



Mrs. Fay Geitona
Secretary General
Ceer
Rue le Titien 28
1000 Brussels
Belgium

Naturgas Midt-Nord I/S

Vognmagervej 14
DK-8800 Viborg
Tlf.: 8727 8727
www.midtnord.dk

HNG I/S

Gladsaxe Ringvej 11
DK-2860 Søborg
Tlf.: 3954 7000
www.hng.dk

25. juni 2007

Sagsnr.: 2007060159
Tlf. dir.: 3954 7589
Fax: 3955 7801
oekoplan@hngmn.dk

Comments on: Draft ERGEG Guidelines of Good Practice on Functional and Informational Unbundling

ERGEG sent the “Draft ERGEG Guidelines of Good Practice (GGP) on Functional and Informational Unbundling, 12. April 2007” to public comments.

In the Draft ERGEG state the following:

.....”*In principle, regulators consider ownership unbundling to be the preferred method. Of course, new legislation requires some time to come into force. The interim period is crucial until the comprehensive legal and regulatory framework with regard to unbundling arrangements is properly implemented. In the meantime the European energy regulators have prepared Guidelines for Good Practice in the context of the current legal framework which would assist the full implementation of the current legislation.*”

(Page 3 in the “Draft ERGEG Guidelines of Good Practice on Functional and Informational Unbundling)

HNG/Midt-Nord agrees that the best way to secure competition is by letting the ownership of the Transmission System Operators (TSOs) be unbundled from the rest of the electricity and natural gas supply chain.

But HNG/Midt-Nord is of the opinion, that the case with the Distribution System Operators (DSOs) is different from the case with the TSOs in important ways, which neither makes the ownership unbundling necessary nor appropriate for the DSOs.

The role of the DSO

The role of the DSO differs from that of the TSO in important ways. The DSO provides the network through which the local customer obtains access to the power or natural gas from a big number of suppliers available on the transmission grid.

It is important that the DSO is operated separately from any supply company in order not to offer privileged access to information or other advantages to any supplier. Hence legal and functional unbundling is of great importance.

Differently from the case with the TSO, however, the DSO must always have the capacity to transport the natural gas needed by the customers in his area. This means that it is impossible for a company owing both supply and distribution to discriminate against suppliers other than its own by not investing sufficiently or by operational actions. In other words the DSO does not have the same areas where conflicts of interest may occur as the TSO.

For distribution there is a recognized need for legal unbundling under the supervision of a strong regulator.

HNG/Midt-Nord finds that the ERGEG proposal for the GGP on Functional and Informational Unbundling regarding the DSOs, is as far-reaching as the ownership unbundling of the distribution activities and local supply activities.

Especially the demand of the geographical separation of activities (G01) and the complete separation of the distribution system operator and the supply business (G09) will imply considerable increase of cost for the vertically integrated distribution system operators and their competitive business. This will lead to higher prices for the consumers using the distribution network and the consumers of the supply business. Moreover the service from the Call-centre will lessen.

ERGEG's proposals can lead to a point where several of the regionally and locally based and vertically integrated electricity or natural gas companies may want to sell one or both of their activities with less actors and less competitions as a consequence.

The demands for the non-discrimination of the suppliers in the distribution network must of course be respected. But HNG/Midt-Nord finds that this can fully be secured through internal routines and controls under the instructions and supervisions according to a Compliance programme made according to the guidelines in section 6 in the ERGEG proposal for the GGP on Functional and Informational Unbundling.

Presentation of HNG and Midt-Nord distribution companies

HNG I/S and Midt Nord I/S are two natural gas network operators owned by municipalities in Denmark.

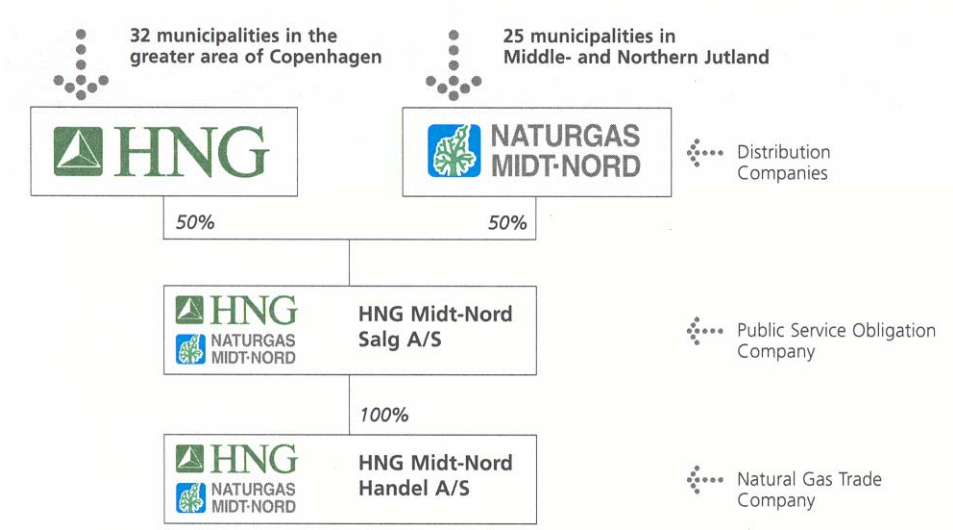
The total natural gas consumption in Denmark was approximately 4.000 million m³ in 2006. HNG and Midt-Nord distributed 2.145 million m³ in 2006, so the distribution in HNG's and Midt Nord's distribution networks was around 50 % of the total Danish natural gas consumption.

The total number of distribution customers in Denmark is approximately 375.000. 231.531 of these customers are located in the HNG and Midt-Nord distribution area.

Sourcing and selling natural gas was January 1, 2003 separated from the distribution activities and placed in two joint companies, “HNG and Midt Nord Salg” (HNG/MN Salg) and “HNG and Midt Nord Handel” (HNG/MN Handel). The two companies are equally owned by HNG I/S and Midt-Nord I/S (See figure below).

HNG/MN Salg is supply of last resort (public service obligation) under supervision of the Danish regulatory authorities and can only supply customers connected to HNG/MN distribution grid. HNG/MN Handel can also supply customers outside the HNG/MN distribution grid.

In 2006 the sale from HNG/MN Salg was 485 million m³ natural gas and the sale from HNG/MN Handel was 208 million m³ natural gas.



Yours Sincerely,

Peter Vadstrup Jensen
 Peter Vadstrup Jensen
 Managing Director
 Naturgas Midt-Nord I/S

Niels Erik Andersen
 Niels Erik Andersen
 Managing Director
 HNG I/S