

Report on the Stakeholder Support Process

for the

Capacity Allocation Mechanisms (CAM) Network Code

Please note: the opinions expressed in this document are those of respondents to the stakeholder support process on the CAM NC and not those of ENTSOG.

Executive summary

Stakeholders were asked during the stakeholder support process (SSP) whether they were able to support the final CAM network code (NC) as published by ENTSOG on 30 January 2012, and the process used to develop it. They were also asked to provide views on a specific issue regarding the timing of day-ahead capacity auctions, which was raised at a late stage in the process by the EC.

The 29 responses received by ENTSOG indicated unanimous support for the process used to develop the NC. ENTSOG was recognised for running an open and responsive process and for the very high degree of stakeholder engagement that took place throughout the NC development.

Respondents also indicated a very high level of support for the NC itself, as a vehicle to deliver positive progress for the European market. All aspects of the NC, except one, are supported by a clear majority of stakeholders.

The one major exception to this positive result relates to cross-border capacity. A very high proportion of stakeholders said that they were unable to support the sunset clause, while around half of respondents also said that they could not accept the mandatory bundling of new capacity.

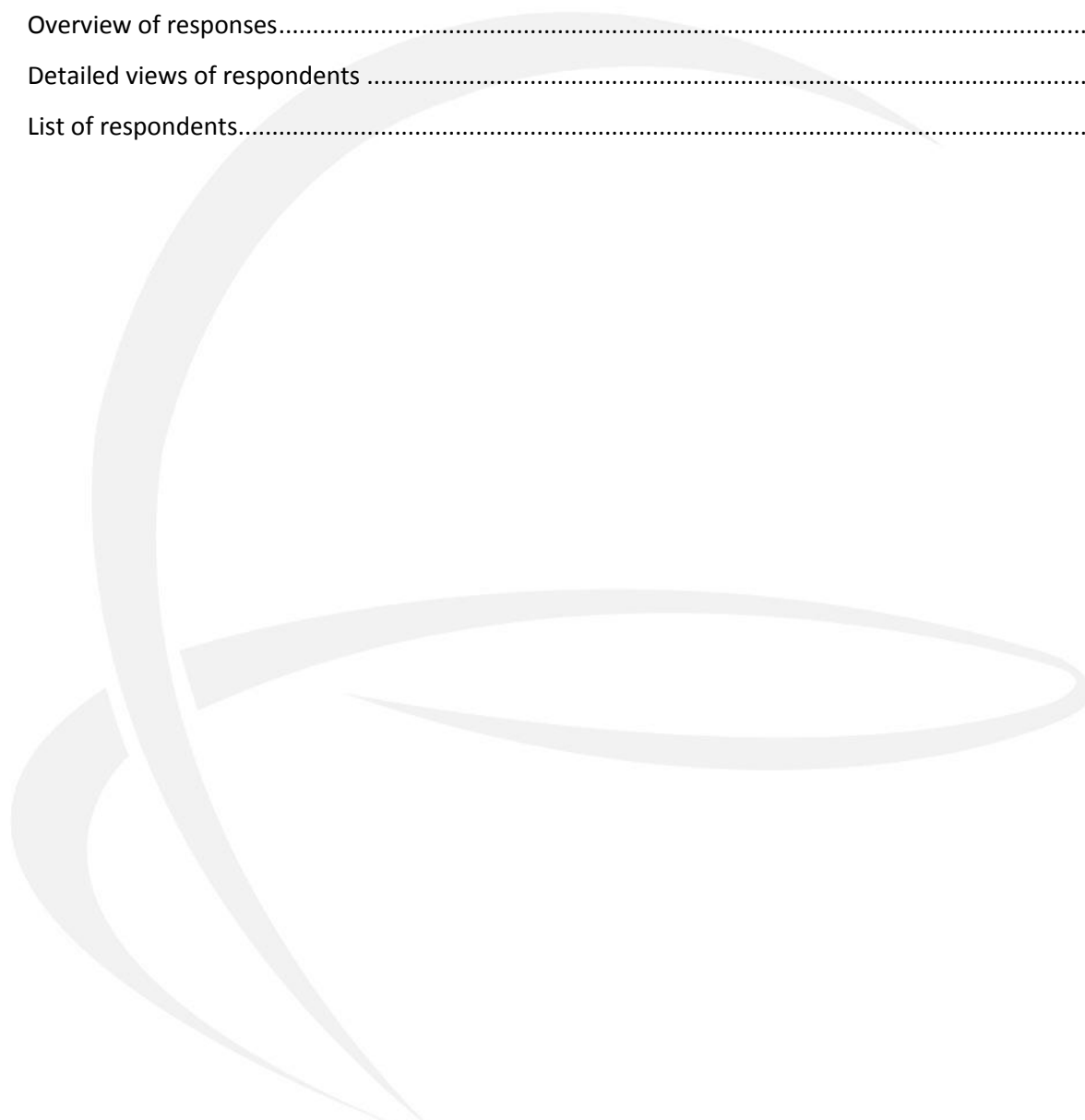
The minority of respondents that did not support (or did not fully support) other aspects of the NC provided reasoning that is familiar to ENTSOG thanks to the extensive discussions with stakeholders which took place throughout the NC development process. The options eventually included in the NC reflect the outcome of full debate among stakeholders and of two consultation processes.

On the day-ahead auction timing, respondents expressed mixed views with many concerned about the interaction between capacity auctions and commodity markets. These views will be passed to ACER and the EC for consideration.

Overall, the responses indicate that the CAM NC is well supported by the market.

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A. Context

On 30 January 2012, ENTSOG published its final CAM NC and supporting documentation, and launched the SSP in which users were asked whether they were able to support the proposed NC and the process used to develop it. The SSP closed on 13 February 2012.

This report summarises the responses received to the SSP. No responses were marked as confidential and therefore the full responses themselves are available on the ENTSOG website.

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

ENTSOLOG is fully aware of the high level of stakeholder concern surrounding the mandatory bundling of capacity and in particular the sunset clause, which was expressed to ENTSOG at all stages during the NC development process and is reflected in the responses to the SSP.

B. Overview of responses

1. CAM NC development process	
Support	29 (8)
Partial support	0
Do not support	0
No response	0

2. Timing of DA auction (16:30-18.00)	
Support	12 (5)
Partial support	2
Do not support	14 (3)
No response	1

3. CAM NC				
Section	1-2: Rationale and Application	3: Principles of co-operation	4: Allocation of firm capacity	5: Cross-border capacity
Support	27 (8)	27 (7)	19 (5)	4 (1)
Partial support	0	1 (1)	6 (3)	3
Do not support	1	0	3	22 (7)
No response	1	1	1	0

3. CAM NC				
Section	6: Interruptible capacity	7: Tariffs	8: Booking platforms	9-11: Legal provisions
Support	21 (6)	19 (6)	26 (7)	26 (8)
Partial support	4 (2)	4 (1)	1 (1)	0
Do not support	3	4 (1)	0	0
No response	1	2	2	3

Key: number of respondents (of which number of associations)

Please note: respondents were asked to indicate whether or not they supported the NC and development process. No 'partial support' option was given as ENTSG understands that no stakeholder will completely agree with every detail of the NC. Nevertheless some respondents took the opportunity to express partial support and these responses are noted here.

C. Detailed views of respondents

Question 1: Do you consider that the network code development process carried out by ENTSOG was appropriate, given the boundaries of the framework guideline? In particular, was the level of stakeholder engagement appropriate? If there is room for improvement, please inform us about possible suggestions for improvement.

29 (8)	Support
0	Partial support
0	Do not support
0	No response

Key: Number of respondents (of which number of associations)

All respondents hold the view that the process ENTSOG has conducted was appropriate. Particularly the openness and responsiveness of the process were mentioned. Many stated that the process should be an example for other consultation processes.

On policy decisions taken by ENTSOG, 8 respondents requested a higher level of transparency and record keeping on how ENTSOG arrived at decisions. ENTSOG should be careful not to do a mere answer count of consultation responses, not to ask “leading” questions, and not to engage in a pick and mix impacting on the consistency of the resulting network code. Contrasting this, two respondents were particularly pleased with ENTSOG being responsive to majority views and changing policy decisions during the process.

On technical issues, three respondents, although being satisfied overall, would be happy to see documents earlier and two respondents would appreciate webstreaming, if economical.

Question 2: Following the EC request to shift the day-ahead auction to the afternoon D-1, please indicate whether a day-ahead auction held from 16.30-18.00 local time in central Europe can be supported (see section 4.7 of the CAM NC).

12 (5)	Support
2	Partial support
14 (3)	Do not support
1	No response

A large number of respondents (12) felt that the day-ahead auction should be held earlier in the day than 16.30. Of those that requested an earlier time for the day-ahead auction some were supportive of its move to the afternoon but felt that 16.30 was too late. A small number of those requesting that the day-ahead auction should be held earlier specified that it should be held in the morning, with one respondent advocating both a morning and an afternoon session. Twelve respondents requested a shorter bidding window, with seven of those respondents specifically requesting a bidding window of 30 minutes.

A small number of respondents requested that nomination processing should be shortened or carried out earlier. Others indicated that the current nomination timing was appropriate.

A number of reasons were given for requesting an earlier auction or a shorter bidding window. Many respondents felt that the current timing proposed for day-ahead auctions would cause difficulties for those trying to efficiently use the capacity obtained in the auctions, thus degrading the value of the capacity:

- It may create problems in aligning capacity and commodity trades.
- Markets are generally felt to be less liquid later in the day, creating problems in using or trading the capacity acquired in a late day-ahead auction.
- Firms need time to plan their activity for the following day and the CAM NC auction timing leaves very little time available.

The timely publication of auction results was raised by a number of respondents as being important. Respondents highlighted that the result of the auction should be known before the day ahead markets close.

Question 3: Please complete the table below, indicating whether you support the relevant sections of the CAM NC, having regard to the process carried out and ENTSOG’s aim to reflect the views of the majority of users during the development process.

Section	1-2	3	4	5	6	7	8	9-11
Support	27 (8)	27 (7)	19 (5)	4 (1)	21 (6)	19 (6)	26 (7)	26 (8)
Partial support	0	1 (1)	6 (3)	3	4 (2)	4 (1)	1 (1)	0
Do not support	1	0	3	22 (7)	3	4 (1)	0	0
No response	1	1	1	0	1	2	2	3

Overall, the responses show a strong degree of support for the network code, from both individual respondents and associations. A number of respondents noted that the NC had been widely consulted and that it represented the views of the majority of stakeholders.

Section 5 of the NC, “Cross-border capacity”, was not generally supported by respondents. A clear majority of overall respondents and a clear majority of associations indicated that they did not support these provisions of the NC.

The views of respondents on each section of the NC are summarised below.

Sections 1 and 2: Rationale and application

These sections of the NC, which largely deal with practical matters concerning the scope and purpose of the NC, were strongly supported by respondents, with few comments offered.

Section 3: Principles of co-operation

This section was also strongly supported. One association believed that the NC still contained some gaps in obligations on TSOs, which would need to be filled by the forthcoming Interoperability NC in order to ensure a fully integrated commercial and operational approach.

Section 4: Allocation of firm capacity

The majority of respondents expressed support for this section of the NC. Several noted that while they may have preferred different outcomes, they recognised that ENTSG had sought to reflect the views of the majority of stakeholders in developing the NC.

Many stakeholders made specific comments about the capacity products and auction design. The majority of these comments have already been made to ENTSG during previous consultation processes and have been discussed among all stakeholders.

The most common concern related to the range of capacity products offered:

- 10 respondents believed that annual products should not be offered, and that the longest product should be quarterly. This was felt to provide additional flexibility.
- 6 believed that an annual monthly auction should have been included in the NC either instead of or in addition to an annual quarterly auction, and that the reserved 10% of capacity should be released in this auction. This would ensure that capacity was available for monthly products and that such products could be purchased well in advance of gas flow.
- One respondent felt that a larger proportion of capacity should be reserved for monthly products in order to enable better profiling.
- One respondent felt that a rolling quarterly auction should be added to the suite of capacity products available.
- Four stakeholders indicated that an incremental capacity approach should have been included in the NC.

A few respondents also commented on the auction design:

- Two respondents explicitly supported the auction design set out in the NC. One respondent noted that it would have preferred a single round auction design, though it accepted that the NC reflected the majority view of stakeholders.
- Three stakeholders did not support the system of large and small price steps, feeling that this was unnecessarily complicated and time consuming.
- One respondent believed that within-day capacity should be allocated via FCFS.

Section 5: Cross-border capacity

Overall, this section of the code was not supported by respondents.

The mandatory bundling of new capacity was opposed by 15 respondents, who believed that bundling should be voluntary and a range of bundled and unbundled products should be available. One respondent felt that a strengthened obligation on TSOs to provide consistent capacity products would be better than mandatory bundling. Five respondents, however, expressed support for the bundling of new capacity.

The majority of respondents (21) explicitly indicated their opposition to any mandatory bundling of existing capacity via the sunset clause. The reasons given included:

- Risk to future of LT contracts
- Unacceptable intrusion on freedom of contract
- Not appropriate for network users to be forced to acquire capacity they do not want
- Many foresaw practical difficulties including future of supply contracts, and tax issues
- Doubts that the sunset clause will be legally effective
- Legal challenges to this section of the NC may create market uncertainty and delay implementation
- Not in line with the purpose of Directive 2009/73/EC.

Three respondents supported the aims of the sunset clause but not the means. Other methods, such as a target for the percentage of capacity to be traded at hubs, or capacity price alignment, would be more appropriate.

Two respondents explicitly supported the sunset clause. One believed that the NC should have included a more ambitious model under which all capacity was offered as a bundled product between virtual trading points, with unbundled capacity disappearing. The other believed that the intermediate period should be longer in order to allow existing contracts to be managed.

Regarding the default rule included in the NC, six stakeholders were not supportive. It could lead to a user being allocated unbundled capacity in a system in which he does not currently operate, and shippers will have an obligation to pay for unbundled capacity that they may not be able to use. Three respondents said that no satisfactory approach to the default rule was possible, while one felt that ENTSOG had chosen the 'least bad' approach to the default rule.

Section 6: Interruptible capacity

This section was generally supported, with a few respondents offering comments:

- Four respondents challenged the ‘time stamp’ approach to interruptions set out in the NC, with one believing that it could be regarded as discriminatory. Two suggested pro rata as a more appropriate alternative, while one suggested price paid.
- Two stakeholders felt that TSOs should be obliged to establish a single type of interruptible contract throughout the EU.
- One respondent commented that interruptible provisions needed to be further developed and that the most suitable approach would depend on the outcome of the CMP and Tariff processes.
- Another respondent believed that a simple ‘traffic light’ system should be used within-day to alert users to the likelihood of interruption, in order to better enable them to value capacity.

Section 7: Tariffs

Overall, respondents were supportive of the interim tariff provisions in the CAM NC. Those whose support was qualified or who objected to the inclusion of tariff rules mainly stated that no adequate discussion had been conducted yet, and that a tariff framework guideline / network code process should provide for such an extensive dialogue. Others objected to the proportional split of auction revenues above the reserve price.

Section 8: Booking platforms

This section was strongly supported, with two respondents welcoming the approach of developing joint booking platforms as quickly as practicable.

Sections 9-11: Legal provisions

These sections were strongly supported. One respondent noted that the implementation period would need to be sufficient to enable the development of harmonised IT systems. Any change to the implementation period should be consulted on by ACER.

D. List of respondents

Name	Q1	Q2	Q3							
			1-2	3	4	5	6	7	8	9-11
BDEW*	S	S	S	S	S	DNS	S	S	S	S
BG	S	PS	S	S	S	PS	PS	PS	S	S
BP	S	DNS	S	S	DNS	DNS	S	S	S	S
Centrica	S	PS	S	S	PS	DNS	S	S	S	S
E.ON	S	DNS	S	S	PS	DNS	DNS	PS	S	NR
Econgas	S	DNS	S	S	S	DNS	S	S	S	S
EDF	S	DNS	S	S	S	S	S	S	S	S
EDF Energy	S	DNS	S	S	S	S	S	S	S	S
Edison	S	DNS	S	S	S	PS	S	S	S	S
EDP/ Naturgas	S	NR	S	S	S	DNS	DNS	DNS	S	S
EFET*	S	DNS	S	PS	PS	DNS	PS	DNS	PS	S
EnBW	S	DNS	S	S	PS	PS	S	DNS	S	S
ENEL	S	S	DNS	S	S	DNS	S	S	NR	NR
Energie-Nederland*	S	DNS	S	S	PS	DNS	S	S	S	S
ENI	S	S	NR	NR	NR	DNS	NR	NR	NR	NR
Eurelectric*	S	S	S	S	S	DNS	S	S	S	S
Eurogas*	S	S	S	S	S	DNS	S	S	S	S
ExxonMobil	S	S	S	S	S	DNS	S	S	S	S
Gas Forum*	S	DNS	S	S	PS	DNS	PS	PS	S	S
GasTerra	S	S	S	S	S	DNS	S	PS	S	S
Gazprom M&T	S	DNS	S	S	DNS	DNS	PS	S	S	S
GDF Suez	S	S	S	S	S	DNS	S	S	S	S
Iberdrola	S	S	S	S	S	DNS	S	S	S	S
IFIEC*	S	S	S	S	S	S	S	S	S	S
OGP*	S	S	S	S	S	DNS	S	S	S	S
RWE ST	S	DNS	S	S	S	DNS	S	S	S	S
Sorgenia	S	DNS	S	S	S	S	S	DNS	S	S
STASA	S	DNS	S	S	DNS	DNS	DNS	NR	S	S
VNG	S	S	S	S	S	DNS	S	S	S	S

* Associations

S = Support

DNS = Do not support

PS = Partial support

NR = No response

All responses are available on the ENTSOG website.