


ACER

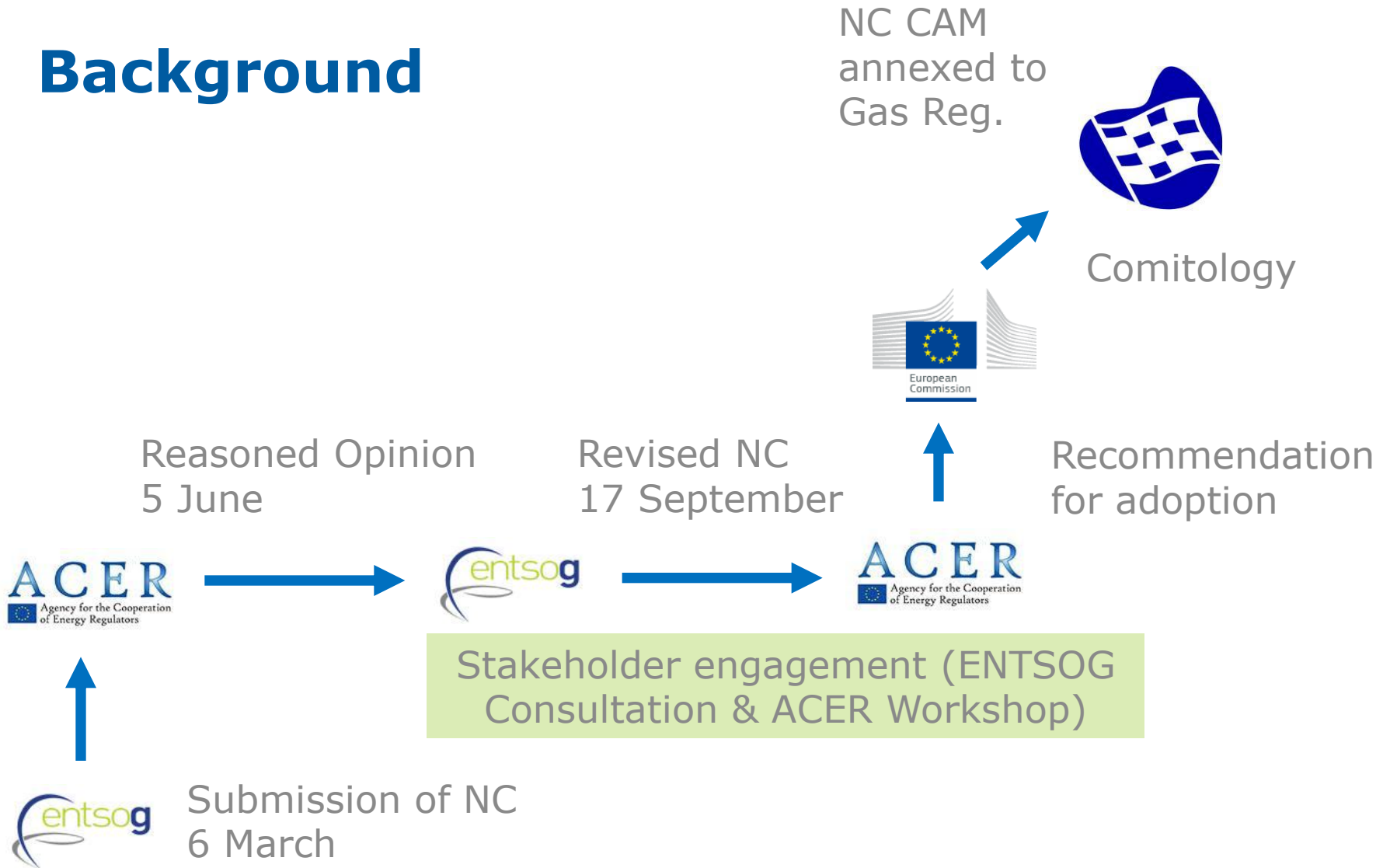
 Agency for the Cooperation
of Energy Regulators

Network Code on Capacity Allocation Mechanisms - ACER Reasoned Opinion

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Background



NC CAM – ACER reasoned opinion of 5 June 2012

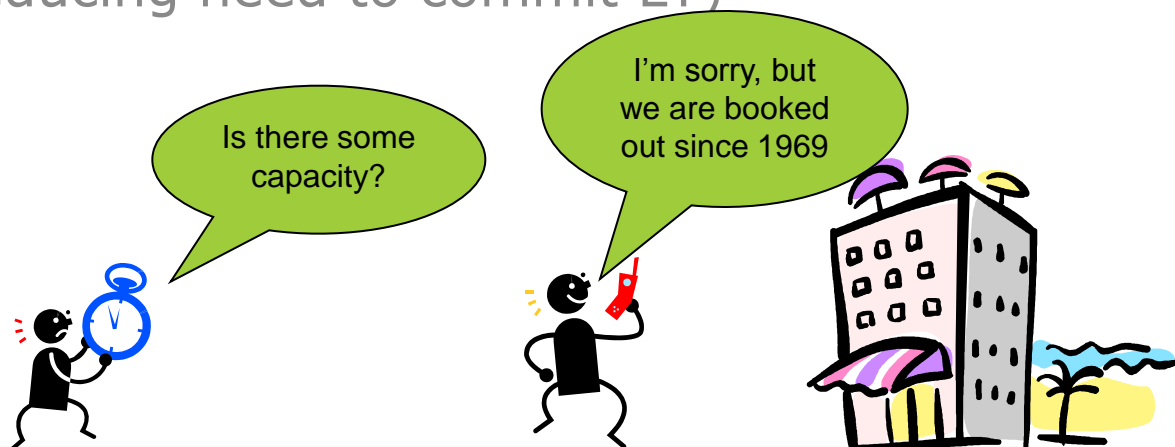
- ACER analysed the compliance of the network code sent to ACER on 6 March 2012 with the framework guideline **content** and **objectives**
- The network code showed a **high degree of compliance** and ACER welcomed the progress it would allow for the EU market
- **However:** ACER identified **11 areas of non compliance** where the main issues were
 - Inconsistency with the general design of capacity breakdown
 - Risks of congestion
 - Provisions beyond the scope of CAM

Controversial Issues with ENTSOE - Quota

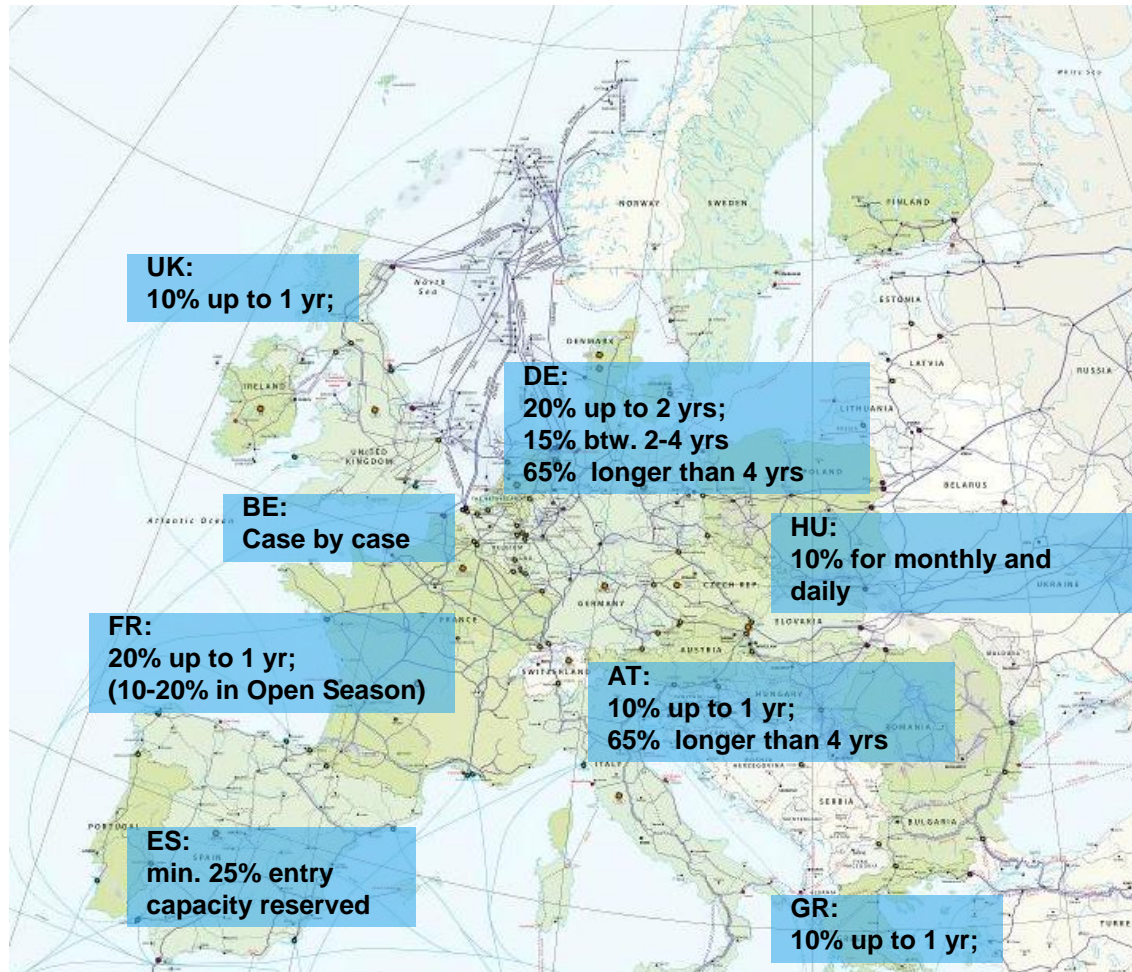
- Application of quota to new capacity
 - **ACER RO:** Standard Products, Bundling and quota to be applied to new capacity
 - **Coherent capacity system** to be ensured for new and existing capacity (allocation mechanism more complex → “Incremental work”)
- Capacity Breakdown (Mid-term quota)
 - **ACER RO:** NC should provide a mid-term quota
 - FG asks for **different** breakdowns not only between long and short term
 - Recommendation for mid-term quota (10%) for 4-5 years

Why is a quota important?

- Positive effects on competition
 - mitigating the risk of congestion
 - providing flexibility to compete for market entry on a level playing field (for new and existing shippers)
 - providing a guarantee that there is always some capacity (reducing need to commit LT)



Quotas applied in EU countries



- Quotas are already applied in various MS
- Most countries with quota apply it to new capacity as well
- Countries without quota tend to restrict capacity sales to some years ahead
- No harmonised approach

Source: ENTSOG Transparency Platform (Graph);
 Quotas NRA data



Further Controversial Issues with ENTSOG

- Sale of unbundled firm in case of technical mismatch
 - ACER RO: Only up to the rolling monthly auctions
 - FG only provides for unbundled offer in case of a contractual mismatch
 - In case of a technical mismatch rolling monthly offer would facilitate achievement of policy aim [of bundling all capacity a.s.a.p.]
- Tariffs
 - ACER RO: Revenue equivalence principle to be deleted, auction premium split 50/50 instead of “proportionally”
 - CAM NC should not prejudge work on Tariffs

ACER's efforts for „compromises“

- **ENTSOG** stakeholder engagement document: no intention to address all concerns
- **ACER understood that TSOs concern** refer to *possible* detrimental effects on revenues or cash flows
- **ACER was ready to provide comfort to TSOs**
 - A compromise on the “tariff provision” could have been introduced in the CAM NC
 - ENTSOG to change remaining issues → Not supported by ENTSOG GA

Network Code compliance with ACER RO

Definitions	
Application to New Technical Capacity	
Standard Contracts	
TSO Cooperation	
Capacity Breakdown	
Sale of Unbundled Firm Capacity	
Amendment of Existing Capacity Contracts	
Interruptible Capacity	
Tariffs	
Incentive Regimes	
Interim Period	

Next Steps

- ACER **not satisfied** that revised NC is **fully** line with FG/RO
- ACER **qualified recommendation** for adoption of NC to EC early October
- EC preparing for **Comitology procedure** (Dec. 12/Jan.13)

Thank you for your attention!



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