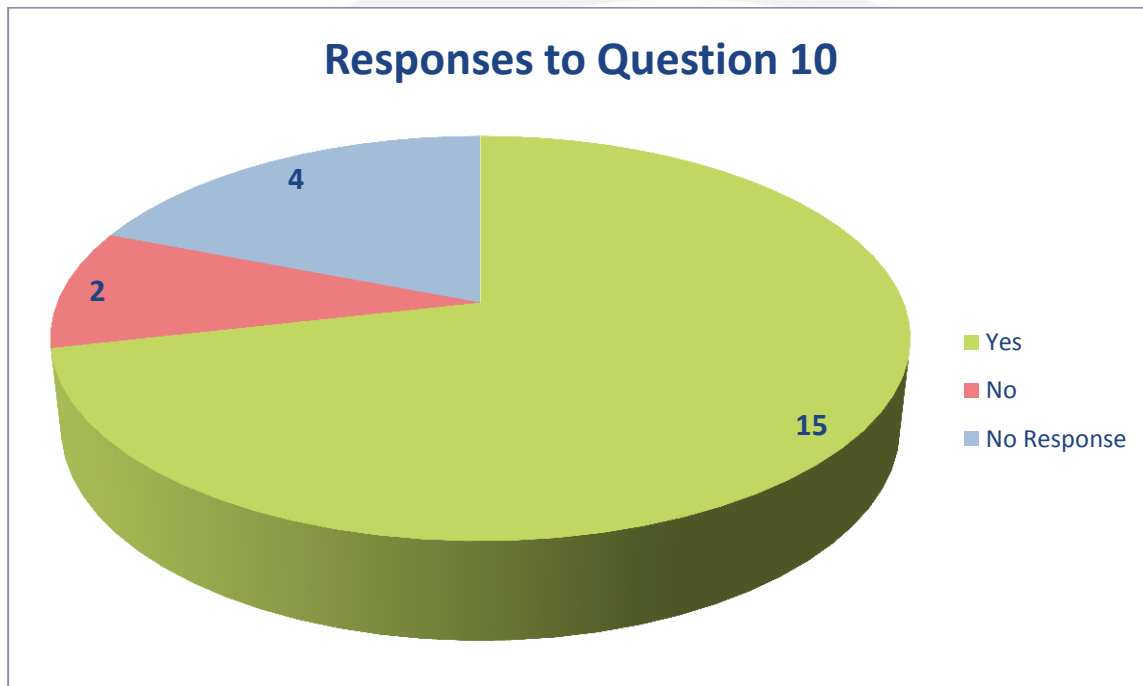
Content analysis:

- Information on the **timing of realisation** of new infrastructure should include the possibility for coordination of commissioning dates of both the commissioned infrastructure and related downstream/ upstream infrastructure (EFET, ESSO Nederland, OGP, Statoil)
- More **information should be provided to the NRA** in order to prepare the notice for OSP (Edison)
- Greater **transparency** on modelling, assumptions and parameters used by TSOs are needed and the provision of project detail as understood at the time (ESB)
- As stated in the GGPOS (art. 4.1.2), participants should be provided by TSOs and project's sponsors with as much information as possible (Eurogas)
- The information should be made available in a **standardised format** (Gas Natural)

D.5 When to offer (Article 20c of CAM NC)

Question 10: Do you agree with the conditions that shall lead to the offer of incremental and new capacity as defined in Article 20c (1), (6), and (7) (CAM NC)? If not, please elaborate.

Statistical analysis:



Yes	No	No Response
EDF SA	EFET	Energie-Nederland
Edison	Gazprom	europex
EDP		Gas Natural
Enel Spa		SEDIGAS
ESB		
Esso Nederland BV		
EURELECTRIC AISBL		
EUROGAS		
GDF Suez Energy		
GDF SUEZ Infrastructures		
GIE		
OGP		
SERCOBE		
Statoil		
IFIEC		

Content analysis:

- TSOs should be required to assess expected demand for incremental and new capacity more frequently than every other year on a **reasonable endeavours basis** (EFET, Gazprom)
- In case incremental or new capacity is triggered by a supply gap, the level of incremental or new capacity offered should be sufficient to close the gas (Gas Natural)
- To require capacity being booked out in three subsequent years could be unreasonable as we expect market players to book capacity on a short term basis (Gas Natural)
- To require 100% of the yearly capacity product to be sold out might be too strict and a more flexible approach should be considered (lowering the threshold) (Gas Natural)
- All conditions should be **simultaneously** met in order to offer incremental or new capacity and investments should be duly justified before deciding on increasing or creating capacity in a bad overall economic context (GDF Suez Infrastructure)

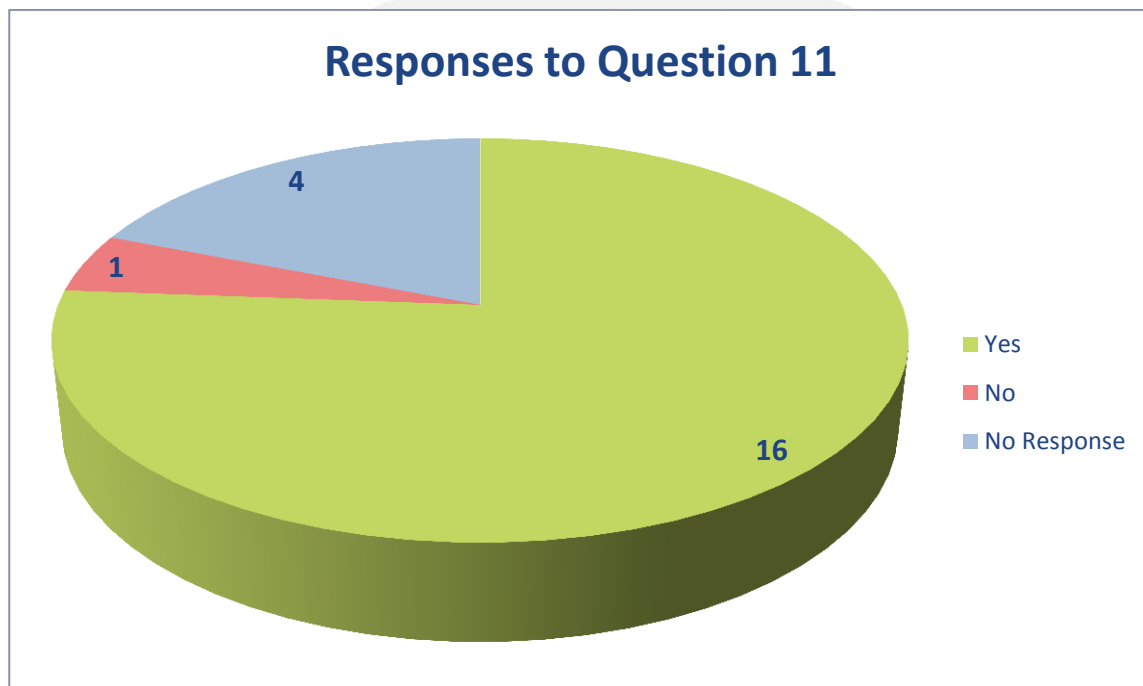
Market position:

A majority of the respondents supports the proposed conditions that shall lead to the offer of incremental and new capacity. Also to this question it is stressed by a few respondents that a demand assessment should however be conducted more frequently than once every other year.

Next to this, one respondent is suggesting to define the conditions less strict in order to promote the offer of incremental and new capacity.

Question 11: Do you agree that the due date approach is preferable to the time window approach as foreseen in article 20c (3) (CAM NC)? If not, please elaborate.

Statistical analysis:



Yes	No	No Response
EDF SA	EFET	Energie-Nederland
Edison		europex
EDP		Gas Natural
Enel Spa		SEDIGAS
ESB		
Esso Nederland BV		
EURELECTRIC AISBL		
EUROGAS		
Gazprom		
GDF Suez Energy		
GDF SUEZ Infrastructures		
GIE		
OGP		
SERCOBE		
Statoil		
IFIEC		

Content analysis:

- Assessment should **at least be conducted once a year** / every 12 months (Edison, ESSO Nederland, Eurogas, GDF Suez Energy, OGP, Statoil)
- TSOs should endeavour to respond to **any requests from shippers for capacity** in a timely manner. Therefore, this article should be strengthened by requiring TSOs to consider all capacity requests in good faith on a reasonable endeavours basis, irrespective of due dates for non-binding indications (EFET, Gazprom)

Market position:

All but one respondent support the due date approach in contrast to a time window approach for the submission of non-binding indications. Consistent with the previous question, a few respondents repeated that a demand assessment should be conducted more frequently than at least once every other year.

Question 12: *Are there any other issues that you wish to address regarding conditions of when to offer incremental and new capacity as foreseen in article 20c (CAM NC)? If so, please elaborate.*

Yes
EDF SA
Edison
EDP
EFET
Enel Spa
ESB
EURELECTRIC AISBL
EUROGAS
Gas Natural
Gazprom
GDF Suez Energy
Statoil
IFIEC

Content analysis:

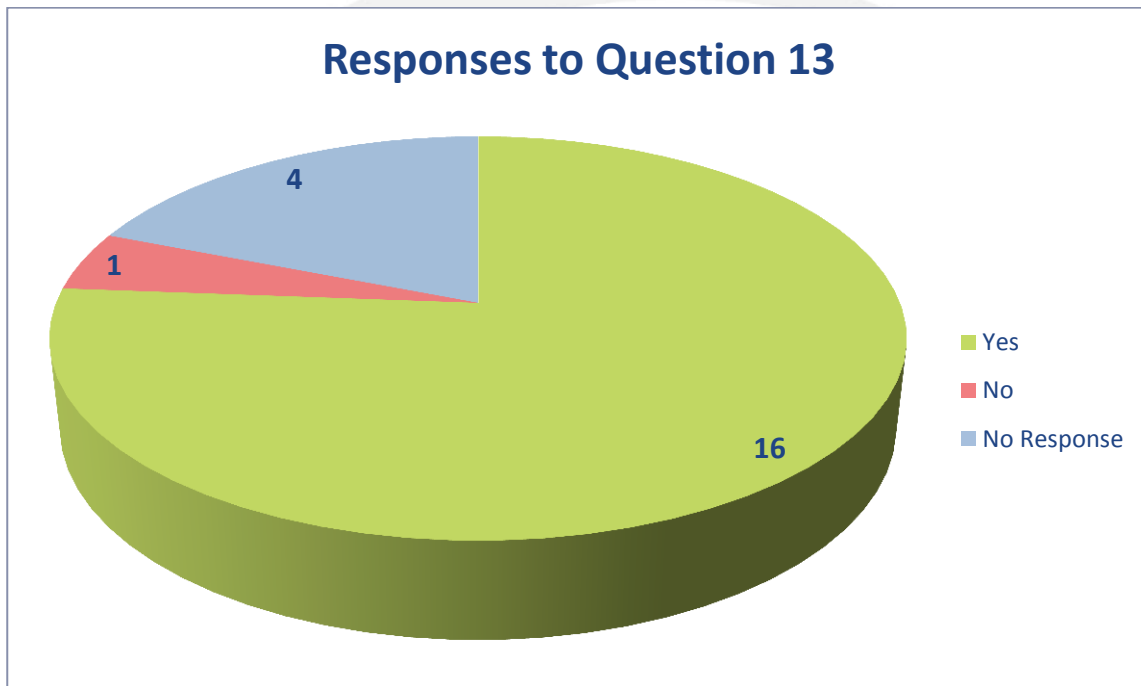
- NRAs should be involved in deciding on which **non-binding indications** will trigger an incremental or new capacity process (Edison, Eurelectric, Eurogas, GDF Suez Energy)
- Clear definition of **deadlines** are needed once the process has been triggered (EDF, Eurelectric, Eurogas, GDF Suez Energy)

- The meaning of “sustained number of years” and the fact that “all other economic efficient means for increasing the availability of capacity are exhausted” in Article 20c(1)(c) are not clear (Edison, Eurelectric, Eurogas, GDF Suez Energy)
- It should be clarified that a **full demand assessment** should be carried out whenever it is appropriate and not at random intervals (Eurogas, GDF Suez Energy)
- It must be made clear that **fees** are subject to regulatory consultation and approval, and can only be charged for activities that are not already covered by a TSO’s Allowed Revenue (EFET, Statoil)
- TSOs should **not charge fees for the submission of non-binding indications** as this is a part of their business (EDP, Gas Natural)
- Fees for the submission of non-binding indications should only be applied if published ex-ante and subject to NRA approval (EDF, Eurelectric)
- It should be made clearer that assessment fees will be charged by TSOs only to the users who requested capacity and that the fees will not be smeared across all network users (ESB)
- It would be desirable to have an indication of the length of the process. If this is not possible, at least the duration of some of the steps should be fixed like a) by when TSOs should make the demand assessment, once the process has been triggered, and b) by when TSOs shall submit the indications (i.e. offer levels, allocation mechanism and parameters of the economic test) to NRAs for approval, once the technical study has been completed (Edison)
- **Transparency** is an important condition that seems to be missing here (IFIIEC)

D.6 Auction mechanisms (Article 20b of CAM NC)

Question 13: *Do you agree with the concept of parallel bidding ladders to auction incremental and new capacity as foreseen in article 20d (CAM NC)? If not, please elaborate.*

Statistical analysis:



Yes	No	No Response
EDF SA	EFET	Energie-Nederland
Edison		europex
EDP		Gas Natural
Enel Spa		SEDIGAS
ESB		
Esso Nederland BV		
EURELECTRIC AISBL		
EUROGAS		
Gazprom		
GDF Suez Energy		
GDF SUEZ Infrastructures		
GIE		
OGP		
SERCOBE		
Statoil		
IFIEC		

Content analysis:

- Since existing and incremental capacity are allocated jointly, it is unclear how TSOs will handle **capacity reductions** in case of delays in investments (Edison, Eurogas, GDF Suez Energy)
- There might be a merit, at least in some cases, in **allocating separately** the existing and incremental capacity. Open Season seems to be the instrument best suited to this kind of situation (Edison, Eurogas, GDF Suez Energy)
- Regarding Article 8(2), it was stressed that the number of parallel bidding ladders should be set properly in order to avoid unnecessary complexity for network users (Eurelectric)
- Explanation of **definition of parallel bidding ladder** is unclear (EDP, EFET)
- Parallel **bidding ladders** is a clear and efficient way to identify the willingness-to-pay of shippers for each level of incremental or new capacity (EDF)
- The lead time of the investments should be properly estimated, on a case by case basis and taking into consideration the authorization process that, in most cases, is the main obstacle to the realization of the investment (Edison)
- The number of parallel bidding ladders should be set properly in order to avoid unnecessary **complexity** for network users (Eurelectric)

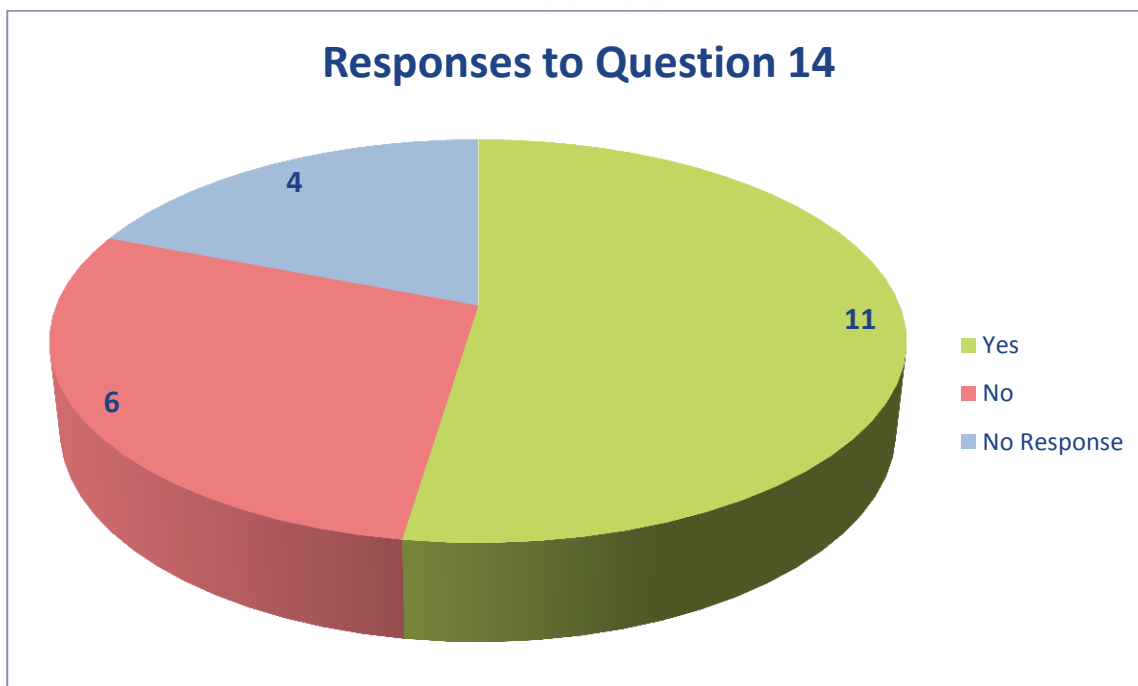
Market position:

All of the respondents agree with the concept of parallel bidding ladders for the allocation of incremental and new capacity. Some, including one association, are requesting clarification on how capacity reductions would be handled if existing and incremental/new capacity are allocated jointly.

Two respondents are suggesting clarifying the definition of parallel bidding ladders in the refined Incremental Proposal.

Question 14: Do you agree with ENTSG's opinion that repeating the identified bidding ladder(s) represents the clearest way to allow for bid revision as foreseen in article 20d (3) (CAM NC)? If not, please elaborate.

Statistical analysis:



Yes	No	No Response
EDF SA	EFET	Energie-Nederland
Edison	Esso Nederland BV	europex
EDP	EURELECTRIC AISBL	Gas Natural
Enel Spa	GDF Suez Energy	SEDIGAS
ESB	OGP	
EUROGAS	Statoil	
Gazprom		
GDF SUEZ Infrastructures		
GIE		
SERCOBE		
IFIEC		

Content analysis:

- A more flexible approach to the use of the economic test would help to avoid suboptimal outcomes without the need to re-run identical auction rounds. The object of the Article should be a case where the economic test is not passed by a margin, rather than a case where bidding ladders close at a premium (EFET, ESSO Nederland, OGP, Statoil)
- Concern that users that gained capacity in the first place could end up without capacity after bid revision (Edison, Eurelectric, Eurogas, GDF Suez Energy)

- Repeating an auction as proposed by ENTSG has its merits, however one also could accept the results of the market test, without trying to force the mechanism towards a solution that, in theory is more efficient but, in practice, would introduce a certain amount of risks among participants (Edison, Eurelectric)
- When bid revision applies, it should **be clear what conditions apply to network users** (EDP, Eurelectric)
- **Mechanism looks very complex** and it is not clear how it would work out in practice (Eurogas)

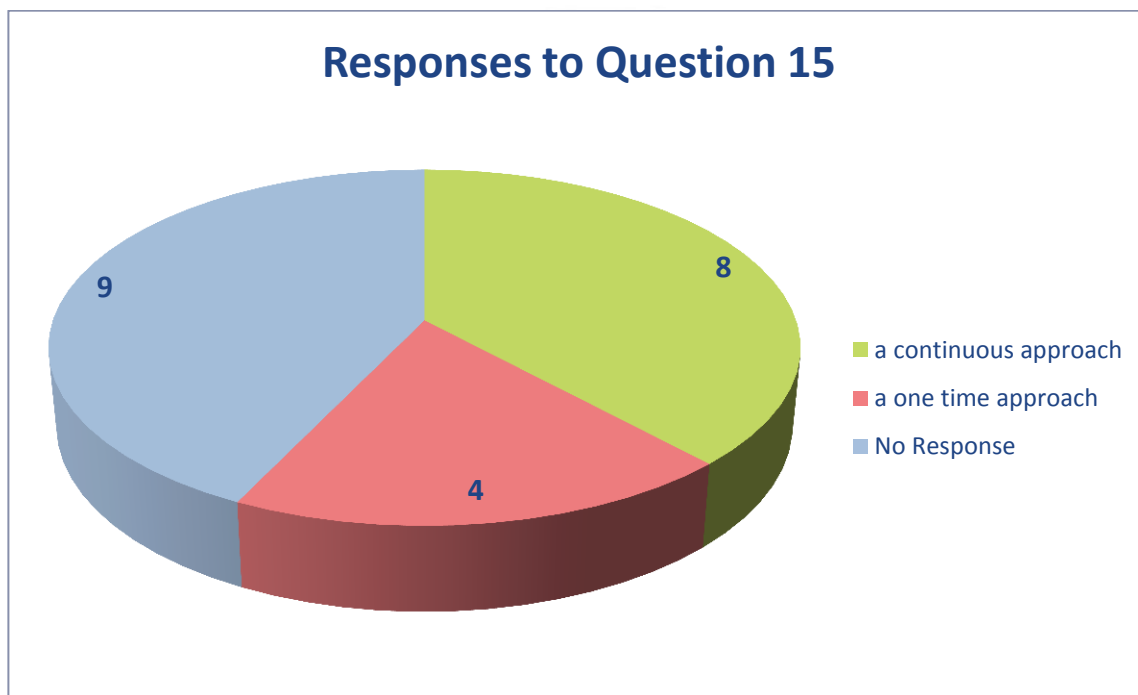
Market position:

The majority of respondents seem to support, in general, a bid revision principle that includes repeating an auction if the economic test fails for an offer level and the lower offer level with a positive economic test cleared at a premium.

It is indicated by a group of respondents including two associations that it would be preferable to apply the economic test in a more flexible way instead of repeating the auction if the economic test fails. Furthermore, another group of respondents is concerned that such a mechanism might lead to a situation where users that were potentially allocated capacity in the initial auction could end up without capacity after the auction has been repeated.

Question 15: Do you prefer option 1 (a continuous approach for bid revision as proposed by ENTSG in article 20d (3) (4) ;) or 2 (an approach according to which bid revision is only applied once) - Please elaborate.

Statistical analysis:



A continuous approach	A onetime approach	No Response
EDP	Edison	EDF SA
EFET	EURELECTRIC AISBL	Enel Spa
ESB	EUROGAS	Energie-Nederland
Gas Natural	IFIEC	Esso Nederland BV
Gazprom		europex
OGP		GDF Suez Energy
SERCOBE		GDF SUEZ Infrastructures
Statoil		GIE
		SEDIGAS

Content analysis:

- Option 2 is less complex and thus preferable (Eurelectric, Eurogas)
- Both approaches have their advantages and their downsides – The final result of option 1 will give a better idea of the WTP of each shipper than the option 2. Option 2 is simple and less burdensome (EDF)
- So far no clear position - a test phase could be arranged to explore them (Edison)
- Option 1 is better for reflecting market needs and also for assuring efficiency in new investments (EDP)

- Option 1 offers much more flexibility in addressing cases of suboptimal auction outcomes (EFET)
- Option 2 provides more transparency and less room for manipulation and market distortion (IFIEC)

Market position:

The respondents highlight that a onetime approach would be less complex, however that a continuous approach is more likely to get to the optimal results.

A larger group of respondents including three associations voted in favour of option 1 – a continuous approach for bid revision.

Question 16: *Are there any other issues that you wish to address regarding auction mechanisms as foreseen in article 20d? (CAM NC) If yes, please elaborate.*

Yes
EDP
EFET
ESB
Gazprom
GDF SUEZ Infrastructures

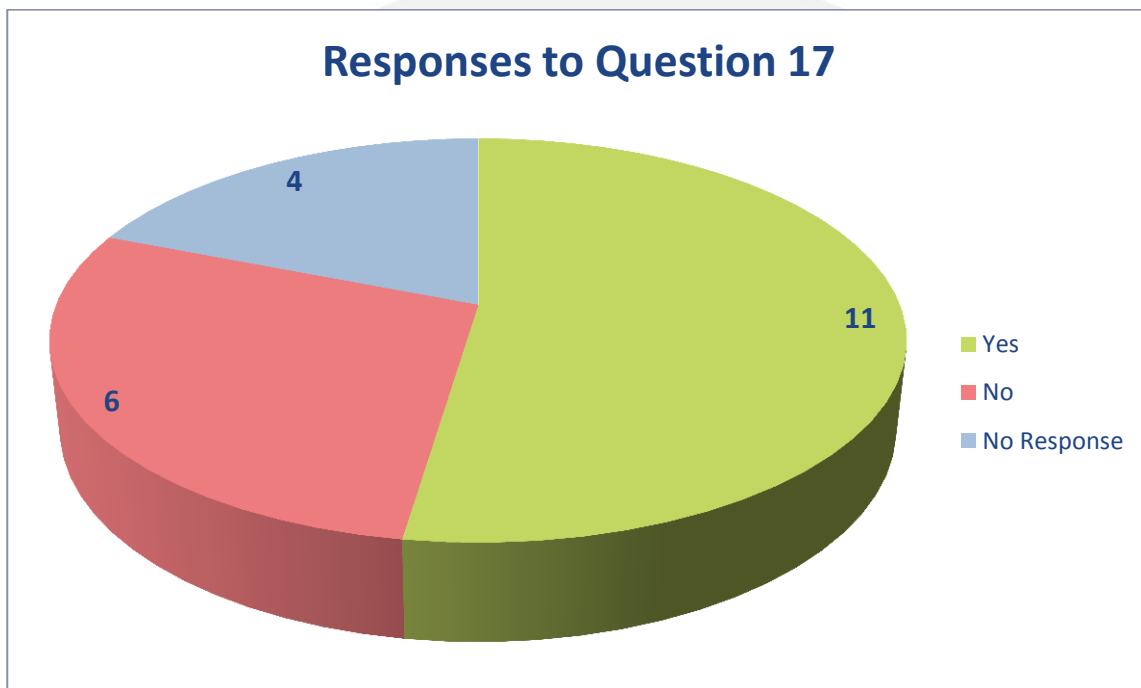
Content analysis:

- More information, better explanation and more transparency is needed in the NC, it is important to ensure there are no doubts in the auction process or in the open season procedure (EDP)
- Demand and price could vary significantly between years, rather than providing a firm and continuous level of long-term commitment (ESB)
- It is essential to optimise the number of bids in order to rationalise the costs (GDF Suez Infrastructures)

D.7 Open season procedures (Articles 20e, 20f, 20g of CAM NC)

Question 17: Do you agree with the provisions that shall lead to conducting an Open Season Procedure instead of auctions for incremental and new capacity as foreseen in article 20e (2) (CAM NC)? If not, please elaborate.

Statistical analysis:



Yes	No	No Response
EDF SA	EFET	Energie-Nederland
Edison	Esso Nederland BV	europex
EDP	Gazprom	Gas Natural
Enel Spa	IFIEC	SEDIGAS
ESB	OGP	
EURELECTRIC AISBL	Statoil	
EUROGAS		
GDF Suez Energy		
GDF SUEZ Infrastructures		
GIE		
SERCOBE		

Content analysis:

- It remains vague and subject to NRA approval when OSP is applied. Application of OSP should be **automatic** if specific criteria is met (EFET, ESSO Nederland, Gazprom, OGP, Statoil)
- **ACER and the EU Commission** should have a role in deciding on the allocation mechanism in cases where involved NRAs cannot agree (EFET, Gazprom)

- The choice for OSP or auctions should be based on which is more likely to result in capacity being made available to the market, as economic efficiency is guaranteed by the economic test (EFET, Gazprom)
- OSP should **not only be an alternative** to the auction mechanism, as it is more flexible and more relevant to trigger an investment for some specific cases (EDF)
- OSP for infrastructure investment projects that are going to ask for an **exemption** according to Art 35 of the Gas Directive should not be treated under the provisions of the Incremental Proposal (Edison)
- If exempted infrastructure is a criteria for choosing an OSP, the NC should be consistent with the Directive (Eurogas)
- Suggestion of alternative approach with a modified open season procedure (“**project-based approach**”) aimed at ring-fencing (unitization) of the cross-border transportation route into a new independent TSO (establishing a new project with a single project-based TSO, at least for the period till the end of pay-back period for such project). More suitable for yet to be developed new capacity in extreme cases. Under such approach the decisive role could be transferred from national NRAs to ACER or the Commission (Gazprom)
- Erecting a separate ‘**Multi Member States**’ TSO for realizing a dedicated large cross border project to make the project financeable will lead to higher dependence, lower security of supply and lower competition. IFIEC Europe strongly opposes such options (IFIEC)

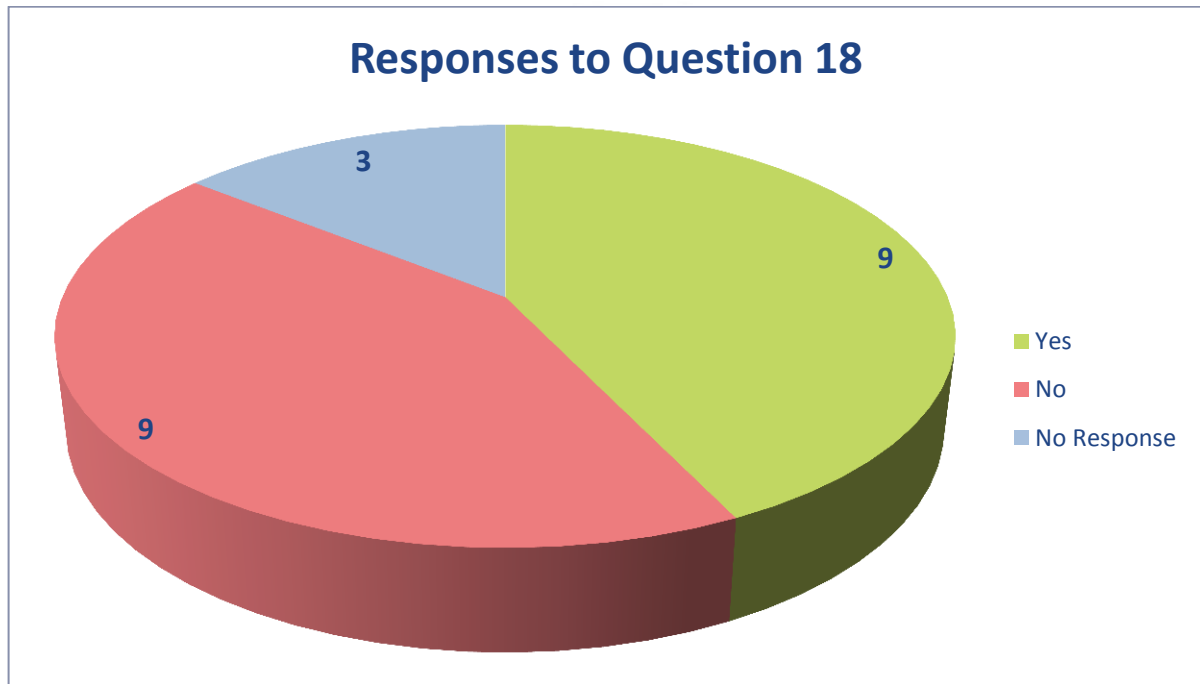
Market position:

While a majority of the respondents including four associations supports the provisions that shall lead to the application of OSP, there is also a group of respondents including three associations calling for further refinement of these provisions.

It is signalled that the conditions and criteria for applying an OSP could be clearer or stricter and that the likelihood of a successful outcome of the incremental process should be the main driver for the choice between the two approaches.

Question 18: Do you see any other conditional capacity commitments in Open Season Procedures than the issues raised in the Draft Incremental Proposal article 20f (3) (CAM NC)? If yes, please elaborate.

Statistical analysis:



Yes	No	No Response
EDF SA	EDP	Energie-Nederland
Edison	EFET	europex
EUROGAS	Enel Spa	SEDIGAS
Gas Natural	ESB	
Gazprom	Esso Nederland BV	
GDF Suez Energy	EURELECTRIC AISBL	
GIE	GDF SUEZ Infrastructures	
IFIEC	OGP	
SERCOBE	Statoil	

Content analysis:

- **Conditionality on commitments** between IPs should not be limited to the booking phase but should persist until completion. If the realisation of capacity at one IP along a route is delayed, the network users should not be obliged to pay for capacity at the other points if they are not able to ship gas along the route (EDF, Edison, Eurogas, GDF Suez Energy)
- TSOs involved in a project should try to **align the timing** of completion of investments (EDF, Edison)
- Suggestion to include the conditionality for a **‘fixed’ amount of capacity** (Gazprom)

- The terminology ‘conditional commitments **may** be obtained subject to NRA approval’ should be replaced by ‘conditional commitments **shall** be obtained subject to NRA approval’ (Gazprom)
- Larger interconnection infrastructure would increase accessible market size and improve the energy security (SERCUBE)

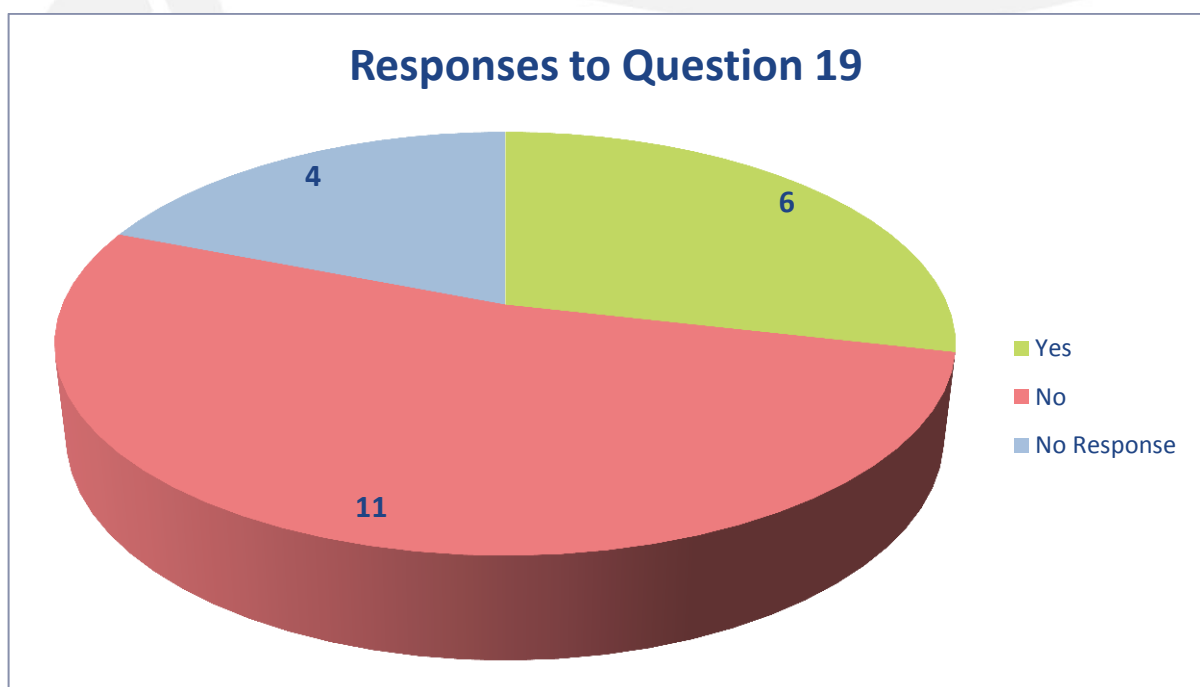
Market position:

With regards to the conditionalities foreseen in the initial Draft Incremental Proposal, a group of respondents is stressing that the conditionality between commitments at different IPs along a route should not be limited to the allocation of capacity but should persist until the final completion of the investment.

One respondent suggests including conditionality for a fixed amount of capacity next to the conditionality for a minimum amount of capacity to be allocated.

Question 19: *Do you agree that the proposed Open Season Procedures notice contains sufficient information as foreseen in 20f (8) (CAM NC)? If not, please elaborate.*

Statistical analysis:



Yes	No	No Response
Enel Spa	EDF SA	Energie-Nederland
ESB	Edison	europex
EURELECTRIC AISBL	EDP	IFIEC
GDF SUEZ Infrastructures	EFET	SEDIGAS
GIE	Esso Nederland BV	
SERCOBE	EUROGAS	
	Gas Natural	
	Gazprom	
	GDF Suez Energy	
	OGP	
	Statoil	

Content analysis:

- **Detailed information** should be provided on tariff methodology, level of guarantee to be provided, any financial commitment and the responsibilities of both parties, etc. (EDF, Edison, EDP, Enel Spa, Eurogas, GDF Suez Energy)
- Proposal to define **separate notices** for the non-binding and the binding phase of the OSP (EDF, Edison, Eurogas, GDF Suez Energy)
- Suggestion to include procedures and the timeframe for identifying the **commissioning date** of new/incremental capacity (EFET, ESSO Nederland, OGP, Statoil)
- Suggestion to include project **technical description** (including an estimation of the Capex and Opex) and indicative timeframe (Edison, Eurogas, GDF Suez Energy)
- Suggestion to include the **requirements** of the subjects that can take part in the procedure (Edison, Eurogas, GDF Suez Energy)
- Suggestion to include application of **fees** to attend the procedure, if any (Edison, Eurogas, GDF Suez Energy)
- As an alternative to including procedures and the timeframe for identifying the commissioning date, a **coordination mechanism** involving both TSOs and users should supervise the development schedule of the infrastructure to ensure an optimal and efficient outcome (Statoil)
- Suggestion to consider the list set out in **GGPOS** (EFET)
- Suggestion to include **status** of the project (Edison)
- Suggestion to include point of contact in case clarifications are needed (Edison)
- There would be merits in exploring the interest of the market toward some elements of the project configuration (for example the kind of products to offer, that could be characterized by a different time horizon, as well as the realization of additional entry/exit points along the route etc.) (Edison)
- The economic test parameters should be made public to network users. TSOs should publish the relevant information in their website and a warning email should be sent to contact the relevant stakeholders (Gas Natural)

- OSP should be well-designed in order not to get into a situation where market demand cannot be fully met (Gazprom)
- Capacity commitments should be evaluated based on an NPV-approach during the economic test as it ensures that those who contribute most to the financial underpinning of the investment are allocated the capacity they require (Gazprom)

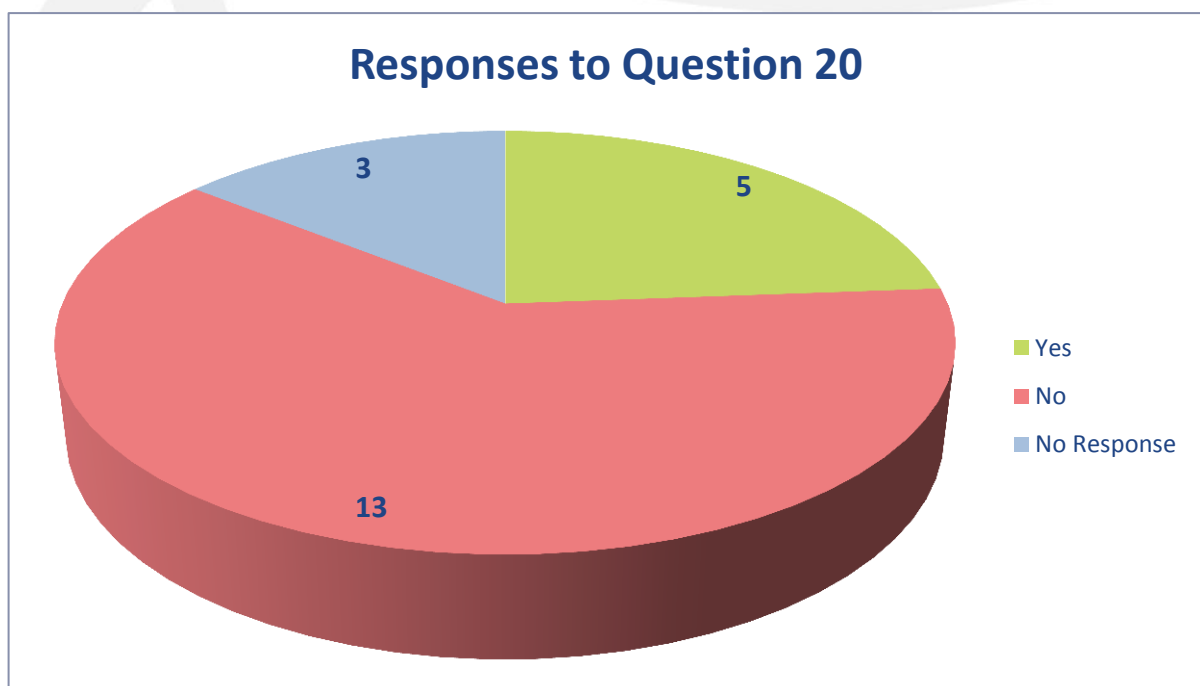
Market position:

A majority of the respondents including three associations suggests additional information to be provided of which the most mentioned are related to tariff calculations and commissioning timelines.

It is suggested by a group of respondents to define separate notices for the binding and the non-binding phase of OSP with the respective relevant information.

Question 20: Do you agree with the default allocation rule foreseen for Open Season Procedures, being willingness to pay per unit and year as foreseen in article 20g (3) and the alternative allocation rule subject to NRA approval as foreseen in article 20g (4) (CAM NC)? If not, please elaborate.

Statistical analysis:



Yes	No	No Response
ESB	EDF SA	Energie-Nederland
Gas Natural	Edison	europex
GDF SUEZ Infrastructures	EDP	SEDIGAS
GIE	EFET	
SERCOBE	Enel Spa	
	Esso Nederland BV	
	EURELECTRIC AISBL	
	EUROGAS	
	Gazprom	
	GDF Suez Energy	
	IFIEC	
	OGP	
	Statoil	

Content analysis:

- There should be no default. It should be left to NRAs and TSOs to develop and decide the appropriate allocation rule on a **case-by-case basis** (EDF, Edison, EDP, EFET, Enel Spa, Eurelectric, Eurogas, Gazprom, GDF Suez Energy)
- **‘Willingness to pay’** principle is not suitable to promote long term commitment required (EDF, Edison, EDP, Enel Spa, Eurelectric, Eurogas, GDF Suez Energy)
- **Conditional commitments** of network users must in any way be respected (EDF, Edison, EDP, Enel Spa, Eurelectric, Eurogas, GDF Suez Energy)
- Article 20g(4) is **only a second best solution** to address a problem, as it could require changing rules during the OSP, thereby creating unnecessary uncertainty for network users (EFET, Gazprom)
- Long term commitments shall always be considered (Gas Natural)
- Agreement to alternative approach if it to be understood as the **NPV-based approach** proposed during the SJWS (Gazprom)
- Disagreement, as this rule **prerogatives the position of incumbents** (IFIEC)

Market position:

A group of respondents is of the opinion that the definition of an allocation rule in an OSP should only be done on a case-by-case basis and that ‘willingness to pay per unit and year’ is no appropriate allocation rule in order to promote long term commitment required for an investment. Even further, some respondents argue that preferring those bookings that maximise the net present value would be the reasonable allocation rule in an OSP.

Besides this, a group of respondents points out that in any allocation, conditional commitments must be respected as such.

Question 21: Are there any other issues that you wish to address regarding Open Season Procedures as foreseen in article 20e, article 20f and article 20g (CAM NC)? If yes, please elaborate.

Yes
EDF SA
Edison
EFET
Gas Natural
Gazprom
IFIEC

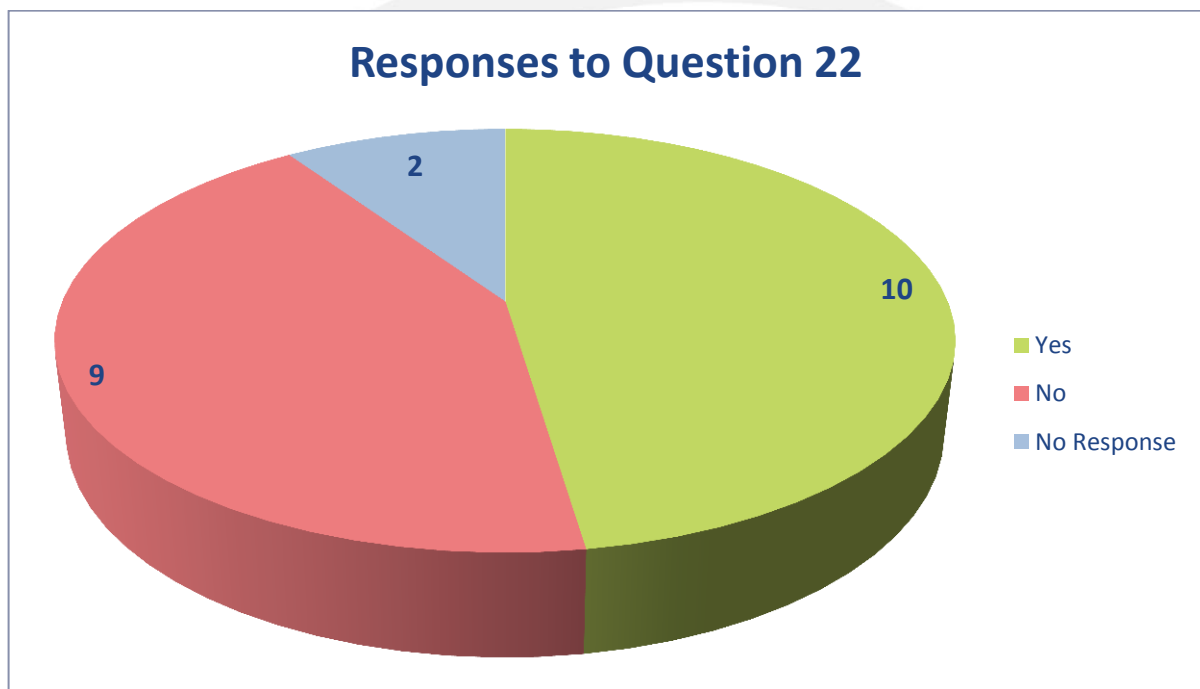
Content analysis:

- Incentivising new transport capacity should be tackled through the tariff (allocation) route or auctions, but not via the Open Season system (IFIEC)
- Highlighting the fact that OSP may also be compatible for some strategic investments that perhaps will not pass the economic test but that are mandatory for **security of supply** at the European level (EDF)
- Most **critical issues** discouraging long term commitments are completion risk, lack of visibility regarding regulatory framework, the evolvement of reserve price and the next occasion to book, as well as the uncertainty on the final auction price and its evolution (Edison)
- Capacity commitments should not be obtained for more than **10 years** (Gas Natural)
- The draft proposal may **not be sufficient** to enable very large and complex new pipeline projects to pass the economic test (Gazprom)
- Proposal for **alternative approach for OSP** for extreme cases, based on project ring-fencing, new independent cross-border TSO for the whole project, non-floating predictable tariffs for at least pay-back period of the project, such tariffs as a swing parameter in economic test to make it positive under any configuration of the project if based on market test, financial responsibility of the national/supranational authorities for the additional requests for the capacity for short-term needs and (at least partial) transfer of control over such TSO/project to supra-national level (to ACER/EU Commission) (Gazprom)

D.8 Economic test principles (Articles 42-45 of TAR NC)

Question 22: Do you agree with the structure of the economic test in the Incremental Proposal as foreseen in article 42 (TAR NC)? If not, please elaborate.

Statistical analysis:



Yes	No	No Response
EDF SA	EDP	Energie-Nederland
Edison	EFET	europex
Enel Spa	Esso Nederland BV	
ESB	Gas Natural	
EURELECTRIC AISBL	Gazprom	
EUROGAS	IFIEC	
GDF Suez Energy	OGP	
GDF SUEZ Infrastructures	Statoil	
GIE	SEDIGAS	
SERCOBE		

Content analysis:

- The level of the f factor should be **consulted among stakeholders** as it has implications on the tariff paid by the overall pool of network users of the relevant entry/exit system (EFET, ESSO Nederland, OGP, Statoil)
- Lack of clarity regarding the economic test: suggestion to include **detailed formulas** defined in the Launch Documentation in the NC (EFET, Gas Natural)

- The economic test is too much focused on long term user commitments leading to more **dependence on incumbents** (IFIEC)
- Regulated revenues must cover all the investment costs, which means that all the considered costs should be included in the **regulated asset base** (EDF)
- Economic test should also take into account **deemed investment costs** based on efficient investment cost (EDP)
- Economic test should also take into account **transparency**: At the beginning of the process, network users should have a full understanding of how the f parameter, the deemed investment cost and the monetised value of any considered externality have been calculated (EDP)
- Economic test should also take into account **views of network users** through public consultation (EDP)
- It is essential that the part of the investment not backed by network user commitments is guaranteed and recovered by other means (GIE)

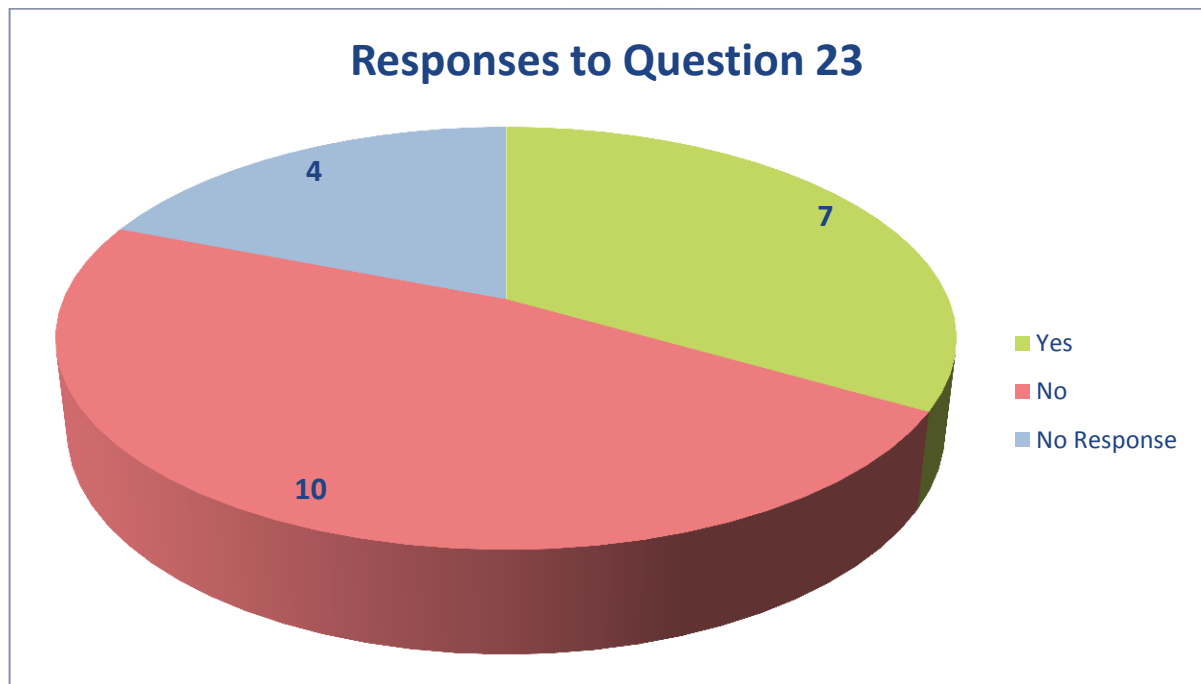
Market position:

While a majority of the respondents agrees with the structure of the economic test as proposed in the initial Draft Incremental Proposal, there is also a group of respondents including three associations disagreeing with it. The main point of criticism is that the f factor of the economic test should be defined in consultation with network users.

A few respondents are suggesting including the detailed economic test formulas initially developed by ENTSG for the Launch Documentation in the NC instead of the general formula provided in the initial Draft Incremental Proposal.

Question 23: Do you agree with the factors that shall be taken into account when defining the f-factor as foreseen in article 43 (TAR NC)? If not, please elaborate.

Statistical analysis:



Yes	No	No Response
EDP	EDF SA	Energie-Nederland
Enel Spa	Edison	europex
ESB	EFET	Gas Natural
EURELECTRIC AISBL	Esso Nederland BV	SEDIGAS
GDF SUEZ Infrastructures	EUROGAS	
GIE	Gazprom	
SERCOBE	GDF Suez Energy	
	IFIEC	
	OGP	
	Statoil	

Content analysis:

- The individual f-factors on both sides of the border need to be set **within a defined range or band** (EDF, Eurogas, GDF Suez Energy)
- For a given project, there needs to be some **consistency between the individual f-factors** on both sides of the border (Eurelectric, Eurogas, GDF Suez Energy)
- F-factors must not only take into account positive **externalities** but also negative ones (EDF, Eurelectric)

- NC TAR should also mention the need to limit the risk of stranded capacities, as these would lead to increased tariffs for those network users that have already booked capacity (Eurogas, GDF Suez Energy)
- Both, too low and too high f-factors would have negative effects on the evolution of tariffs. A balanced approach is therefore needed and the f-factor should be set in full **consultation with the industry** (EFET)
- Any externality taken into account in the economic test should be justified and should be backed by an explanation as to how any shortfall in associated allowed revenues will be covered in future (Gazprom)
- Article 43(3) of NC TAR appears redundant, as other articles of the NC enable TSOs to recover their revenue (Gazprom)
- It is essential to ensure consistency and coherence of treatment between the provisions of the incremental/new capacity inserted in the CAM NC and the TAR NC, and the rules and criteria set in the Infrastructure Package (GDF Suez Infrastructures)

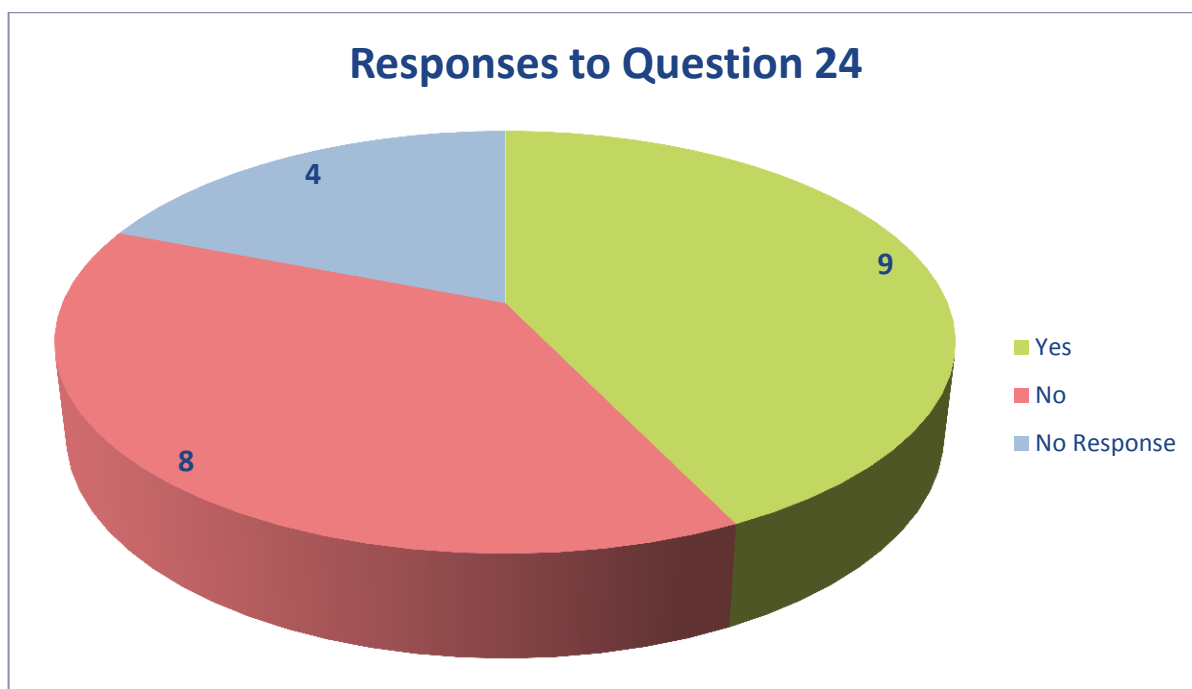
Market position:

The arguments of stakeholders to the components to be taken into account for the definition of the f-factor are rather balanced. The most noted points are that individual f-factors of TSOs involved in a project require some level of consistency between each other and should be defined within a specific range.

Furthermore, it is suggested also to include negative externalities and to define requirements for an explanation on how any shortfall in allowed revenues caused by considering an externality in the economic test will be covered in the future.

Question 24: Do you agree with the structure of the recovery mechanisms for the share of 1-f as foreseen in article 43 (2) (TAR NC)? If not, please elaborate.

Statistical analysis:



Yes	No	No Response
Enel Spa	EDF SA	Energie-Nederland
Esso Nederland BV	Edison	europex
EURELECTRIC AISBL	EDP	Gas Natural
GDF SUEZ Infrastructures	EFET	SEDIGAS
GIE	ESB	
IFIEC	EUROGAS	
OGP	Gazprom	
SERCOBE	GDF Suez Energy	
Statoil		

Content analysis:

- A high level of coordination between the involved NRAs is needed when setting the recovery mechanism, in order to **avoid possible discrimination** between users of different countries (Edison, EDP, Eurelectric, GDF Suez Energy)
- The wording 'for any reason' in Article 43(3) is too vague – the reasons for **cancellation of contracts** should be narrowed down and specified (EDF, Edison)
- Article 43 (4) and Article 43 (4) put all the risk on network users and remove all **financial responsibility** from TSOs regarding already engaged costs in case of a project failure (EFET, GDF Suez Energy)

- If **the share 1-f** has a big value due to externalities that are being taken into account, TSOs and NRAs have to justify how this share is going to be recovered in the future (EDP)
- There should be a **stronger financial incentive** for TSOs to complete their project successfully. If not, this would be an incentive for TSOs to minimise the cost of projects that would be on the limit of the economic test, to get shippers involved, in order to get a chance to get additional revenues, as there is no risk for TSOs in case the budget is insufficient to complete the project (EFET)
- Suggestion to charge users through a **variable component paid by all users** and defined with adequate advance in case of under recovery in order to guarantee the recovery of TSO costs and limiting discrimination and impacts on retail markets for network users (Enel Spa)
- Disagreement to other network users being required to pay for unrecovered costs of incremental/new capacity when bookings in the future are insufficient to recover the costs. Any alternative recovery mechanism devised by NRAs or Member States as outlined should take into account stakeholder views and be transparent (ESB)
- The envisaged recovery mechanisms have their limits especially in case of a decreasing number of network users (Eurelectric)
- The f-factor should be high (near 1) in most cases, as **investment should in general be market driven**. In very specific cases (such as security of supply reasons), we admit that non market based investments can be developed, especially in Eastern countries which are not well connected to the rest of Europe (GDF Suez Infrastructures)
- More relevance should be given to the mechanism defined in this section (IFIEC)

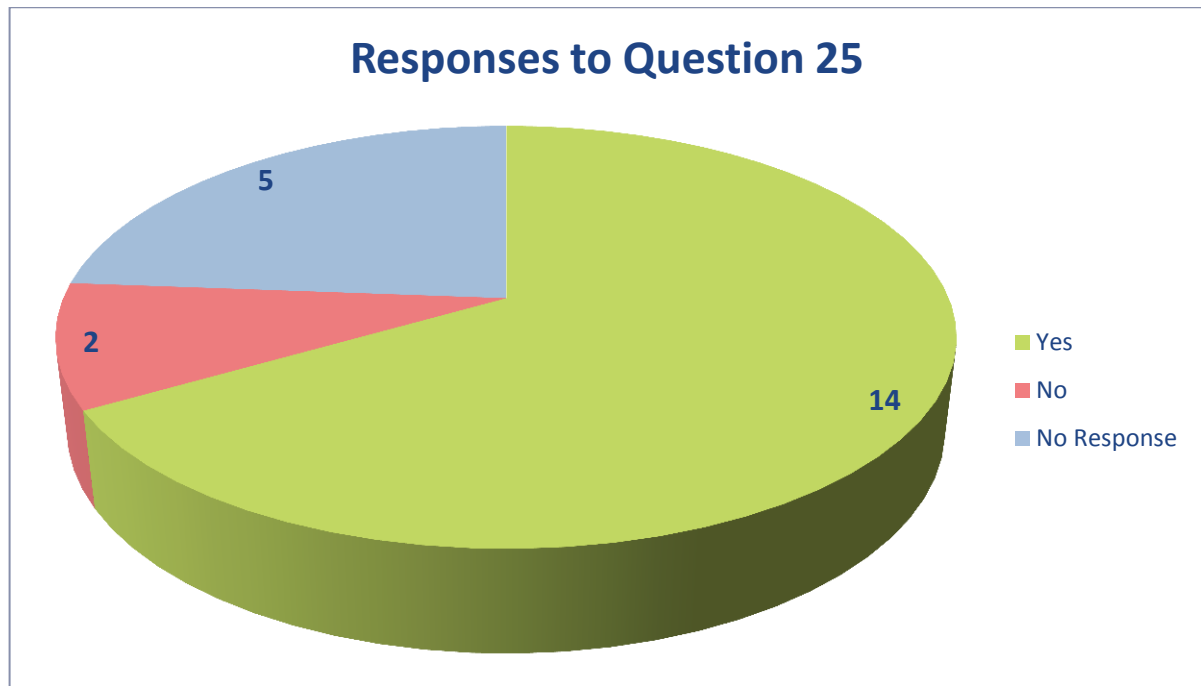
Market position:

A majority of the respondents agrees with the structure of the recovery mechanism for the share of 1-f defined in the initial Draft Incremental Proposal. It is however noted that strong coordination between involved NRAs is needed when establishing the recovery mechanisms, in order to avoid discrimination of users in different countries.

Another issue that was noted is the financial risk for the parties involved in the process. Some respondents are suggesting a principle of risk sharing between TSOs and network users.

Question 25: Do you agree with the way the single economic test is aggregated as foreseen in article 44 (TAR NC)? If not please elaborate.

Statistical analysis:



Yes	No	No Response
EDF SA	EFET	Energie-Nederland
Edison	Gazprom	europex
EDP		Gas Natural
Enel Spa		IFIEC
ESB		SEDIGAS
Esso Nederland BV		
EURELECTRIC AISBL		
EUROGAS		
GDF Suez Energy		
GDF SUEZ Infrastructures		
GIE		
OGP		
SERCOBE		
Statoil		

Content analysis:

- General support but an obligation for TSOs to explain how a potential **revenue redistribution mechanism functions** should be added to the incremental proposal (ESSO Nederland, OGP, Statoil)
- For a given project, there needs to be some **consistency** between the individual f-factors on both sides of the border (EDF, Eurelectric)

- Proposal that Article 44 be strengthened to require the relevant parties to use “**best endeavours**” to agree, with the possibility of adjudication by ACER or the EU Commission in the event of continued failure to agree (EFET, Gazprom)
- Even when setting the f-factors on a national level, a certain level of coordination between TSOs and NRAs is required in order to evaluate the impacts on network users from having individual f-factors that are very different (Edison)
- It is not clear how this mechanism would impact revenue recovery of each involved TSO. This mechanism should not lead to a higher risk of tariff increases for shippers because of an investment project supported only by neighbouring TSO (EFET)
- A potential redistribution of revenues should be **agreed ex-ante** (GDF Suez Infrastructures)

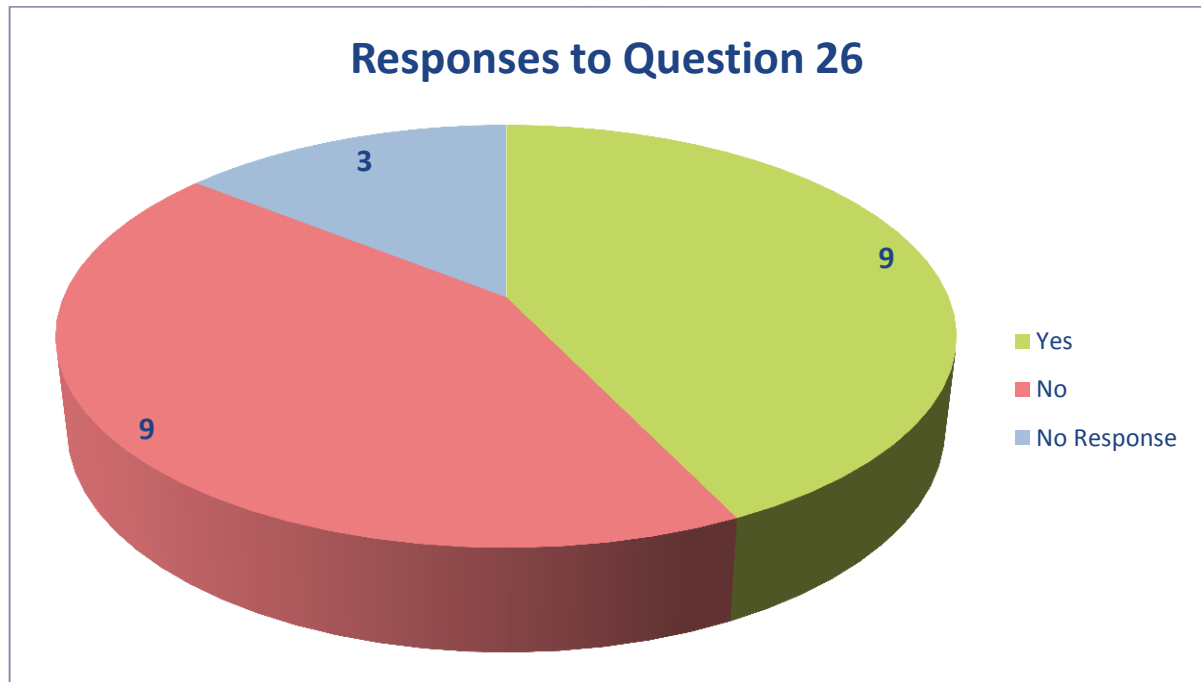
Market position:

The responses show that there is support for the foreseen principles leading to a single economic test among stakeholders. Only two respondents including one association disagree with the principles based on the argumentation that they are not enough binding for TSOs and NRAs and that therefore a blockade from one party might lead to a failure of a whole project.

It is furthermore mentioned by a group of respondents that the individual f-factors of the involved TSO should not only be diverted into a single f-factor, but that there should also be some consistency between the individual f-factors in the first place. In addition to this, several respondents are also requesting further explanation in the Incremental Proposal on how a redistribution of revenues could work and especially how it would affect tariffs.

Question 26: Do you agree with the three approaches for a potential redistribution of revenues as described in article 44 (4) (TAR NC)? If not, please elaborate.

Statistical analysis:



Yes	No	No Response
EDF SA	EDP	Enel Spa
Edison	ESB	Energie-Nederland
EFET	EUROGAS	europex
Esso Nederland BV	Gas Natural	
EURELECTRIC AISBL	GDF Suez Energy	
Gazprom	GDF SUEZ Infrastructures	
GIE	IFIEC	
OGP	SERCOBE	
Statoil	SEDIGAS	

Content analysis:

- A redistribution of revenues should be agreed **ex-ante** (EDP, ESB, GDF Suez Infrastructures)
- It is not clear in ENTSG's proposal how this redistribution of revenue fits in the **revenue recovery scheme** of each TSOs, and therefore how it can have an impact on the tariff structure (Eurogas, GDF Suez Energy)
- A redistribution of revenues should be agreed **ex-post** (Gas Natural)

- **Simultaneous or ex-post** redistribution of revenues needs to be carefully assessed and the market should be made aware of the changes that are made. Network users might want to withdraw binding commitments (ESB)
- For the **ex-post** approach, a percentage of a maximum level of redistribution of revenues should be specified to avoid any undesirable attitude (EDF)
- This aspect should be discussed in detail at NRA and TSO level (Eurelectric)
- Undue cross-subsidies should be avoided – NRAs have the critical role of choosing the appropriate redistribution, if any (EDF)
- The proposal will codify the **existing – monopolistic - structures** and practices, and possibly even create possibilities for individual Member States to worsen the practices from the standpoint of end users, leading to fragmentation instead of harmonization (IFIEC)
- At EU level there should be a benchmarking process of recognized costs (and consequently access tariffs too) for similar facilities and basic infrastructures (SERCUBE)

Market position:

The majority of respondents do in general support the three approaches for a redistribution of revenues. Remarks that were received mainly consist of either criticism to the ex-post approach in general or suggesting certain limitations to it. Only one respondent has indicated a clear preference for the ex-post approach.

Furthermore, it is again signalled by some respondents to clarify how a redistribution of revenues would interact with the revenue recovery principles and how it would affect tariffs.

Question 27: *Are there any other issues that you wish to address regarding economic test as foreseen in articles 42-45 (TAR NC)? If yes, please elaborate.*

Yes
Edison
EDP
EFET
Enel Spa
Esso Nederland BV
EURELECTRIC AISBL
EUROGAS
Gas Natural
Gazprom
GDF Suez Energy
IFIEC
OGP
Statoil

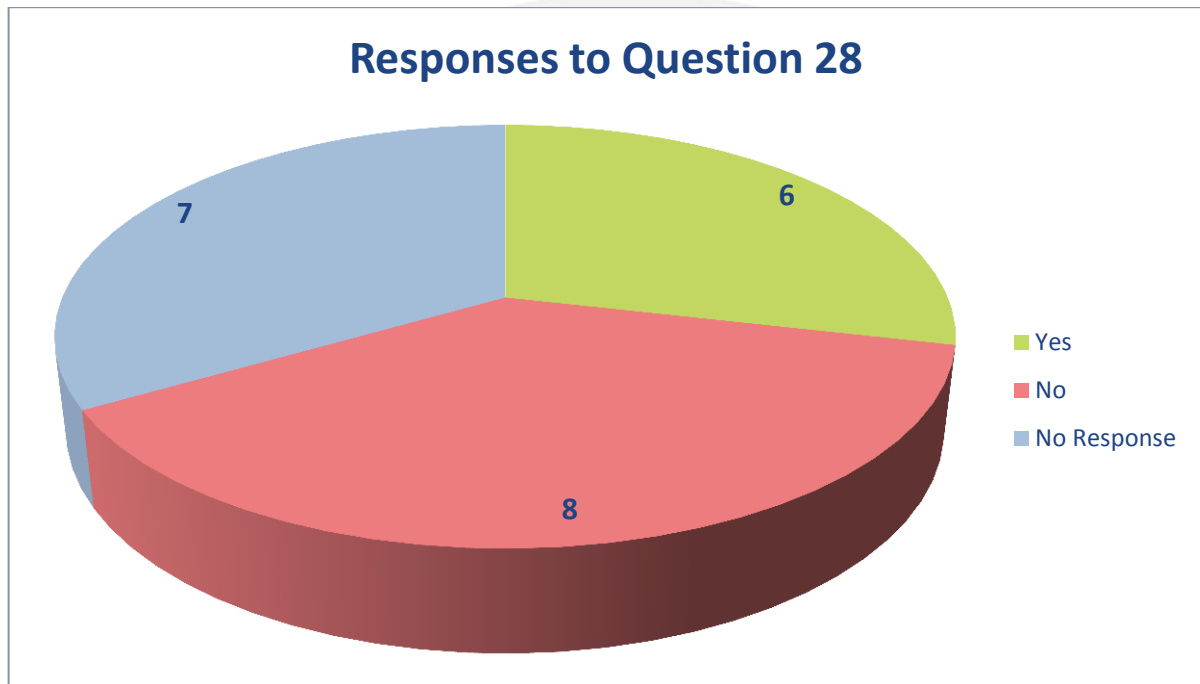
Content analysis:

- High investment costs are the main **barrier for long term commitments**. TSOs should therefore be obliged to provide evidence that costs for an investment are efficiently incurred (Eurelectric, Eurogas, Gas Natural, GDF Suez Energy)
- The complete lack of consideration for network users' opinion in the formulation of the economic test is definitely an important concern and we advise ENTSOG to include an opportunity for a **formal consultation** at least in the definition of the f factor (ESSO Nederland, OGP, Statoil)
- TSOs should provide details of the investments linked to the incremental capacity (Km, diameter pipelines, compressor station, etc.) and their costs to allow network users to **objectively check** if TSO incurred costs are efficient (EDP, Gas Natural)
- In case of **cost increases** (in comparison to expected costs), justification and evidence should be provided by TSOs (EDP, Enel Spa)
- Support for Article 45, however It is highly questionable how reliable such projections will be as they rely on assumptions about capacity bookings and systems usage several years into the future (EFET, Gazprom)
- Investments in interconnection capacity should be **efficiently incurred**. (EDP) Thus, when assessing the parameters of the economic tests, NRAs should carefully evaluate the costs that are on the basis of the increased revenues of TSOs (Edison)
- ACER should provide a **benchmarking of investment costs** among EU. TSOs and NRAs should also provide information on average investment costs of their respective TSO (EDP)
- TSOs should be required to publish details of their investment costs and the assumptions on which these are based, and network users should be invited to comment on these estimates (EFET)
- A **"risk-sharing"** mechanism between TSOs and the system should be envisaged, as a way to not attribute only to network users the costs/responsibilities of under/over sizing of new infrastructures (e.g. if the new pipelines were under-utilized) (Enel Spa)
- The economic test should be interpreted as an indicator instead of a threshold (IFIEC)

D.9 Tariff principles (Article 46 of TAR NC)

Question 28: Do you agree with the default mechanism foreseen to adjust tariffs if required as covered in article 46 (TAR NC)? If not, please elaborate.

Statistical analysis:



Yes	No	No Response
EDF SA	EDP	Enel Spa
Edison	EFET	Energie-Nederland
ESB	Esso Nederland BV	europex
GDF SUEZ Infrastructures	EURELECTRIC AISBL	Gas Natural
GIE	EUROGAS	Gazprom
SERCOBE	IFIEC	GDF Suez Energy
	OGP	SEDIGAS
	Statoil	

Content analysis:

- Parameters and tariffs should be **set ex ante** and their adjustments should be subject to a careful assessment of the impacts (EDF, Edison, EDP, Eurelectric)
- Regarding the cases for tariff adjustment, case b seems to be a subcase of case a and hence could easily be repealed. In addition case c should be addressed in the process of defining the f factor and it could therefore also be repealed from the list (ESSO Nederland, OGP, Statoil)

- The **minimum premium** for users participating to incremental process seems to strike a right balance between protecting long term booking users from tariff increases through investment and having a reasonable impact on willingness for long term commitment (EDF)
- Important to highlight that it is highly unlikely that network users will be able to make informed bids as the tariff is unknown at the time of the offer. It is highly questionable how **reliable tariff projections** will be as they rely on assumptions about capacity bookings and systems usage several years into the future (EFET)
- The text is unclear on whether the application of a premium on top of the reserve price to be paid by users booking incremental and new capacity will be communicated to users **before the bidding phase** of the auction (Eurogas)
- If the reference price does not mean the economic test is passed, **no further adjustments** should be used, either before and (even worse) after the auction, as it signals that market interest for new and incremental capacity at cost-reflective prices is not sufficient to justify the investment (Eurogas)
- Adjustments to incremental capacity prices to ensure a project passes the economic test would be unwelcome, if they impact on prices at other entry/exit points (Eurogas)

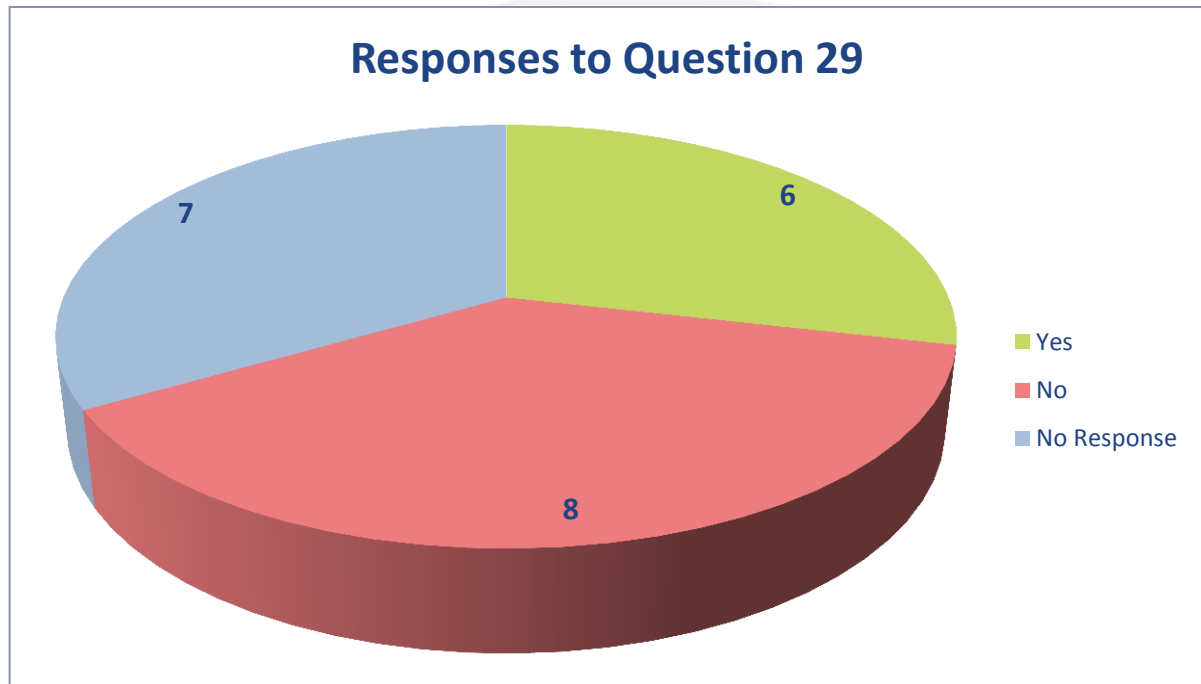
Market position:

A group of eight respondents including five associations disagrees with the minimum premium as a default mechanism for tariff adjustment. Based on the written comments, the disagreement seems to be focused on the timing of such tariff adjustment, as a large group of respondents is noting that it should be clear that all parameters of the economic test are to be fixed ex-ante and that a tariff adjustment should therefore not be conducted after the allocation procedure.

It is also highlighted that a tariff adjustment can only be based on a tariff projection at the time of the offer and that the reliability of such a projection is highly questionable.

Question 29: Do you agree that in order to raise the level of commitment a downward tariff adjustment rewarding long-term booking can be included as foreseen in article 46 (TAR NC)? If not, please elaborate.

Statistical analysis:



Yes	No	No Response
Enel Spa	EDF SA	Energie-Nederland
Esso Nederland BV	Edison	europex
GIE	EDP	Gas Natural
IFIEC	EFET	Gazprom
SERCOBE	ESB	GDF Suez Energy
Statoil	EURELECTRIC AISBL	GDF SUEZ Infrastructures
	EUROGAS	SEDIGAS
	OGP	

Content analysis:

- Mechanism would **discriminate against network users with existing capacity** (EDF, Edison, EDP, Eurelectric, Eurogas)
- Such a solution would make sense; however it would only be credible **in the context of fixed or at least partially fixed tariffs**. Coherently, the default allocation rule should give **priority to long-term bookings that maximize the net present value** (OGP, Statoil)
- Mechanism would lead to **distortion and cross-subsidy** (ESB)

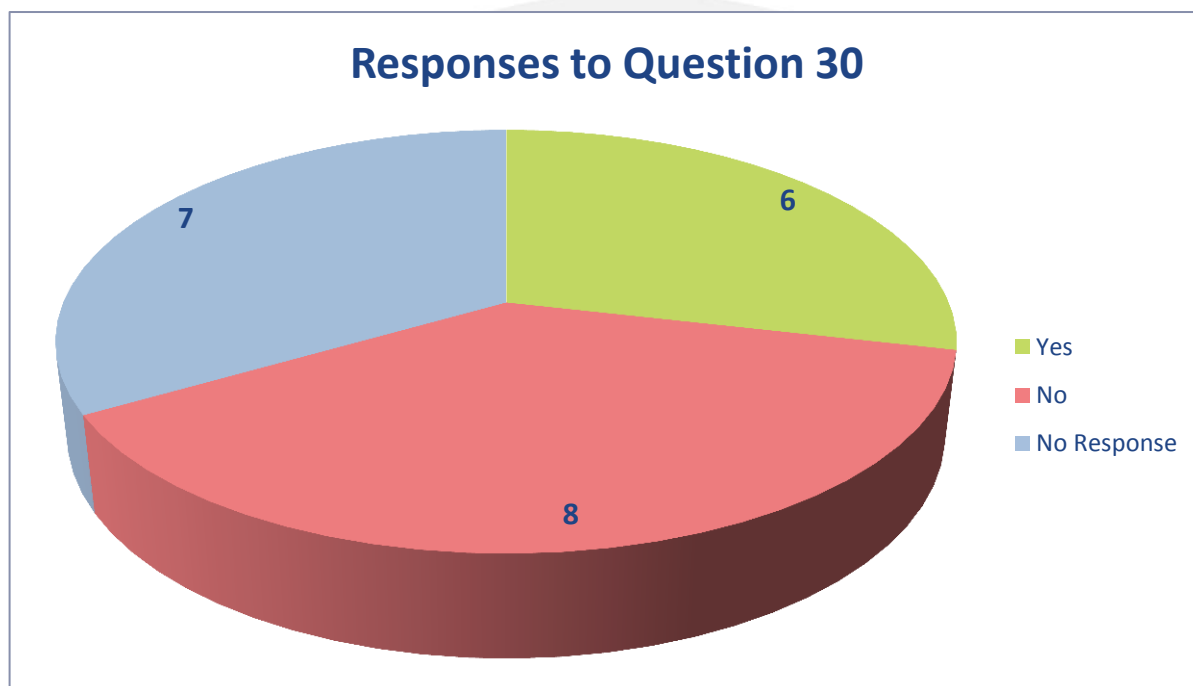
- If applied, it should decrease the tariff **for all network users** that have capacity at the respective IP (EDP)
- Approach **should be limited** as it opens the way for subsidisation of projects by other user. If adopted, TSOs and NRAs need to consult on it (EFET)
- A discounted tariff for long term booking should be the **default rule**, in order to value the high risk that network users will take booking long term capacity (Enel Spa)
- A **fixed tariff approach** should be adopted as a preferred rule, or order to reduce uncertainty on buyers (Enel Spa)
- Agreement, as long as it is limited to yearly contracts (IFIEC)

Market position:

A majority of the respondents including four associations disagrees with foreseeing a negative premium for incremental and new capacity as optionality in the Incremental Proposal. The justification provided for this position is mainly based on the argumentation that such a mechanism would discriminate against network users holding existing capacity and could lead to cross-subsidy. It is therefore suggested that such a mechanism is applied at all; it should decrease the tariff for all network users and should be subject to public consultation.

Question 30: Do you agree with including a possibility to adjust depreciation rates as a mechanism to avoid socialisation of costs as foreseen in article 46 (TAR NC)? If not, please elaborate.

Statistical analysis:



Yes	No	No Response
ESB	EDF SA	Enel Spa
Esso Nederland BV	Edison	Energie-Nederland
GDF SUEZ Infrastructures	EDP	europex
GIE	EFET	Gas Natural
OGP	EURELECTRIC AISBL	Gazprom
SERCOBE	EUROGAS	GDF Suez Energy
	IFIEC	SEDIGAS
	Statoil	

Content analysis:

- Mechanism is **too specific** to be included in a Network Code and should be assessed at national level (Edison, EDP, Eurelectric)
- If the possibility is included, shippers should also be allowed to **review their commitments** after the adjustment if they do not agree with the new depreciation rate (EDF, Statoil)
- Alternative may prove acceptable as long as a change in depreciation at a later stage does not undermine the incentive for long term booking (ESSO Nederland, OGP)

- **Not within the scope** of the Network Code (Eurogas)
- In any case, depreciation rates and economic lifetime of an asset have to be **coherent** (EDP)
- Process must be **transparent** to the market and any benefits from such an adjustment must be shared among network users (ESB)
- Support for principle, however it should be carefully implemented, so as to avoid reducing the **competitiveness of gas** (GDF Suez Infrastructures)
- Agreement to principle, but **safeguards** that at the end of the depreciation period the RAB-value will be zero, is not addressed. The safeguards should prevent end users paying more than once for the same (depreciated!) pipe (IFIEC)

Market position:

A majority of the respondents including four associations disagrees with including a mechanism to adjust depreciation rates in the Incremental Proposal. Out of those disagreeing, some respondents are however indicating that it would be acceptable after further refinement.

Question 31: How do different tariff options impact on the markets' willingness to commit long term in order to pass the economic test? Please elaborate.

Content analysis:

- **Certainty, visibility and predictability** on future tariffs increases the willingness to commit long-term (EDF, Edison, EDP, EFET, Energie-Nederland, ESSO Nederland, Eurelectric, Eurogas, OGP, Statoil)
- A **fixed tariff option** in the Network Code is preferred (EDF, Edison, EDP, EFET, ESB, Eurelectric)
- In case of floating tariffs, a **buffer mechanism** limiting the interval of variations of the price in the future would increase certainty for network users (EDF, Edison, Eurelectric, Eurogas)
- Next to tariff visibility, the **economic equivalence**, if not the convenience, of long-term booking towards short term bookings contributes to the subscription of long term bookings (ESSO Nederland, OGP, Statoil)
- The draft NC TAR should create the obligation on TSOs to provide for an option to **fix the payable price** for the duration of the (existing/incremental/new) capacity booking (EFET, Eurogas)

- **‘Fixed price plus indexation’** is the unique fixed structure that should be applied (EDP)
- An additional and related obstacle to making long-term commitments is the anticipation of **stranded new or incremental capacities**, which may result from an f-factor that is set too low, or from other mechanisms to socialise the costs of investment (EFET)
- The proposed options of a premium working as a **“buffer”** for future increase in tariffs or of a tariff plus a risk premium to keep it fixed should be considered as valuable alternatives to support users’ willingness to commit to long-term bookings (Energie-Nederland)
- **Floating tariffs** carry a high level of risk and further encourage only short-term booking (ESB)
- There must be a reasonable balance between **fixed and variable compounds in the tariffs** with the aim to create incentives for efficient operation in the short term and reasonable return on investment in the long term (SERCUBE)

Market position:

A clear majority of those responding to this question is stressing that tariff stability, certainty and predictability is crucial for network users in order to be able to commit long term for capacity. It is therefore requested to include a fixed tariff option for incremental and new capacity in the Network Code and it is suggested by some that TSOs should be obliged to offer such a fixed price approach to network users willing to commit for incremental and new capacity.

With regards to floating tariffs, a few respondents are suggesting that a certain ‘buffer’ for the future variation of the tariff could be foreseen in order to limit the price risk for network users.

Question 32: *Are there any other issues that you wish to address regarding tariff related issues as foreseen in article 46 (TAR NC)? If yes, please elaborate.*

Yes
IFIEC

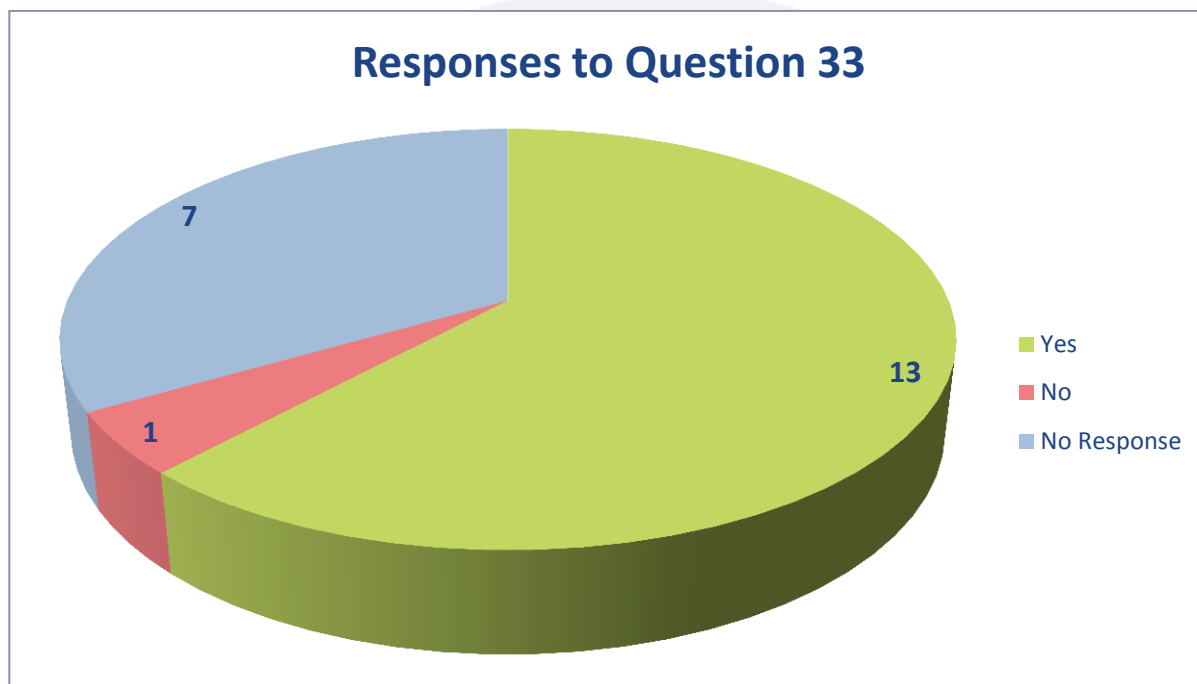
Content analysis:

- **Safeguards** that at the end of the depreciation period the RAB-value will be zero, is not addressed. The safeguards should prevent end users paying more than once for the same (depreciated!) pipe (IFIEC)

D. 10 Other issues

Question 33: Do you consider that the level of detail in the Draft Incremental Proposal is appropriate for EU legislation? If not, please elaborate.

Statistical analysis:



Yes	No	No Response
EDF SA	EDP	Energie-Nederland
Edison		europex
EFET		Gas Natural
Enel Spa		Gazprom
ESB		GDF Suez Energy
Esso Nederland BV		IFIEC
EURELECTRIC AISBL		SEDIGAS
EUROGAS		
GDF SUEZ Infrastructures		
GIE		
OGP		
SERCOBE		
Statoil		

Content analysis:

- General agreement, but a number of processes could be better described adding better indication of timing of different steps and be improved by contemplating more **consultation opportunities** (ESSO Nederland, OGP, Statoil)

- Wording in some articles should be **clarified** (Edison, Eurelectric, Eurogas)
- General agreement, but **more specifications or details** would have been expected regarding the level of information provided according to Article 20b (EDF)
- **The level of detail in the NC is not enough** and leaves loads of doubts about the process used for allocating incremental and new capacity, the variables considered in the economic test, the information needed for calculating tariffs and minimum levels required for a positive economic test (EDP)

***Question 34:** After reviewing and/or replying to the topic-related questions in Chapter 5 of this supporting document, do you find that there are other material issues that ENTSG should consider as it develops the Incremental Proposal? If so please elaborate.*

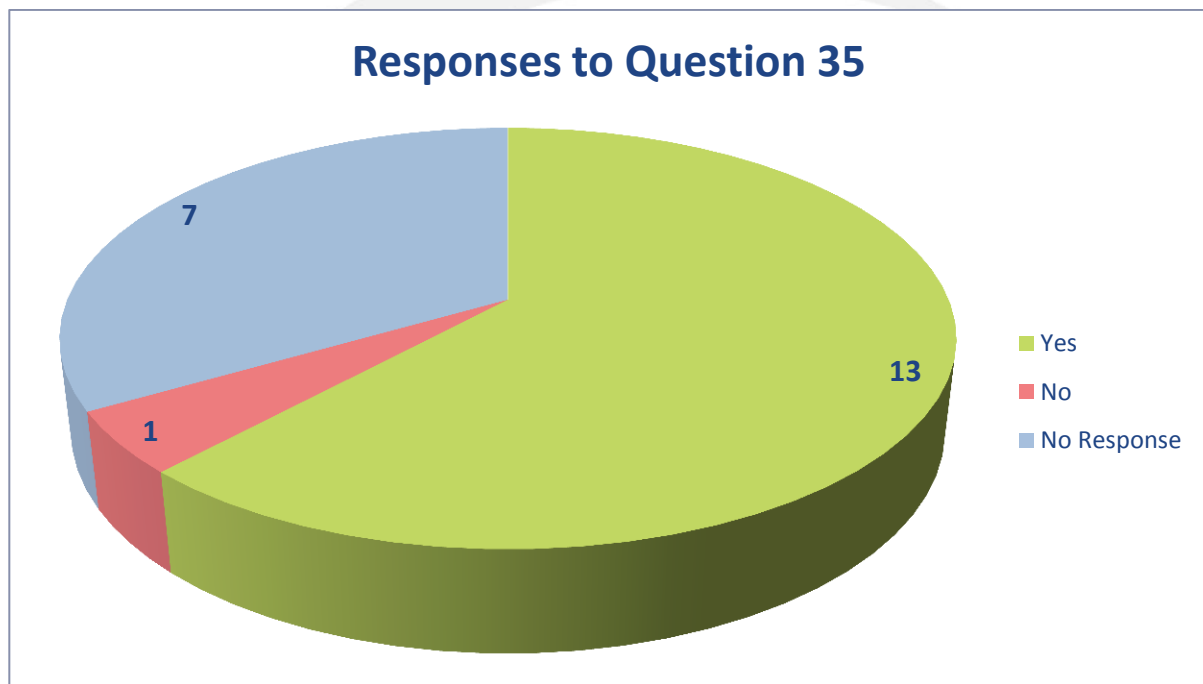
Yes
EFET
Energie-Nederland
Esso Nederland BV
OGP
Statoil

Content analysis:

- **Consistency of capacity products:** the consistency of capacity products is a pre-requisite for the effective bundling of cross-border capacity and for efficient secondary capacity trading. To avoid the potential locking-in of a wide range of contractual differences or inconsistencies for bundled products, we would encourage Regulators, TSOs and the Commission to cooperate in addressing this issue through a respective amendment to the CAM NC (EFET)
- **One-off capacity reset option:** Suggestion to investigate the integration of a 'one-off reset option' to allow network users to surrender existing capacity they hold at IPs prior to the date the TAR NC applies. This would result in better use of existing capacity instead of building incremental capacity and will make substantial incremental capacity in The Netherlands superfluous (Energie-Nederland)
- **Scope:** the amendment to article 2 risks being misleading where it states that the code shall apply to incremental and new capacity when identified and allocated via market based procedures in that it seems to say that if the incremental and new capacity needs are identified via the TYNDP, a non-market based procedure, then the code would not be relevant. If so, this would be in contradiction with the rules on when to offer incremental and new capacity. Confusion would be eliminated by simply eliminating the word "identified" from the second paragraph of article 2.2 (ESSO Nederland, OGP, Statoil)

Question 35: Do you find that this supporting document for the public consultation was 'respondent-friendly' in terms of its readability, style, etc.? If not, please explain how ENTSG could improve future consultation documents.

Statistical analysis:



Yes	No	No Response
EDF SA	EFET	Energie-Nederland
Edison		europex
EDP		Gas Natural
Enel Spa		Gazprom
ESB		GDF Suez Energy
Esso Nederland BV		IFIEC
EURELECTRIC AISBL		SEDIGAS
EUROGAS		
GDF SUEZ Infrastructures		
GIE		
OGP		
SERCOBE		
Statoil		

Content analysis:

- We regret that the questionnaire only enables participants to answer by yes or no. We would have welcome a **“yes but with refinements”** tick box in order to provide a more accurate feedback (EDF, Eurelectric)
- It could be helpful to have a Draft of the Network Code **including the revisions**, in order to make the reading easier (Edison, Eurelectric)
- The use of closed questions and avoiding questions on certain contentious issues (such as question 43 (4)), risk **undermining the effectiveness of the consultation process** (EFET)
- Problems to **access the consultation website** (GDF SUEZ Infrastructures)

E. Process following the public consultation

ENTSOG appreciates the high level of involvement of stakeholders in the drafting process of the Incremental Proposal by responding to the public consultation of the initial Draft Incremental Proposal.

As explained in the introduction part of this report, the objective of this document is not to evaluate the validity of remarks made by stakeholders but solely to summarise the arguments provided by the consultation respondents and to reflect the positions of the market as understood by ENTSOG. It contains no commitment from ENTSOG on how the consultation responses will impact the refinement of the Incremental Proposal.

Nonetheless, ENTSOG will certainly take into account all responses and will give a high priority to positions of the market when refining the Incremental Proposal. This process of refinement will be conducted by ENTSOG starting with the end of the public consultation and will last until the publication of the refined Draft Incremental Proposal on 6 November 2014 (current planning).

For additional information on the next steps and timeline, please review the project plan for the Incremental Proposal published on the ENTSOG website [here](#).