



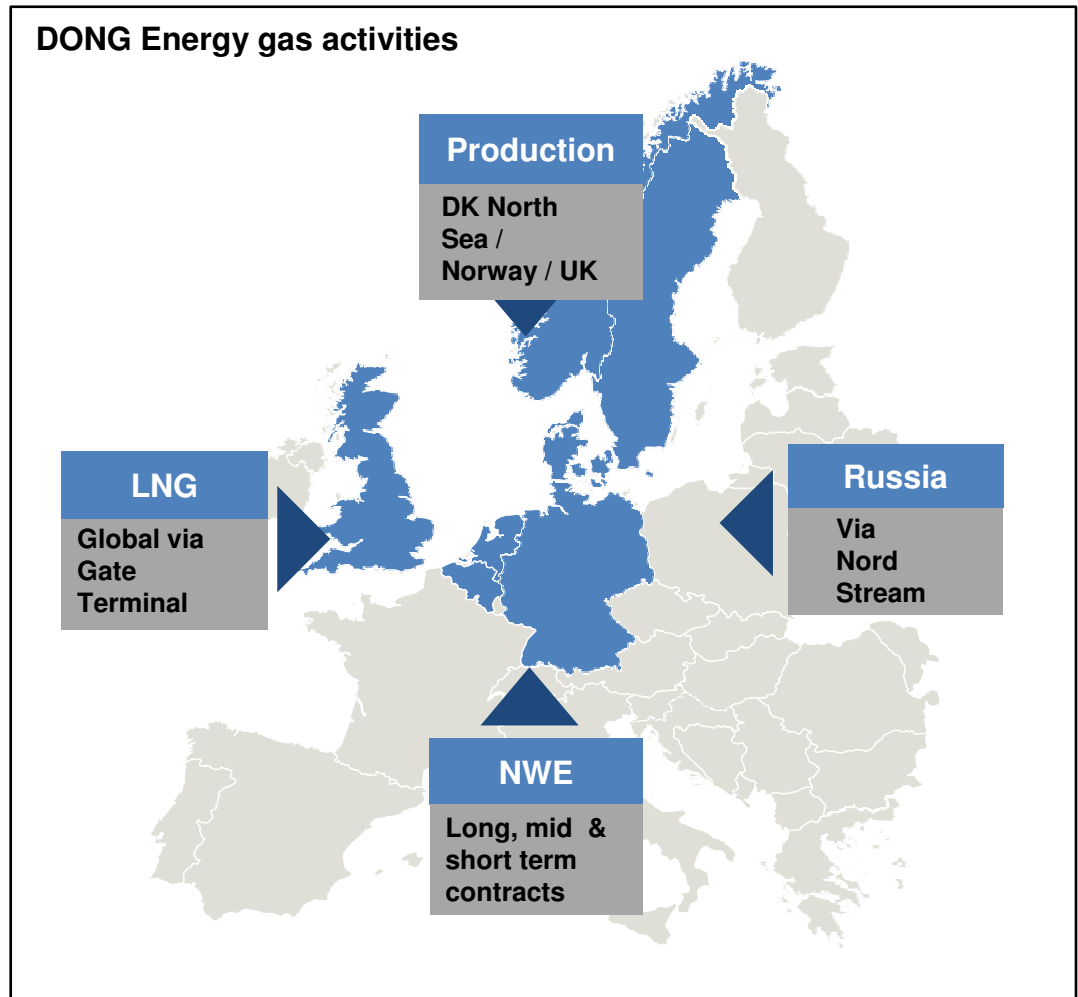
# ERGEG Workshop – Pilot Framework Guideline on Gas Capacity Allocation Stakeholder View by Vagn Pedersen, Senior Regulatory Advisor, DONG Energy

February 2nd in Brussels

# DONG Energy in the North West European Gas Market

DONG Energy's gas supply portfolio is a combination of own production, long supply contracts from NWE and Russia as well as LNG.

DONG Energy holds a diversified portfolio of suppliers and contracts in order to provide a high level of security of supply.



# Overall considerations

- The fundamentals:
  - A sufficient, efficient and sound physical infrastructure is crucial for the gas industry.
  - All market players are dependent upon a transparent and stable regulatory framework as basis for sound business decisions.
  - An unclear, unstable and/or unattractive regulatory framework may harm otherwise good business cases - as well as postpone and jeopardize investment decisions.
  - Gas supplies must be physically transported over still wider distances. Gas producers must make substantial investments to make the gas available for the market – consequently, it is necessary for the market to show its attractiveness for the producers by guaranteeing long-term "security of demand".
  - The commitment of shippers to support infrastructure investments by long-term capacity bookings are necessary to attract investors - the regulatory framework must support this.

# The capacity situation is already improving

- DONG Energy recognizes the progress resulting from the hard work by market players including ERGEG :
  - Market area integration/cooperation. (Establishment of NCG & Gaspool; Gaspool/Thyssengas platform, Eucabo platform etc.)
  - The improved availability of transport capacity (capacity release agreements, secondary market etc.)
  - Enhanced cooperation between NRA's and between TSO's (Open Seasons - Energinet.dk/Gasunie etc.)
  - Integration of H-gas and L-gas market areas (NL)
- Many excellent initiatives have been taken in recent years – the market needs time to absorb these changes – a little patience is required before clear results start to click-in.
- HOWEVER : Many current national regulatory initiatives seem asynchronous compared to EU's 3rd Package.

# Allocation of Gas Transport Capacity

## Dys-functioning Market

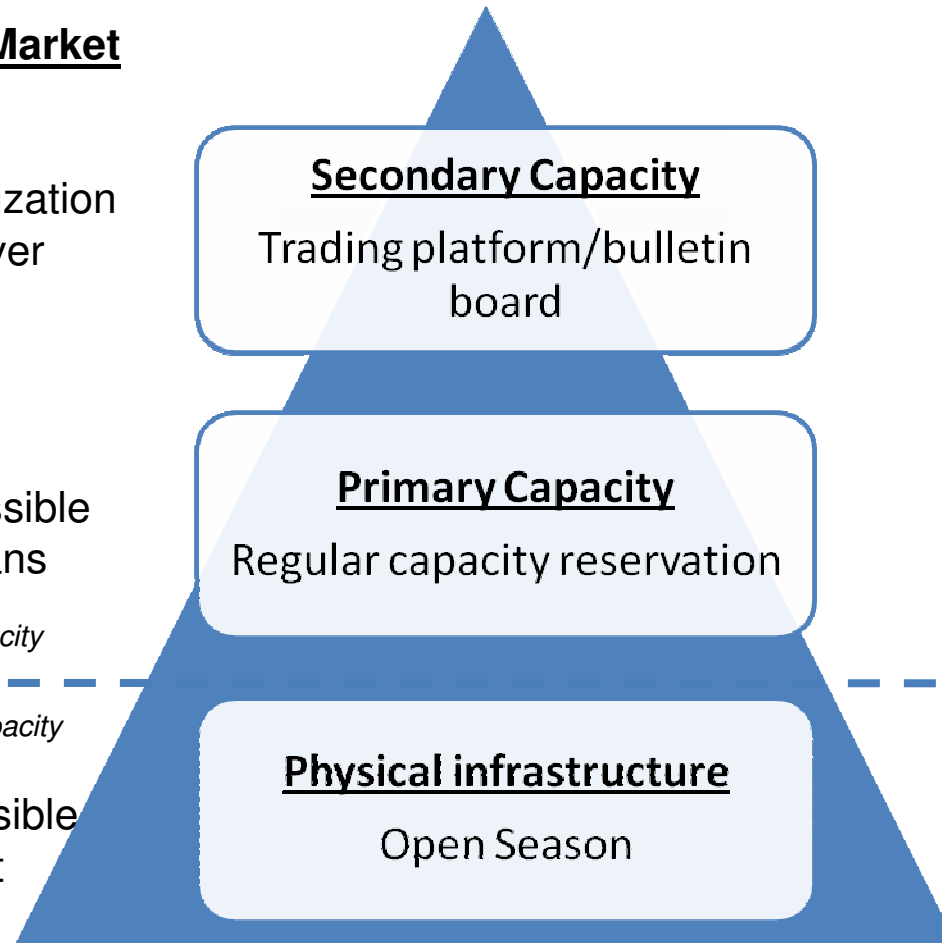
- short term, optimization & necessary to cover sales plans

- mid term, not possible to cover sales plans

*Sufficient physical capacity*

*Insufficient physical capacity*

- long term, not possible to establish market position



## Well-functioning Market

- short term, optimization

- mid term, to cover sales plans

- long term, establish market position

# Considerations vis-a-vis the Framework Guideline

## 1. Re-allocation of existing pipeline capacity/limitation of booking periods

1. DONG Energy believe in market/sales driven mechanisms. Therefore, DONG Energy do not support the above suggestions.
2. A number of Open Seasons have been conducted - or are in progress
3. Access to existing, primary capacity seems to be a matter of allocation. Auctions may provoke unrealistical high transport tariffs. DONG Energy support allocation via "Open Subscription Periods".

## 2. No separate transit regime

1. Without a separate regime, transit volumes have to pass each hub/virtual point and the TSO's must make capacity reservations to also bring these volumes to all points of the exit zone. DONG Energy suggest a more intensive use of "Flow Commitment" and others appicable tools in order to avoid contractual congestion caused by transit volumes.

## 3. Limitation of re-nomination rights

1. Limitations of re-nomination rights will limit shippers from securing the physical delivery of gas. Furthermore, shippers will not be able to take full advantage of short-term trading opportunities. Consequently, DONG Energy is against the idea of limitation of the re-nomination rights

# Thank you for your attention !

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