

CAPACITY ALLOCATION ON EUROPEAN GAS TRANSMISSION NETWORKS **Comment of VNG – Verbundnetz Gas Aktiengesellschaft**

During the discussion of reforming the capacity management concerning the transmission networks for natural gas in order to reach a harmonised European internal energy market, the ***European Regulators' Group for Electricity and Gas (EREG)*** has made extensive proposals. VNG – Verbundnetz Gas Aktiengesellschaft supports all efforts for amelioration of competition in the European gas market by

- unitary (also in terms of law)
- transparent and
- effective conditions for access to the transmission networks.

In order to reach this aim, it is mandatory that these unitary European rules entailing effective access to the transmission networks proposed by EREG come into force without any special provisions (e.g. for transit or mandatory storage of gas) and without any privileges in each of the member states. A standardised capacity allocation system for all the member states will be of special importance concerning that matter. Therefore, any national variation leading into differences in the treatment of companies is to be avoided.

In order to keep the balance of power between producers of natural gas domiciled outside the European Union and European natural gas importers, the actual system of separate bookings of entry- and exit-capacities and the possibility to book long term capacities must be maintained at the boundaries of the European Union. This is the only way to continuously secure diversification concerning the sources of supply and to ensure competition and security of supply.

A pooling of entry-capacities at the boundaries of the European Union with exit-capacities originating from adjacent transmission networks which are not accessible on a non-discriminatory basis in order to form unitary cross-border zones would lead to access to the European markets for only the market dominating producing companies, excluding the importing companies. Perspectivley, this will cause even more dominance of few gas producers, and the resulting dependencies will jeopardize security of supply in the EU.

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Due to the availability of new natural gas sources (e.g. in Qatar) and liquified natural gas (LNG), Europe competes worldwide for natural gas, whereby very dynamic national economies such as China and India will bind huge quantities of natural gas.

The above said unfolds severe relevance, since the proposals mentioned above are based on the assumption that the physical flows of natural gas within the European internal market are assured on a long-term base. A lack of supplies of LNG due to the aforesaid reasons would have a considerable impact on the physical gas flows in Europe and would cause distortions of the internal market.

For the avoidance of putting off the economical balance in favour of the gas producers, the further necessity of usage of flexible transfer terms has to be taken into account, while configuring these terms in the supply contracts with the producers at the same time.

Though, a constriction of the re-nomination rights would cause such effects.

Pursuant to the reasons mentioned above it is mandatory for achieving a harmonised European internal energy market to:

1. establish legally standardised, transparent and effective conditions for access to the natural gas transmission networks without any special terms in all Member states,
2. consider in detail the globalisation of the procurement of natural gas, the growing influence of LNG-quantities and the resulting change of the physical gas flows,
3. keep up the market balance between European natural gas import enterprises and non-European natural gas producers and
4. maintain long-term capacity contracts especially at the external frontier of the European Community and to not endanger the security of supply.