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Herrn Mag. Michael Schmöltzer
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Revision of the gas market rules Gas Market Model Ordinance 2012; Draft March 30, 2012

Sehr geehrter Herr Mag. Schmöltzer,
sehr geehrte Damen und Herren,

Regarding the above mentioned draft version of the ordinance for the implementation of the new Austrian Gas Market Model according to the Gaswirtschaftsgesetz (GWG 2011), BP Gas Marketing Ltd (BPGM) is happy to provide the below comments, which are based on the statement initially provided by EFET Task Force CEEG on March 12, 2012 regarding the initial draft dated February 2, 2012. BPGM strongly supports all issues, which had been laid out in the above EFET statement and urges you to take as much of these into the final ruling to ensure that all market participants receive equal treatment and access to the Austrian gas market.

We would additionally like to highlight the following issues:

- Provision of a transitional solution for the merger of all current Austrian trading points into the new Austrian Virtual Point, to allow existing deals which do reach beyond the implementation date of January 1, 2013, to guarantee a controlled amendment of the respective contracts to reflect the new trading location and its conditions as well to allow the operator of such trading points to manage his risks with such a transition.
- As had been laid out by the EFET statement of April 23, 2012, only a single balancing zone and one virtual point with no separation into qualities or layers should be present per market area. Currently we are concerned that there is foreseen such split into wholesale and distribution level. We understand that the GWG 2011 does allow such a split, but would recommend to support at least a netting functionality between these layers, to avoid shippers getting penalized into opposite directions at same time.
The split of balancing zones between transit and domestic supply will also frustrate the offer of balancing services (which must be split according to system) and tradable gas (whose location will need to be specified in trading confirmations). Separate pricing could potentially emerge. We believe it would be better to retain a single hub for pricing and balancing.

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- Balancing with daily cash out as is most likely to be concluded thru the Framework Guidelines and Network Code Balancing and even German Regulator BNetzA recently set out a long awaited ruling on balancing. Instead we find in the draft forced sale/purchase model suggested, which has not been discussed widely. Especially during the phase of liquidity build up at the new Austrian VTP we are concerned about this model if no cap for such balancing prices is implemented. Further like with the Dutch balancing system it should be recognized, if a shipper is "helping the system" with his direction of imbalance and no penalty should be incurred at all at such instance.
Moreover liquidity at the exchange is currently low. Any cashout regime that references prices on the exchange (e.g. when the system is in balance but individual shippers are out of balance, so no physical gas is bought or sold but a cashout price must still be set) may require transitional protection to ensure the prices used are at a reasonable level.
- Current arrangements for trading at the exchange are not acceptable to all players. In particular we have raised concerns that if the hub is physically short, it may not be possible for affected parties to seek redress from those causing the short. This has been resolved at other trading hubs, but we have not been able to reach a satisfactory conclusion with ECC. We would advise against a balancing regime that might give players no alternative but to choose between signing up to undesirable terms or leaving the market.
- Trading of secondary capacity should be allowed on a market based solution with no limitations on price to allow true value of such service identified.

We would be happy to further discuss with you.

Mit freundlichen Grüßen,



Joachim Rahls

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