

IOGP response to ACER public consultation on the Incremental Capacity Proposal and further NC CAM amendments

IOGP welcomes the opportunity to respond to ACER's public consultation on the Incremental Capacity Proposal and further NC CAM amendments. IOGP participated in the previous consultation on Incremental Capacity and we appreciate ACER's evaluation of stakeholders' responses and this opportunity to evaluate the new text proposals of the Agency. This response does not contain commercially sensitive information and we agree that this response will be published on the Agency's website.

Question 1. Do you support the changes suggested by the Agency on Incremental Capacity (new chapter IVa and related articles)? If not, please list which new or amended articles you disagree with and explain why.

Answer:

The Agency has made substantial changes to the ENTSOG proposed text on the Incremental Capacity Proposal. IOGP believes the Agency proposal covers the essential elements of a process for the development of incremental capacity on the basis of market signals:

- the demand assessment is a bi-annual process, but can also be triggered by network users' requests at any time;
- transparency is provided by publication of the Market Demand Assessment Report and during the design phase which includes a public consultation and publication of the NRA decisions on the project proposal;
- incremental capacity shall be allocation via an auction process or through an alternative capacity allocation mechanism (previously referred to as Open Season Procedures).

Overall we believe the Agency proposal can work, although the economic test and the tariff conditions are essential for its success. IOGP recommends that in cases where the NRAs cannot agree on an alternative capacity allocation mechanism, the matter is decided on by the Agency. This avoids that a single regulator could 'veto' the alternative allocation mechanism. On this basis IOGP supports the Agency proposal on Incremental Capacity.

Question 2. Do you support ENTSOG's envisaged proposals to change the default auction calendar in relation to the discussions on the draft Network Code on Tariffs (i.e. to move the annual yearly capacity auctions from March to July, the annual quarterly auctions from June to August and the rolling monthly auctions' start from the third to the second Monday of each month)? If not, please explain why.

Answer:

ENTSOG has proposed to shift the auction timing to a later point in time in order to allow for sufficient time to calculate and publish the tariffs before the auction. IOGP considers it essential that the tariffs for the upcoming tariff period are known to network users before the auction of the respective capacity products. On the basis that this achieves publication of tariffs before the auctions, we support that the annual yearly capacity auctions are moved from March to July and that the annual quarterly auctions are moved from June to August.

We note that the Network Code on Tariffs is still under development and not part of this consultation, but IOGP wants to highlight that the current timeframe for the publication of the tariffs for the annual

yearly capacity auction is very tight and needs to be revised. ENTSOG's re-submitted TAR NC provides that the tariffs are published at the latest seven days before the auction date. We believe that network users should be given sufficient time to properly assess possible capacity booking strategies for the next gas year by publication of the tariffs no later than 2 weeks before the annual yearly capacity auction.

With respect to the rolling monthly auction, ENTSOG proposes to move the date of the auction forward from the third Monday of each month to the second Monday of each month. This would provide more time for the auction of interruptible monthly capacity. IOGP does not support this proposed change. We would like to have the rolling monthly auctions as late as possible, to facilitate cross-border trading. Also without the proposed change there should be sufficient time to auction interruptible capacity for the next month as specified in the ENTSOG proposed change to Article 21(9).

Question 3. Do you support the further technical changes introduced (e.g. on the auction algorithms (Art. 17 (16) and Art. 18 (3d) & (9)); on the bundling of existing capacity (Art. 20(1)); on the allocation of interruptible services (Art. 21(9)) etc.? If not, please list which amended articles you disagree with and explain why.

Answer:

IOGP supports the technical changes to Articles 17(16); 18(3d) and 18(9).

We agree with the Agency that the text of Article 20(1) on the bundling of existing capacity should not be limited to pre November 2013 contracts. However, since it is a voluntary effort we do not see the urgent need to change the text as there is nothing that prevents network users to try and bundle any post November 2013 acquired unbundled capacity. Moreover, the text proposed by the Agency has a number of deficiencies:

- due to early CAM implementation by many TSOs, capacity that was allocated in the interim period from November 2013 upto November 2015 may include unbundled capacity that was allocated on the basis of Article 19(5) and which is not subject to Article 20;
- assuming the proposed CAM amendment enters into force in October 2017 soonest, the proposed change would only have retroactive effect (for the period 11/2013 through 11/2015);
- it is not clear what date is meant with the phrase 'at the time this Regulation applies'. It could be the date of the original CAM Regulation, but also the date of the Regulation to amend the CAM NC (see also response to Question 4).

Hence IOGP does not support the proposed change to Article 20(1).

The ENTSOG proposed change to Article 21(9) allows the rolling monthly auction to remain on the third Monday of each month and is supported on this basis.

Question 4. Do you have any other comments related to the proposed NC CAM changes, and if so which?

Answer:

IOGP has the following few other comments related to the proposed NC CAM amendments:

- IOGP does not support the proposed changes to Articles 20(1) and 28 that would have retroactive effect on provisions of the existing CAM Regulation. While we welcome the amendment proposal in a 'track changes' version of the existing CAM Regulation, the changes will be enacted through a new Regulation amending the CAM regulation (as proposed by ENTSOG on 26 December 2014). This implies that the changes will apply from a date specified in the new Regulation onwards. The amendment proposal should not be used to change the timing of provisions of the existing CAM Regulation that apply to the period before the new Regulation enters into force.

- On the design phase consultation period, specified in Article 20b.3, we believe that a consultation period of 1 month is too short and suggest that the consultation period will be for (no more and no less than) 2 months.
- On the general rules and conditions described in Article 20b.5(b) we suggest to use the same text as used in Article 20b.3(e). We do not agree that additional conditions can be added that are not part of the consultation. In addition we do not agree that the provision of collaterals by network users is included for incremental capacity which creates possible discrimination between existing capacity and incremental capacity.
- We object to using the phrase 'one-sided binding commitments of network users' in Articles 20b.5(e) and 20d.1 as this suggests that only one party (the network users) makes a commitment with no obligations on the other party (the TSOs). We believe the commitment by the network users (to offtake and pay for incremental capacity when the economic test is passed) should be balanced by the commitment of the TSOs (to build incremental capacity when the economic test is passed).
- The provisions in Article 27.3 on ENTSOs report on booking platforms can be deleted as they have been exhausted.

We look forward to a continued dialogue with the Agency. If you have any questions please feel free to contact me.

Best regards,

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