

Responses to CAM Network Code – second formal consultation on new or modified concepts

Consultation Response Sheet

Please complete the fields below and send via email using the subject title, “Response to the CAM NC consultation” to info@entsog.eu by 14 November 2011.

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How would you describe your organisation?

<input type="checkbox"/>	Association (please specify type)
<input type="checkbox"/>	End user
<input checked="" type="checkbox"/>	Network user
<input checked="" type="checkbox"/>	Trader
<input type="checkbox"/>	Other (please specify)

In the questions below, ENTSG would be grateful if respondents could clearly indicate their preferred option and provide a brief but **fully reasoned justification** for their choice. This applies equally whether you agree or disagree with any ENTSG proposal as it is important that ENTSG is able to extract the clear views of all respondents. If you do not respond to a question, ENTSG will assume that you have no view on this issue.

Question 1 (Standard Capacity Products to be auctioned): which option do you prefer, and why?

<input type="checkbox"/>	Option 1: Quarterly only
<input checked="" type="checkbox"/>	Option 2: Integration of yearly product (Post consultation proposal)

EconGas is strongly in favour of the integration of yearly products in the slate of capacity products because of the following reasons:

- A yearly capacity product, allocated for up to 15 years into the future, is more in line with long-term supply and import contracts which are already in place.
- In our opinion it is more likely that network users only have “base-load” expectations on their very long-term (15y) capacity needs. The closer the start of a long-term capacity contract comes in time the more accurate is the knowledge about the supply needs of wholesale customers. In order to fulfil these short-term requirements, a quarterly product of up to one year seems to be the more reasonable instrument for structuring an efficient portfolio in combination with a long-term yearly product.

Question 2 (Start date for yearly product): which option do you prefer, and why?

☒ Option 1: Yearly product starts on 1st January

☒ Option 2: Yearly product starts on 1st October

- EconGas is indifferent to the start date of the yearly product insofar as it is in line with the gas year.

Question 3 (Auction algorithms: overall methodology): which option do you prefer, and why?

☒ Option 1: Multiple round ascending clock auction

☐ Option 2: Single round volume based auction

EconGas prefers the proposed multiple round ascending clock auction mechanism because of:

- the possibility to automate the auction process (by using the bidding assistant).
- it will very likely be the less time consuming alternative and can be closed after the first round without any extra measures. A bidding window over several days, as envisioned in the “single round” model, is not in line with the decision period of trading natural gas in today’s world.

Question 4 (Limitation of price steps): which option do you prefer, and why?

☒ Option 1: Do not limit number of price steps (Post consultation proposal)

☐ Option 2: Limit number of price steps

The limitation of price steps would require by nature a pro-rata allocation if demand is still higher than the offered capacity at the last price step. Pro-rata allocation is in the most cases a sub-optimal consequence for several reasons, but in essence it does not represent an advantage for users if they only can use the capacity if they procure all they need (eg. supply tender > certain capacity need >

pro-rata allocation > not enough capacity > no tender participation > sell cap. on the secondary market).

Instead of either an unlimited number of price steps or pro-rata allocation, EconGas proposed that reaching the last price step should trigger the offering of incremental capacity by TSOs.

Question 5 (Minimisation of unsold capacity): which option do you prefer, and why?

- | | |
|-------------------------------------|---|
| <input type="checkbox"/> | Option 1: Minimise unsold capacity (Post consultation proposal) |
| <input checked="" type="checkbox"/> | Option 2: Draft CAM NC proposal |

EconGas does not support pro-rata allocation or the use of very small price steps. The former would again mean a sub-optimal allocation for various reasons, whereas the latter method could turn the auction process into a bidding marathon if used as a standard method. Nevertheless we can see smaller price steps as a kind of temporal measure, meaning to be only used in bidding situations where an extreme demand reduction due to a certain price step takes place (German auction model).

Question 6 (Sunset clause: choice of default rule): which option do you prefer, and why?

- | | |
|--------------------------|---|
| <input type="checkbox"/> | Option 1: Maximum default rule with cap at technical capacity |
| <input type="checkbox"/> | Option 2: "Partially unbundled" default rule |

Question 7 (Sunset clause: further questions): Please provide any views, information or evidence in relation to the further questions raised by ENTSG in section F.2 regarding the sunset clause.

Question 8 (Tariffs: split of auction premium from bundled products): which option do you prefer, and why?

<input type="checkbox"/>
<input type="checkbox"/>

Option 1: Keep split of auction premium proportional to reserve prices as default (Post consultation proposal)

Option 2: Split of auction premium into equal shares as default