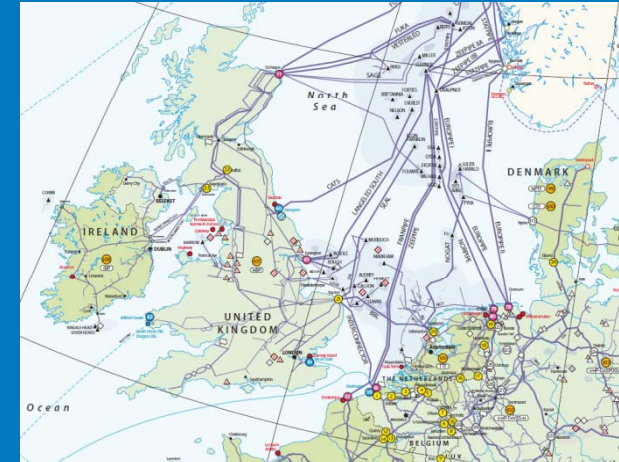


CAM Network Code Update

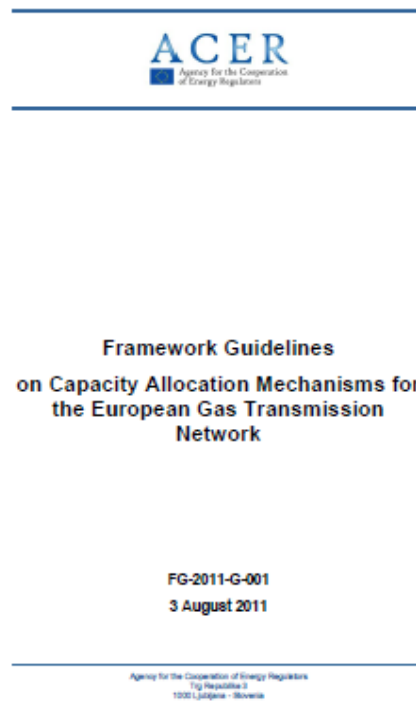


DECC – OFGEM 2nd Stakeholder Group For Gas

3rd Feb 2012

Matthew Hatch

ACER Framework Guideline



- **Draft Code issued 21st June 11**
- ENTSOG Code now based on ACER version of the FWG
- **Revised Code issued 30th Jan**
 - 4 planned SJWS workshops
 - + 4 additional
 - Good participation & engagement from GB stakeholders
- Stakeholder support process
- Internal ENTSOG governance²

ENTSOG CAM Code

- Similar concept to Entry regime (but very different in detail)
- Exit reform changes (IPs)
- No incremental capacity
- Gas day alignment for IPs
- CMP interactions
- Further Code development interactions (Tariff, Balancing & Interoperability)
- Bundled product
- Joint auctions
- Limit on flange booking & trading
- Mandatory bundling &
- Sunset clause

ENTSOG CAM Code

- **CAM Code:**
 - Applicable to IP points only within EU
 - Sets out minimum requirements
- **Principles of Co-operation:**
 - TSOs to coordinate and publish maintenance information at IPs / capacity levels
- **Standardisation of Communications:**
 - Online communications formats, protocols, data & access
- **Capacity Calculation Methodology**
 - Maximise technical capacity

ENTSOG CAM Code

- Allocation of Firm Capacity
 - Same auction design at IPs
 - Withhold min 10% (until year ahead)
- Standard Capacity Products
 - Yearly (15yrs)
 - Annual Quarterly (Y1)
 - Rolling Monthly
 - Day ahead
 - Within day

ENTSOG CAM Code

- Annual, Annual Quarterly, Rolling Monthly
 - = Ascending clock auction (multi round) cleared price
- Day ahead & Within day
 - = Uniform price auction (single round) cleared price
- Very different to GB auctions
 - Timings different, duration, unlimited price steps, pricing, incentives
 - Obligated / Non-obligated capacity
 - Does not include GB regime specific aspects e.g. incremental, substitution, T&T , overrun methodology etc..

ENTSOG CAM Code

- Bundled capacity
 - Firm available capacity on both sides to be offered as bundled
 - Where IP capacity levels different then difference to be offered as unbundled
 - Existing booked capacity to be bundled within 5 years
 - Default rule to apply
 - NRAs to mediate to promote bundling

ENTSOG CAM Code

- Interruptible
 - Min obligation to offer a daily product (day ahead) if firm is sold out
 - TSOs could jointly agree at an IP to offer product for a longer duration
 - Unidirectional IPs where firm offered in one direction then interruptible offered in the other direction
 - Users can request interruptible within day via over nomination
 - Only allocated when all firm sold out
 - TSOs to coordinate interruption at IP

ENTSOG CAM Code

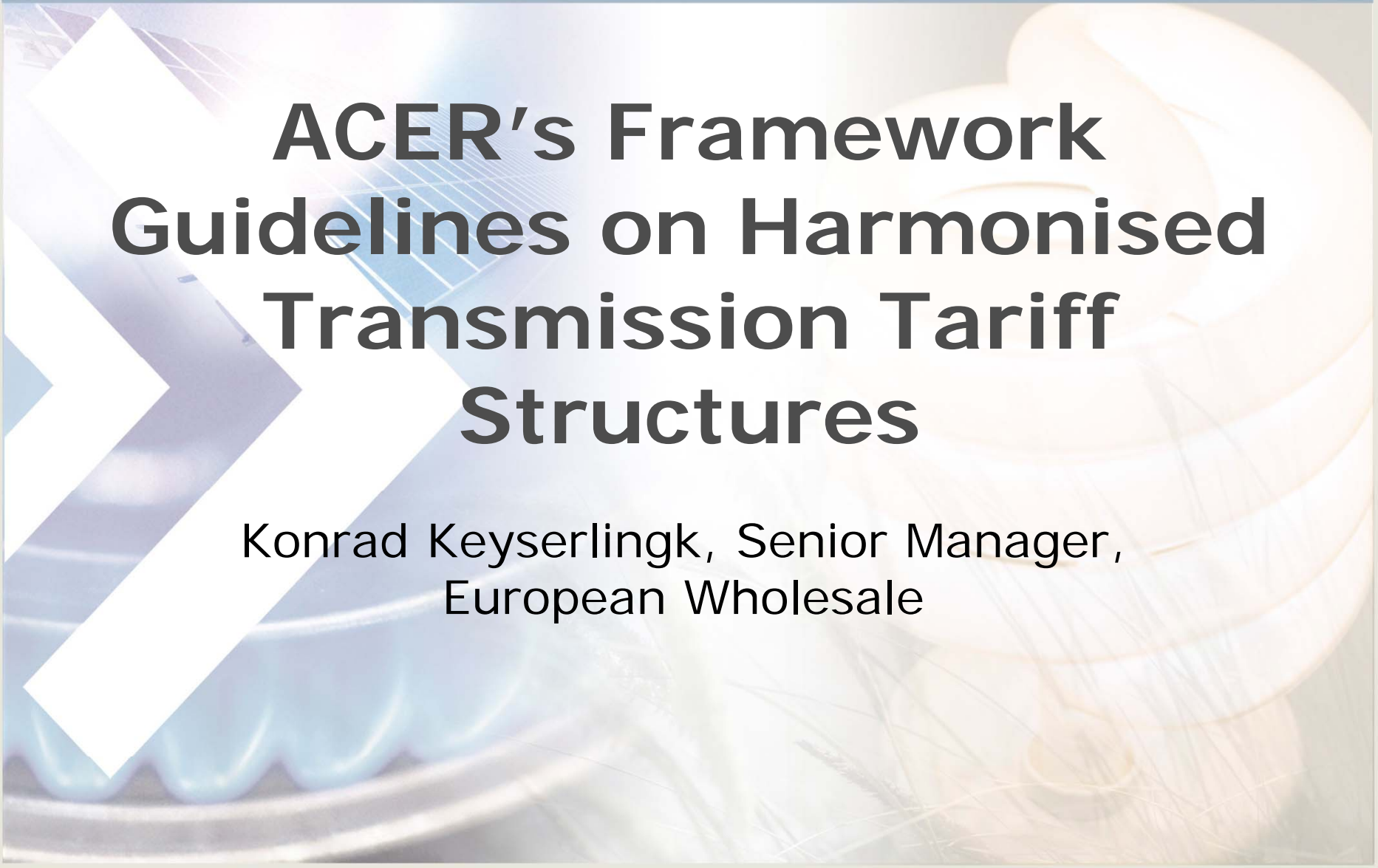
- Tariffs
 - Aspects included in CAM Code but subject to further Code development
 - Auction pricing
 - Revenue split (bundled capacity)
 - Over & Under recovery

ENTSOG CAM Code

- Booking Platforms
 - Via current platforms
 - One TSO or an agreed party acting on behalf of TSOs
 - Joint web based platform
- ENTSOG action plan to reduce platforms, market consultation
 - Timetable towards a single EU platform

ENTSOG CAM Code

- Provisions in excess of the scope of the CAM Code to be decided at a cross-border level
- Timeline
 - National T&Cs to be amended (and approved) within nine months of CAM entering into force
 - Additional 18 months to implement

The background features a large, stylized white arrow pointing to the right, overlaid on a blurred image of a globe. The globe is composed of blue and white segments, suggesting a global or networked theme. The overall color palette is light and professional, with a mix of blues, whites, and oranges.

ACER's Framework Guidelines on Harmonised Transmission Tariff Structures

Konrad Keyserlingk, Senior Manager,
European Wholesale

Process

- At September 2011 Madrid Forum, ACER was invited to consult on scope of a Framework Guideline on Harmonised Transmission Tariff Structures ("Tariff Structures").
- ACER is about to consult on:
 - Scope
 - Problem identification
 - Objectives
 - Initial set of policy options
- Watch out for invitation to ACER workshop (20 Feb in Ljubljana?)
- This is all preparatory work (formal Framework Guideline development process has not yet commenced)
- ACER will report back to the March Madrid Forum
- European Commission may invite ACER to draft Framework Guideline after

Key questions at this stage of the process:

What problems are we addressing? What are our objectives?

Problem identification (for consultation)

- Inefficient use of the system (e.g. high premiums for short-term or interruptible capacity)
- Undue discrimination (e.g. b/w cross-border and domestic flows)
- Incompatible pricing of products
- Under- and over recovery of allowed revenues
- Risk and uncertainty

Proposed objectives (for consultation)

- Efficient gas trade and competition
- Avoid cross-subsidies and undue discrimination between network users
- Cost-reflective tariffs and recovery of allowed revenues
- Allow new and efficient investments
- Transparency

Article 13 of Gas Regulation: facilitation of trade and competition, avoidance of cross-subsidies and undue discrimination between network users, cost-reflectivity, allowance of new investment and transparency.

Proposed scope (for consultation)

- Which entry and exit points ?
 - Interconnection Points (like CAM)
 - (Scope may include LNG, storage and production)
- Content?
 - Tariff structures (*≈ charging methodologies*)
 - Not the determination of allowed revenues
 - Cost reallocation between TSOs?
 - How to set reserve prices
 - How to deal with over- or under-recovery

Key questions (for consultation)

Key questions for each policy area: What are the cross-border aspects? Does this require harmonisation? Should this be in scope of a TAR FG?

- **How to determine the “reference price”?**
 - LRMC or actual costs incurred?
- **How to split revenue allowance between cross-border and domestic points (“cost allocation methodology”)**
 - Matrix methodology? Distance to Virtual Point? LRMC?
- **Reserve price structure**
 - What reserve prices to set for short-term and interruptible capacity?
Seasonal factors?
- **Definition of the payable price**
 - Simply the clearing price? Inflation adjustment? Or regulated price + auction premium?
- **Recovery of allowed revenues**
 - “Regulatory account”? Additional charge on flows or capacity?



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