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Energie-Control Austria
Rudolfsplatz 13
1010 Vienna
Austria

April 19, 2012

E.ON response to E-Control consultation of the Gas Market Model

Dear Sir or Madam,

We refer to your public consultation of the new ordinance for the Gas Market Model 2012. We welcome the amendments to the former draft.

However, from our point of view further improvements are required to increase market efficiency.

Chapter 1: Basic Elements

§2 (Section 2)

Relevant definitions are still missing or have been disappeared from last draft and are not defined in the Gas Law:

- „decoupled capacity“ (dynamisch zuordenbare Kapazitäten)
- „market area manager“
- „clearing and settlement agent“
- „balancing incentive mark up“

Chapter 2, Part 1: Access to the Transmission Network

We would like to revert to our comments stated in the framework of the last consultation process of e-control in March 2012.

In order to improve the integration of the Austrian gas market into neighbouring systems, the variety of capacities offered shall be restricted to one firm and one interruptible product with different duration. Whereas the amount of available firm capacities is limited for technical reasons, interruptible capacities should be available without any limitation. In addition there should be no differentiation between different categories of probability of interruption. Interruptible capacities should be allocated on a first come first served basis.

Furthermore, in our understanding, the option has to be implemented that the shipper who booked interruptible capacities and books firm capacities afterwards shall have

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the option to transfer total or part of the booked interruptible capacity into firm capacity up to the amount of the booked firm capacity.

Finally, further aspects of the management of interruptible capacities have to be specified.

Concerning pricing, interruptible capacities should be offered with a discount compared to firm capacities due to its risk of interruption.

In addition it should be specified what happens with the capacity charge if the shipper is interrupted.

§3 (Section 3)

We would like to stress again the importance of the new capacity model. As already stated in our comments of the first and second consultation of the new gas market model, one precondition for the new model shall be that the transports which were possible in the former model will be the same in the new model without any limitations or additional costs. In this respect we would appreciate that the system operators consult the shippers in order to evaluate the new market model and its capacity outcome. In this process the shippers should also be given the opportunity to adjust their current capacity bookings which may necessitate recalculations of the capacity model. Thus the efficiency of the capacity allocation in the gas market can be improved and congestions reduced.

- (4) Further explanations defining the process how the TSO shall buy back the relevant capacities are missing.

§4 (Section 4)

- (1) Bundled capacities shall be an option rather than an obligation to be offered at interconnection points. Even if the neighbouring TSO will also offer bundled products, shippers shall have the option to book entry and exit capacities separately.

§ 6 (Section 6):

The obligation 'in good time before 1st January 2013' has to be specified to give certainty for market participants.

§8 (Section 8):

- (1) In order to be fully in line with the NC on CAM it should be further specified that at least 10% of the technical capacity has to be reserved for capacity duration of less than or equal to one quarter.
It is unclear if the indicated 65% of the technical annual capacity that may be allocated to products with contract durations of more than 4 years shall be seen as a limit. In this case, this should be better clarified, e.g. "up to 65 percent of the technical annual capacity".
- (3) Neighbouring TSOs may have the option to adjust the percentages mentioned in paragraph (1). However, before neighbouring TSOs should be allowed to change

such percentages, a good cooperation between them and a consultation of the respective regulators should be ensured.

§10 (Section 10):

According to the explanation report to the new gas market model, "*...prices for traded capacities shall not exceed the original price*".

This should be defined more precisely especially taking into consideration that primary capacities shall be marketed in future via auctions and prices for such primary capacities could vary significantly from auction to auction due to actual market parameters on a given day.

We fully understand that trading of capacities at speculative exaggerated prices and possibilities to evade UIOLI mechanisms shall be prevented. Nevertheless we would like to point that from our point of view trading of capacities at market based prices should be possible, i.e. market participants should be given the possibility to trade capacities at a higher price compared to price originally paid.

Furthermore and as already stated in the framework of the consultation process in March, we do not agree that publication of prices shall be obligatory.

§12 (Section 2)

- (3) We would like to refer to our comments in the framework of the last consultation concerning the new gas market model: It should be provided that the written information to be submitted by the system users shall be addressed to the regulatory authority, after having been informed by the TSO about any situation as described in paragraph (2). System users should not be obliged to share confidential information about their contractual obligations or contractual gas procurement alternatives with TSOs.

§ 18 (Section 18)

- (6) According to the NC Balancing the preferred balancing period should be the gas day. For system integrity the transmission system operator may impose within-day obligations. However, these Within-day obligations should be limited to technical restrictions (i.e. particularly ramp rates, scheduling obligations, nomination lead times) and subject to an exemption granted by the relevant NRA after consultation with market participants.
Other obligations such as limitations of the balancing period going beyond technical restrictions are not necessary to maintain system stability. If nevertheless such obligations should be necessary, they should be clearly defined and accompanied with a timely supply of information on each network users' individual balancing status that enables him to steer his flows in a manner that would avoid charges.

§19 (Section 19)

- (4) Due to the fact that the Market area manager is given a very important role in signing several contracts on behalf of other market participants we would like to stress that for the acceptance in the market this person shall be entirely independent. Therefore, we suggest that the market area manager shall be an independent subsidiary of all TSOs.
- (7) There should be no restriction for the market area manager at which market place system imbalances are bought or sold.

§22 (Section 22)

Reference is made to our comments sent to e-control in the framework of the last consultation. From our point of view, all exit and entry points are charged with the balancing incentive mark-up, i.e. imbalances during the day are balanced by the network operator and costs are distributed to all users that cause such structuring measures. For this reason – and in line with the current German regulation – it is our understanding that border interconnection points especially regarding the transit of volumes will only be affected by this kind of charges in case of any mismatches.

§25 (Section 25):

- (3) The frequency of the data transfer has to be further defined.
- (7) Information about the line-pack available to the market area sent from TSOs to the MAM should be published on aggregated level and on hourly basis.

§26 (Section 26):

We would like to refer to our comments sent to e-control in March 2012. The balancing regime outlined in this draft is not clear and should be further clarified.

- (1) From our point of view there is no reason for different treatment of deviations between consumer schedules and actual consumption.
- (2)/(4) As already stated above, the preferred balancing period should be the gas day. In case an hourly balancing period is implemented, the market parties should be provided with the relevant information and instruments in such a way that they are in the position to balance their accounts accordingly. According to our understanding a within-hour obligation to balance imbalances is not fully in line with the Framework Guideline Balancing.
- (5) It is not clear why any imbalances should be transferred to another gas day. From our point of view imbalances should be settled on a daily basis charged with the relevant daily imbalance price.
- (6) This paragraph is rather unclear and should be further clarified.

- (7) The calculation of the market area position should be further defined taking into account all necessary elements.
Before introducing within-day obligations on balancing groups, the MAM should operate via location related trades to be in the position to solve particular local issues and to ensure network stability

§31 (Section 31)

According to our understanding the Merit Order List is a complementary instrument to balance the system within-day by the MAM. The Merit Order List should only be used in case of insufficient liquidity at the VTP.

- (2) In a daily balancing system the product “rest-of-the-day” shall be included.
- (7) In order to improve efficiency of the market, a pro-rata allocation should be preferred instead of the mentioned ‘larger volume offer’ criteria in case of equal price offers.

In case of any further questions please do not hesitate to contact us.

Yours sincerely,



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