

Milan, 31st August 2015

## **Edison's answer to ACER public consultation on the Incremental Capacity Proposal and further NC CAM amendments**

### **WHO WE ARE**

Founded in 1884, Edison is Europe's oldest energy company. Today Edison, which is part of EDF Group, it's one of the most important Italian operators in the procurement, production and marketing of electric power, natural gas and crude oil.

In the electric power business, Edison has a fleet of highly efficient facilities with a diversified production mix ranging from combined cycle gas turbine (CCGT) plants to hydroelectric, wind, solar and biomass.

In the hydrocarbons business, Edison has extensive Exploration & Production of hydrocarbons activities in the Middle East and Africa and is committed to develop European gas import infrastructures.

In 2008, Edison, already active in the wholesale markets, entered the Italian residential market, and in achieved the milestone of one million customers served in Italy.

Edison and its subsidiaries operate across Europe (Italy, Greece, UK, Norway, Croatia, Bulgaria, Romania, Belgium and Turkey), Africa (Algeria), Middle East (Egypt).

### **ANSWERS TO ACER'S SPECIFIC POINTS**

- 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.**

Partially. Please, find below our comments and suggestions.

Generally speaking, we appreciate Acer's efforts to simplify the entire procedure but we wished that this attempt had been made before, during the consultation run in March 2015 rather than today, in the last step of the process. The current version of the text has been dramatically



changed, sometimes making the comparison with the previous one very hard to make, especially without any public hearing/workshops that would have been very helpful.

### *Article 3*

#### **Definitions**

Concerning the definition of **alternative allocation procedure (point 23)** we don't see any evident advantage in including the sentence "(...)*where it can be shown that the ascending clock auction is not suitable*" and therefore we suggest to delete it.

Indeed, in the whole Regulation, we don't find any further reference to this condition to be demonstrated. We understand that the assumption is that the ascending clock mechanism can't work properly in case of conditional bids (and we agree with this idea) but we would suggest to eliminate the sentence in order to avoid any misunderstanding. (One could think that in order to adopt an alternative procedure, a further evidence to those foreseen in article 20d should be provided).

### *Article 20a*

#### **Demand assessment**

Concerning point **number 11, letter (f)**, we think that also "*non-binding demand indications submitted by network users during the previous incremental capacity process but after the deadline for non-binding demand indications*" should be expressed in an aggregated way (as at point 11 letter (b)), in order to avoid the disclosure of sensitive information.

### *Article 20b*

#### **Design phase**

On the Project Proposal (**point (5)**) we suggest to specify that the publication of the version sent to NRAs is done by TSOs (and not by NRAs themselves), to avoid any confusion.

Moreover, on **point 5(b)**, we appreciate the fact that among the information that must be included in the project proposal sent to NRAs there is "*how possible delays in the provision of capacity or the event of a disruption to the project are dealt with contractually*". On a shipper's perspective, we consider this point very important in order to enter into long term capacity contracts and, for this reason, we would ask to include also this aspects among the elements that must be part of the consultation, so that network users can express their opinion about it. Consequently, **20b (3) letter e** could be amended as follows (you can find in in red the words we have added):

*The consultation shall cover at least the following elements: (...)*



*(e) any general rules and conditions that a network users must accept to participate and access capacity in the binding capacity allocation phase of the incremental capacity project **including any collaterals to be provided by network users and how possible delays in the provision of capacity or the event of a disruption to the project are dealt with contractually.***

#### *Article 20c*

### **Auctioning of incremental capacity**

It should be clarified (here or in art. 20d) that art 20c<sup>1</sup> doesn't apply in case an alternative allocation mechanism takes place. On the contrary, it would create confusion on how the alternative mechanism should be set and work (for example one could wonder if the ascending clock mechanism should run also in the alternative mechanism).

#### *Article 20d*

### **Principles for alternative capacity allocation mechanisms**

As already remarked in the past, we don't think that **conditional bids** should come only from the *demand assessment phase*. It is important that shippers can express conditional bids also during the consultation phase, that is, when they are aware that a specific incremental project is on the way. This would represent an advantage for the whole procedure, because it would allow a wider demand participation. On the contrary, according to the current formulation, shippers that might be interested in a particular form of conditionality for a specific project and that, for whatever reasons did not expressed it in the demand phase, would not be allowed to express it anymore. For this reason we suggest the following:

2. *An alternative capacity allocation mechanism can be used, subject to national regulatory authorities' approvals, **where market feedback during the demand assessment phase and during the consultation defined in art. 20b (3) expressed a clear need for conditional bids to be allowed during the allocation procedure as follows:***

- (a) the incremental capacity project involves more than two entry-exit systems and bids are requested along several interconnection points during the allocation procedure; OR*
- (b) bids spanning a number of different yearly capacity products at an interconnection point are requested in one of the following two cases: the incremental capacity project involves more than two entry-exit systems and bids are requested along several interconnection points during the allocation procedure; OR it is substantiated by transmission system operators and*

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<sup>1</sup> *"The involved transmission system operators shall offer the incremental capacity together with the respective available capacity in the annual yearly capacity auction as standard bundled products in ascending clock auctions according to Article 17 as a default and in accordance with Articles 8(8), 8(9) and 19".*



*supported by the public consultation that these bids, if fulfilled, are not detrimental to competition or the effective functioning of the internal gas market.*

Moreover, the formulation of the entire article is pretty unclear, especially **point (b)** and we ask for a formulation that set in a clearer way when the alternative capacity mechanisms can be applied. We also consider the sentence *“it is substantiated by transmission system operators and supported by the public consultation that these bids, if fulfilled, are not detrimental to competition or the effective functioning of the internal gas market”* as a self-standing point, and consequently it should be marked as letter (c).

Finally, **on point (3)**, we think that **the list of conditions** between binding commitments of network users that are admitted in the binding phase should not be exhaustive, in order to avoid any future situation where other conditionalities are asked by network users but they can't be put in place because they were not previously foreseen in the Regulation. The project proposal should include also the possibility of other conditions, that however, as well as the others, need to be approved by NRAs for becoming effective in the binding phase. For this reasons we suggest the following amendment:

*3. (...) In accordance with Article 20b paragraph (5)(f), the transmission system operators shall specify in the project proposal, which of the following conditions between binding commitments of network users for contracting capacity are admitted in the binding phase of the alternative capacity allocation mechanism:*

*(a) commitments across a specified time period and a number of different yearly standard capacity products at an interconnection point,*

*(b) commitments linking or excluding commitments at other interconnection points, and*

*(c) commitments conditional to the allocation of a specific or minimum amount of capacity.*

*(d) other conditions between commitments*

**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.**

Yes, we don't see any contraindication to move the annual yearly capacity auctions from March to July, also considering that in many countries, yearly capacity has been allocated so far in the second part of the solar year.

On the contrary, we disagree with ACER's proposal (article 13) to anticipate the monthly auction (from the third to the second Monday of each month) since shippers will not necessarily have enough visibility to know whether monthly capacity is needed or not.



Besides, this change is not justified in order to allow for sufficient time to calculate and publish the tariffs for the upcoming tariff period.

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.**

Edison thinks that a dedicated process should be set in order to discuss amendments that are not related to the Incremental Proposal and that has never been discussed so far. These changes are proposed only in the final phase of the process, moreover without any public workshops and some of them touch important issues like the bundling of existing capacity (art. 20.1)

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

Yes.

We think that different Entities might be interested in the development of incremental capacity at IPs, as for example other TSOs or Project Promoters that are going to develop new adjacent infrastructures. Consequently, also these Subjects should be allowed to express their interests in incremental capacity by sending non-binding indications to TSOs, so triggering the entire process. As a matter of fact, this possibility has been already adopted in some recent market tests, approved by NRAs.

As a consequence, art. 20 a letter 5 could be reformulated as:

~~Network users~~ demand indications should submit no later than 8 weeks after the start of the annual yearly auction. (...)