

Response Sheet for Stakeholder Engagement Document: Potential Modifications to the CAM NC Following Receipt of ACER Opinion

Please complete the fields below and send via email using the subject title, “Response to the CAM NC stakeholder engagement document” to info@entsog.eu by 10 August 2012.¹

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¹ If you would like any part of your response to be treated as confidential, **please mark these sections clearly and explain why it is not possible for the information to be made public.** Notwithstanding any confidentiality undertaking upon request, ENTSOG indicates that this cannot prevent ENTSOG from disclosing all or part of the response that would be requested by a competent authority or judicial body.

How would you describe your organisation?

<input type="checkbox"/>	Association (please specify type)
<input type="checkbox"/>	End user
<input type="checkbox"/>	Network user
<input type="checkbox"/>	Trader
<input checked="" type="checkbox"/>	Other (please specify) ExxonMobil is a longstanding participant in the European gas business involved across the supply value chain including upstream production, storage, processing, LNG receiving terminals and marketing.

In the questions below, ENTSG would be grateful if respondents could clearly indicate their view and provide a brief justification.

Question 1

A number of changes to the CAM NC submitted to ACER in March 2012 are proposed in sections C.1 – C.11 above. Please indicate whether you support these changes. If you do not support some changes, please indicate which changes you do not support, and why.

Section C.1 Definitions

Virtual interconnection points – We support the proposed change to Article 1.2 (y). As to Article 5.1 (10) we believe the changes can be limited to changing ‘adjacent transmission systems’ into ‘adjacent entry-exit systems’. The concern that a VIP should include all TSOs involved is already covered by the provision in Article 5.1 (10)(b).

Additional capacity – We support the proposed changes to Article 1.2 (a).

Capacity contract – We support the proposed change to Article 1.2 (f) and changing the term ‘Capacity Contract’ into ‘Transport Contract’ throughout the CAM NC.

Section C.2 Application of the Network Code to New Technical Capacity

Standard capacity products – We support changing Article 2.3 to limit the exemption to the provisions mentioned in Section 3 of the Framework Guidelines.

Bundling – We support changing Article 5.1 (1) to specify that new capacity must be offered as a bundled product.

Capacity breakdown (quotas) – We support ENTSG’s approach. We do not believe that there should be additional quotas for incremental capacity because it leads to inefficient outcomes. Please also refer to our response to Section C.5 below.

Section C.3 Standard Contracts

While we welcome initiatives towards more standardisation of transmission contracts, we support that no changes are made to the CAM NC regarding this aspect at the current stage.

Section C.4 TSO co-operation

We support that the proposed new article is inserted into section 3 of the CAM NC to address ACER’s

concerns regarding TSO co-operation.

Section C.5 Capacity Breakdown

We support ENTSG's proposal to make no changes to the CAM NC in this area for the following reasons:

- Concerns expressed by ACER about potential long-term contractual congestion in case capacity products are sold up to 15 years ahead should not be solved by reserving (10% of the) capacity for release up to 4-5 years ahead, but by integrating incremental capacity in the auction process to allocate new capacity that could be made available for years 5-15 ahead;
- Capacity that has been set aside for short-term capacity services according to Article 4.1 (6) will first be offered in the annual quarterly capacity auctions and cascade from there to the rolling monthly and daily auctions. Hence it meets the requirement of the Framework Guidelines that this capacity is reserved for the short term services;
- Capacity for the rolling monthly, daily and within-day capacity auctions should not come from further breakdown of quotas for these products, but from capacity that is still available (in case of uncongested IPs) and for congested IPs from capacity that is made available in accordance with the congestion management procedures (e.g. oversubscription and buy-back, surrender of capacity, use-it-or-lose it mechanisms);
- The CAM NC aims at the highest possible degree of harmonisation across Europe, but Article 4.1 (7) and Article 9 allow for individual decisions on the capacity breakdown at each IP subject to stakeholder consultation and NRA approval.

C.6 Sale of Unbundled Firm Capacity

We support the objective to allocate available capacity at IPs progressively as bundled products. In view of the concerns raised by ACER we could support their suggestion that unbundled firm capacity resulting from a mismatch in technical capacity at two sides of an IP is first offered through the rolling monthly auction. We do not share ENTSG's concern that this would conflict with Article 16 of Regulation EC 715/2009. Also we could support ACER's request to delete the second sentence of Article 5.1 (1).

C.7 Amendment of Existing Capacity Contracts

While we maintain our objections to the 'Sunset Clause' we could support changing Article 5.2 (9) to read: 'The relevant national regulatory authorities may mediate between the parties affected by this article to promote such agreement' in order to address ACER's comments.

C.8 Interruptible Capacity

We support the proposed modification of Article 6.2 (2) of the CAM NC, and suggest that the words 'duly justified' are included between 'will be' and 'subject to NRA approval' in this article to address ACER's comments.

C.9 Tariffs

We have taken note of ACER's concerns that Article 7 of the CAM NC could prejudice decisions to be taken within the Tariff NC process. We could support that this concern is removed by limiting Article

7 to the elements included in the Framework Guidelines:

- ‘7.1 Reserve Prices in auctions for Standard Capacity Products for firm and interruptible capacity shall be set at the respective Regulated Tariffs for the different capacity products.
- 7.2 National regulatory authorities shall approve the usage of auction revenues from capacity prices exceeding the respective Reserve Prices for aims such as lowering network tariffs, removing congestion by investment or providing incentives to the TSOs to offer maximum capacity.
- 7.3 Awaiting a future network code regarding harmonised transmission tariff structures (Tariff NC) the application of this article is temporary and does not prejudice on decisions to be taken within the Tariff NC process.’

C.10 Incentive Regimes

We support the proposal to delete Article 9.2 (d) to address ACER’s comments regarding this aspect.

C.11 Interim Period

We support the proposal to delete Article 10.3 to address ACER’s comments regarding this aspect.

Question 2

Do you support the proposed changes to the day ahead auction timing set out in section D.1? If not, why not?

We support the proposed changes to the day ahead auction timing as set out in section D.1.

Question 3

Do you support the proposed changes to the within-day auction timing set out in section D.2? If not, why not?

In particular, do you believe that a 30 minute bidding window and 60 minute nomination window are sufficient for a within-day process?

We support the proposed changes to the within-day auction timing as set out in section D.2 and confirm that a 30 minute bidding window and a 60 minute nomination window are sufficient for a within-day process.

Question 4

Do you support the proposed changes to the drafting on default interruption lead times set out in section D.3? If not, why not?

This issue highlights the interactions that exist between the Balancing and Capacity regimes and it is vital that industry get the chance to ensure that the Network Codes fit well together (with Balancing expected to take priority where there are conflicts). We understand why ENTSG are looking to

reduce the leadtime, in order to improve the certainty, but the consequence is that market participants will face imbalances. This is because the notice of interruption is faster than the ability to moderate flows, thus creating imbalances at hubs. If this were ever to be applied at points other than IPs, it would be unworkable. But given it applies only to IPs, we can support the proposed changes to the drafting on default interruption lead times set out in section D.3.

Question 5

Do you support the proposed changes to article 4.1(2) of the CAM NC, in relation to competing capacities? If not, why not?

We fail to see that there is an issue concerning the allocation of competing capacities that warrants a change to Article 4.1 (2) of the CAM NC. In our view the principle of simultaneous and independent auctions should not be changed at this stage failing proper justification. We suggest that the available capacity that will be offered is allocated to IP1 and IP2 in the diagram in section D.4 before the start of the auctions, with involvement of the TSOs, NRAs and users.