

*Notes of Meeting*

## ENTSOG Meeting With the EC and ERGEG - CAM Framework Guideline

**9 November 2010, GIE Office, Brussels, 14:00-16:00**

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Joachim Gewehr	EC	Alberto Pototschnig	ACER
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### 1. Introduction and welcome

Frank Roessler welcomed participants to the meeting and explained that the purpose of the meeting was to discuss the latest draft revision of the FG currently being developed by ERGEG. ENTSOG was also interested in an update on the process and expected next steps regarding any market consultation and invitation to ENTSOG for developing the CAM Network Code.

ERGEG noted that due to the time constraints in developing the revised text, they had sent ENTSOG a draft "work in progress" version to enable further discussions to take place before developing the final version. ENTSOG thanked ERGEG for sending this version and understood that work was still to be undertaken and agreed that the document was confidential to ENTSOG addressees only.

As regards to the last bilateral meeting between ERGEG and the EC to discuss the Commission's Letter, the agreed minutes of this meeting are planned to be circulated soon by ERGEG. In addition ERGEG stated that they have tried to address all the points made by the EC in its recent letter.

ERGEG explained that due to timescales that they did not plan to launch a public consultation on the new version of the CAM Guideline. It is however assumed that the objective of such second consultation will be achieved in a consultation to be organised by ACER in the context of the formal process starting March 2011 onwards. ENTSG understood the tight timelines involved but commented that at the Stakeholder workshop meeting held 28<sup>th</sup> October 2010 to discuss some possible options for Auctions; that the meeting participants expected such a consultation. DG ENER believes that for future framework guidelines it would be useful for ACER to conduct an additional (informal) consultation in case of a revision requested by the Commission. Deadlines for submitting revised guidelines to the Commission will take account of this additional requirement.

## **2. Revision of the CAM Framework Guideline draft**

The following points of the draft FG were discussed during the meeting:

### **1.1) Scope**

ENTSG explained that during the 28<sup>th</sup> October Stakeholder Workshop, users expressed their preference for including incremental capacity within the CAM FG scope and that they have requested the use of auctions to allocate incremental capacity.

ERGEG responded that incremental capacity as an integrated process within an auction is currently not in scope of the CAM FG but ERGEG plans working on Open Seasons in 2011. The EC noted that in their opinion it was unsure that auctions alone may be sufficient enough to provide investments incentives. ERGEG pointed out that there are new rules planned on network development, so they are not currently in a position to say that auctions must be used for additional capacity.

ENTSG explained that when developing auction principles that the inclusion or not of incremental capacity has consequences on the design of an efficient auction; and was concerned that the auction design may need to be redeveloped at a later date to cater for incremental capacity if this were to be introduced,

ERGEG suggested that ENTSG could consider and present a proposal which could on the way include incremental capacity in the auction process. ERGEG also noted that the problem could be overcome at least temporarily, by limiting the timeframe of Longer Term products to 4 or 5 years (for instance), which is less than the usual construction time, thereby naturally limiting the capacity to be allocated to existing only.

### **1.5) Stakeholders' involvement**

ENTSG asked for some clarity with regards to the application of the Guideline and the subsequent NC for some or all IPs in the EU as options still exist for point-specific decisions in the latest FG version.

ERGEG noted that the NC shall cover as much as possible the main aspects and any “detailed situation” must be treated apart. ERGEG will revise this point to make it clear that the NC should be applicable across the EU and that local solutions for minor details could only be considered if the NC does not rule all necessary details. DG ENER pointed out that the NC should aspire to encompass all possible situations, aiming at the highest possible degree of harmonisation.

## **2) Capacity services**

Regarding the gas day standardisation, ENTSG asked ERGEG if a respective definition should really follow the Balancing FG or if that might not also be needed for the CAM NC.

ERGEG responded that already for the definition of the daily products the gas day needs to be defined; therefore it should be detailed within the CAM NC but the issue is still subject to internal ERGEG debate.

### **2.1) Interruptible capacity services**

ENTSG explained that they considered that there should not be competition between interruptible and firm capacity. Firm capacity has to be sold first and interruptible is in addition to firm; ERGEG agreed and would rephrase this article to make it clearer. They also said that they are currently discussing whether or not to extend the use of auctions for interruptible capacities. ENTSG stated that the new FG proposal already included references to interruptible auctions which would therefore need to be amended accordingly.

ENTSG noted that they are not against harmonising interruptible capacity but it would require the definition of interruptible capacity beforehand. In addition due to interdependencies there is a clear need to know the results of the CMP rules as well as the future capacity arrangements to define interruptible capacity, its duration and how it fits with any new firm arrangements.

The EC pointed out that if there are market based CAMs and efficient CMPs; the need for interruptible capacity should be reduced. It is an inherent risk to long-term interruptible bookings that the interruption risk may increase due to more efficient utilisation of firm capacities.

With reference to within day nominations and its interaction with within day allocation ENTSG informed the meeting that during the Workshop on Auctions, users did not ask for FCFS. However they appreciated a proposal developed on the basis of auctions. This therefore questions the need for an unlimited interruptible within-day nomination as detrimental effects could occur between the products.

ERGEG explained that this issue is still under discussion and noted that it is open to ENTSG to develop within-day auctions if that is not too complex. However, FCFS is currently applied for within day firm capacity in the electricity market.

### **2.3.1) Bundled services**

ENTSOG pointed out that there are some contradictions in the first paragraph of 2.3.1 as regards to the applicability of the bundled capacities (not applicable to existing contracts versus applicable to all technical capacity at the same time). ENTSOG asked for clarification on the matter. ENTSOG then presented some slides with examples of bundled capacities and how capacity should be re-allocated between the existing parties according to pre-defined rules in the NC, without jeopardizing the contracted quantities TSOs are duly entitled to expect to be maintained.

The EC mentioned that the problem of the transition towards bundling has to be solved so this has to be taken into account, but the CAM FG should not go into details on supply contracts as CAM only covers capacity contracts. However as a consequence all capacity contracts have to be changed as the result of the application of the NC. The EC asked ERGEG to provide certainty on what mechanism should apply to the contracts where there is no bilateral transitional agreement between shippers and TSOs, and to reassure all parties concerned via a respective default rule.

ERGEG is continuing their internal discussions on this issue.

### **3) Capacity Allocation**

ENTSOG explained that the wording of article 3 could be understood to be more open and therefore asked ERGEG to be more precise if the application of CAM aims at an EU wide approach, or if it could be open to discussion at a national level.

ERGEG noted that the harmonised allocation mechanisms should be applied at an EU level at all the IPs, but doubted that an EU wide one-size fits all could be developed at once, taking all possible situations into account. This requires leaving some room for IP exceptions.

#### **3.1.1) Auction design**

It was agreed that a discussion on interruptible capacity needs to take place before applying the same auction rules as for firm capacity.

ERGEG agreed to amend the wording in the FG accordingly.

#### **3.1.5 Within-day capacity**

See 2.1.

#### **3.1.6 Interim period and 3.2 Unsold capacity**

ENTSOG referred to the section allowing FCFS between auction windows and explained that any FCFS between auctions would result in the undermining of the auction itself and that there was no room between the subsequent auction products (as currently envisaged) to

apply another method such as FCFS. Additionally, ENTSOG says it increases complexity if TSOs have to apply yet another on plus of the standard process.

ERGEG noted that FCFS will not be needed in most cases, but that in highly uncongested points this would allow for a flexible system for both shippers and TSOs.

The EC pointed out that if ENTSOG is ready to provide auction solutions for all types of situations (constrained or not) then FCFS adds no extra merit. ERGEG should justify if they feel that other mechanisms should be applied.

### **3. Conclusions**

ERGEG will meet on 10 November to further discuss the draft CAM FG document and will make its best efforts to send ENTSOG the new version(s) before publishing the final FG.

ENTSOG proposed to meet again before the end of the year and expressed its willingness and availability for further meetings on this matter.

The notes of the meeting will be circulated for comments and will be published on the ENTSOG website.