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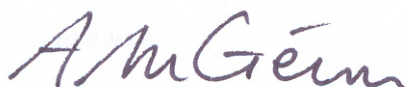
Brussels, 15 October 2010

Dear Mrs Geitona,

Please find attached the EURELECTRIC comments to ERGEG public consultation on "Capacity Allocation Mechanisms and Congestion Management Procedures for effective Access to Storage and Proposal for the Amendments of the GGPSSO".

We thank you for your attention.

Best regards,



Anne-Malorie GERON
Head of Markets Unit



Inge PIERRE
Chairman of EURELECTRIC WG Gas

Encl: 1

**EURELECTRIC Comments to ERGEG public consultation on
Capacity Allocation Mechanisms and Congestion Management
Procedures for effective Access to Storage and Proposals for the
Amendment of the GPPSSO**

GENERAL REMARKS

EURELECTRIC, the sector association representing the common interests of the Electricity Industry at pan-European level, regards positively this ERGEG consultation. The Guidelines of Good Practice of Storage System Operators (GPPSSO) may represent another step forward on the way of liberalised and more competitive gas markets.

EURELECTRIC calls for a market-based design of CAM and CMP rules applicable to storage activities, a system which shall allow for non-discriminatory and transparent mechanisms by ensuring competitive and efficient use of storage capacities.

Gas storage indeed represents one of the most important flexibility tools that power companies may use to hedge risks of supply shortages and, ever more, to compensate swinging demand from their facilities. Particularly, we recall here that whereas seasonal balancing and security of supply represent two typical purposes for acquiring storage capacity by suppliers and retailers, utilities' portfolio optimisation will become increasingly important in a carbon-constraint world, where gas-fired electricity generation will have to make up for the intermittency of the renewable sources currently being massively exploited (i.e. wind and solar).

EURELECTRIC thus judges as valuable the stated aim of the consultation, namely the enhancement of the existing GPPSSO. We support this idea and call on Regulators to fully take into account the needs of the power sector.

SPECIFIC COMMENTS

CAPACITY ALLOCATION MECHANISMS (CAM)

EURELECTRIC shares the focus on the improvement of market mechanisms applied to CAM, in particular auctions. However, the proper functioning of market mechanisms particularly depends on the degree of competitiveness of national gas markets.

Storage facilities are not evenly spread across Europe, and their utilisation is fairly variable within the EU. Moreover, different realities exist in different Member States as regards the availability and access of power companies to storage. In some EU markets, power stations are not entitled to directly use this particular flexibility tool. In other countries, however, power stations (as in the UK) may access or build storage capacity. We believe that this shall be duly reflected by the GPPSSO.

In those countries where demand for storage capacity largely exceeds the supply, and there are only a few storage operators (or even one in some cases) the Open Subscription Period (OSP), suggested in paragraph 5.3.1.f (p. 20) may produce inefficient results.

The OSP is intended to provide the SSO with an overview of the capacity required before deciding upon the best mechanism for allocating the capacity. As a matter of principle, this mechanism is broadly acceptable. However it can assign excessive market power to SSOs in the context of scarcity of capacity supply. The choice of the mechanisms might potentially benefit some possible customers over others, thus undermining the competitiveness of storage users on the market.

CONGESTION MANAGEMENT PROCEDURES (CMP)

In line with what has been stressed above, EURELECTRIC deems as excessively restrictive some of the proposals on CMP, notably the obligation for SSOs to “ask primary customer to relinquish its renomination right by selling back capacity to the SSO and offer the unused capacity on the secondary market on **firm basis**” (par.5.3.2.f, p. 23). Whilst such a measure may be appropriate with regard to transmission capacity it is far less appropriate as regards storage capacity, which is acquired principally to provide renomination flexibility and option value.

System users value and use storage as a flexibility tool that can be used in the very short time. Given the markets features in which they operate and bearing in mind the portfolio optimisation argument previously explained, it becomes clear that this short term flexibility is particularly valuable for power companies.

Storage users could thus be encouraged (or obliged) to release unused capacity “at least on an interruptible basis” with the aim of reducing congestion without threatening the flexibility of their portfolios. On the other hand, short term unused capacity may be offered by SSOs on **firm basis**, thus making the best use of the aggregate information and the technical features of their storage systems.