ADDITIONAL COMMENTS BY EEX ON
A CONCEPT FOR COUPLING OF NATURAL GAS MARKETS

EEX very much appreciated the opportunity to express its views on capacity allocation mechanisms and to present a possible model for the coupling of natural gas markets at the 3rd Workshop on the target model for the European gas market in London on 11 April 2011.

Following the workshop, we would like to highlight the prerequisites for the coupling of natural gas markets keeping in mind the questions that arose during the event.

Prerequisites for the Coupling of Natural Gas Markets

Clear separation and definition of the roles of market parties

- As observed in the most recent developments of market integration, a clear unbundling of roles between regulated, monopolistic TSO activities and competitive Exchange functions as well as the standardisation of transmission capacity products and market coupling services allow more flexibility in market design.

Harmonisation and standardisation of products and procedures

- A harmonised set of rules, standard definitions of products and a uniform market design are crucial for the success of further market integration. Key issues are the use of entry-exit systems as a common standard, a uniform Europe-wide gas day and clear and reliable criteria for the definition of balancing zones and market areas.
- Harmonising capacity products for both short- and long-term periods will help capacities to be used in a more efficient way and more capacity to be released to the market. Compatible products and procedures in adjacent market areas will help to overcome structural differences in the European gas markets and will support cross-border trading.

Competitive allocation of capacities

- The allocation of capacities should not be limited to an exclusive market place. Rather the model should ensure a competitive allocation by enabling the integration of Exchange and OTC trades. Avoiding the exclusion of market places will clearly help to maximise overall liquidity in the market.
- Furthermore, the allocation should be based on the principles of non-discrimination, anonymity and transparency. This will benefit the interests of new market entrants and small participants, increase market liquidity and promote further competition.

Keeping in mind the characteristics of natural gas trading and the needs of the market

- Already today, the trading at virtual trading points (VTP) is a combination of OTC and Exchange trading. While OTC trading is predominantly continuous, Exchanges provide additional day-ahead auctions. Nevertheless, continuous trading is clearly dominating trading volumes in natural gas markets. As market participants are used to continuous trading and due to the fact that flexibility in trading is required for short-term balancing measures, the forthcoming market integration has to enable continuous trading as well.

Enabling Implicit Capacity Allocation

- Implicit capacity allocation should be possible as it ensures market-based and non-discriminatory capacity allocation. On the contrary, making implicit allocation the only way to gain access to transmission capacities restricts the development of liquid markets.

Situation in Germany and Europe

- The implementation of capacity platforms is agreed in Europe; Germany is going to implement a capacity platform until August 2011.
- As soon as capacity trading platforms are set up and running, the additional requirements for market coupling are rather small. If access to capacity platforms is provided for Exchanges in the same manner as for standard trading participants, market platforms will develop and finance methods to provide their customers with implicit capacity allocation in cooperation with the capacity platform.
- On the basis of capacity trading platforms as currently developed and existing energy exchanges, no further entities are required to enable coupling of markets by implicit allocation of capacity. Additional functions (e.g. calculation of hub-to-hub capacities) can be performed by the existing entities like TSOs or trading platforms.