**Responses to Draft CAM Network Code** **Consultation**

***Consultation Response Sheet***

Please complete the fields below and send via email using the subject, “Response to the CAM NC consultation” to [**info@entsog.eu**](mailto:info@entsog.eu) by 3 August 2011.

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| **Question 1:** Do you consider that the level of detail in the draft NC is appropriate for an EU Regulation? |
| Response:  The level of detail is generally sufficient for the desired outcomes. |

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| **Question 2:** Should this NC set out detailed rules? If so, do you consider that where changes are necessary, they should be made through the change process foreseen in the Third Package, or (if legally possible) through a separate procedure where modifications can be made following stakeholderrequest and discussion? |
| Response:  SSE agrees that it may be necessary to change to this code and others in the future. Any process must ensure full consultation with stakeholders. The process must be rigorous and include cost benefit analysis, and impact assessment and a binding outcome on those involved. |

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| **Question 3:** In your view, is it credible that principles and details of CAM mechanisms could be separately identified? What elements of this (or other) code(s) might be considered for a “lighter” change process and how might such changes be made binding? |
| Response:  SSE believes that separation of principles and details of the CAM mechanisms is not appropriate. |

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| **Question 4:** How do you consider that a process to review the handbook, and to modify it where necessary, should be designed? |
| Response:  Yes, we believe that it is reasonable for ENTSO-G to develop a handbook with appropriate involvement of stakeholders. |

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| **Question 5:** Do you agree with the NC proposal for long term auctions of quarterly products? If not, please explain your proposed alternative and the rationale for this. |
| Response:  SSE agrees with the proposal for auctions of quarterly products.  We would suggest that a figure of 10% of auction capacity that is withheld for short term auctions is an amount that strikes an appropriate balance; too much capacity held for short term auctions could cause price fluctuations. |

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| **Question 6:** Do you consider that the auction design set out in the draft NC includes sufficient measures to allow system users to purchase the long-term capacity they want? If not, how could the measures be improved, while remaining consistent with the FG and keeping the complexity of the auction design to a manageable level? |
| Response:  SSE notes that there is a risk in the proposed auction design that a participant may not be able to secure necessary capacity along the length of the pipeline. Mitigation of this may come from use of short duration and interruptible products. An example might be to incentivise TSO to release capacity on a “use it or lose it” basis.  A 10 day bidding window allows for price discovery and allows maximum value to be allocated to scarce resource. |

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| **Question 7:** Do you consider that the within-day auction proposal set out in the draft NC could be improved from a user perspective? If so, what improvements would you suggest? |
| Response:  SSE thinks that the proposal is broadly reflective of market requirements. Clarity about the quantities of capacity on offer would help us understand the specific nature of the impact. |

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| **Question 8:** The draft NC proposes that TSOs will implement all auction systems at all Interconnection Points (IPs). However, if no purchases of capacity are made in within-day or day ahead auctions at a particular IP over a certain period of time, do you consider that it would be appropriate to suspend these auctions for some time, in order to reduce operational costs? |
| Response:  SSE agrees that this approach provides the most reasonable approach. It is presently unclear how any cost savings would be passed through ultimately to customers. All auctions should run to the schedule when the day ahead and within day auction systems are established, unless there are cost saving reasons to do otherwise. |

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| **Question 9:** Do you consider that the auction algorithms set out in the draft NC are appropriate for the Standard Capacity Products to which they are proposed to apply? If not, what modifications would you suggest? |
| Response:  SSE agrees with the proposed algorithms, provided that there is transparency from the multi-round auctions. Additionally, we believe that a harmonised gas day is essential to ensure that capacity can be allocated within the different time tranches at border and interconnector auctions. |

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| **Question 10:** Do you believe that any of the potential alternatives described would be more suitable? In particular, do you consider that a Pay-As-Bid methodology would be more appropriate than uniform price, particularly for auctions of shorter duration products? |
| Response:  Pay as Bid will allocate a potentially scarce resource most efficiently. |

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| **Question 11:** Under an open-bid algorithm (whether uniform price or pay as bid), do you consider that ten bids per user is a sufficient number? |
| Response:  Yes. |

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| **Question 12:** Do you consider that mechanisms supporting value discovery should form part of the NC? If so, which mechanisms do you believe would be most effective? |
| Response:  SSE believes that the detailed information that TSOs hold on bidding behaviour should enable them to report any undesirable bidding behaviour to the relevant National Regulatory Authorities. Additionally, publication of interim aggregate information should discourage gaming behaviour. |

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| **Question 13:** In your view, how could a split of bundled capacity between existing holders of unbundled capacity best be arranged? |
| Response:  Bundling may allow easier access to capacity for network users. Trading at border points should continue to be allowed as it will assist shippers to manage existing contracts. Consequently, entry-exit capacity across both sides of each point connecting adjacent entry-exit systems can be integrated to enable the transfer of gas between systems on the basis of a single allocation procedure and single nomination. This should be concurrent with TSOs offering entry-exit capacity separately alongside bundled capacity where the market requires this. |

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| **Question 14:** In your view, what effect would mandatory bundling have on network users? Please provide supporting evidence, if available. |
| Response:  SSE believes that mandatory bundling would maximise liquidity and availability of capacity. |

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| **Question 15:** Do you consider that the approach to bundled capacity set out in the NC is appropriate, within the constraints of the FG? |
| Response:  Yes. |

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| **Question 16:** Do you consider that the process set out in the draft NC for determining the sequence of interruptions is appropriate? If not, what system would you prefer? |
| Response:  SSE believes that a pro-rata “Pay as Bid” would be appropriate. |

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| **Question 17:** ENTSOG would welcome feedback, observations and suggestions related to this section of the supporting document and to Annex 2. Do you consider that ENTSOG has correctly identified the key tariff issues in these sections? |
| Response:  SSE believes that ENTSOG has identified the key tariff issues. More detail is required for us to adequately assess the details of these issues. We consider the split of revenues and recovery proposals to be appropriate. The understand the wish to avoid gravitating towards short term bookings and agree that higher reserve prices for short term products may avoid this. It is likely to challenging to implement these principles whilst complying with Articles 13 and 14 of Regulation 715/2009, which require that tariffs reflect the actual costs incurred and that contracts with shorter durations do not result in arbitrarily higher or lower tariffs that do not reflect the market value of the service. |

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| **Question 18:** What is your view of the process that ENTSOG has followed in order to produce the draft NC? Would you recommend that ENTSOG use a similar process to develop future NCs? What approaches would you suggest to enable ENTSOG to improve the process? |
| Response:  SSE has not been directly involved in the stakeholder meetings, but our impression is that is is transparent and consultative. |

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| **Question 19:** ENTSOG is developing a new website and would welcome stakeholder views on how to make it as useful as possible. What are your views about the current ENTSOG website, [www.entsog.eu](file:///C:\Documents%20and%20Settings\jcox\Local%20Settings\Temporary%20Internet%20Files\AppData\Local\Microsoft\Windows\Temporary%20Internet%20Files\Low\Content.IE5\VYR5GE1D\www.entsog.eu), and what could be improved? |
| Response:  Ensuring that the website is regularly maintained with relevant documents downloadable is welcomed. |

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| **Do you have any other comments or observations you would like to make?** |
| Response:  kWh/d is the relevant unit of capapcity, however, it is not implicit that the capacity will be flat over the course of a gas day at 1/24th flow rates, which we believe should be the case. |

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