

Mr. Walter Boltz

11L168

Brussels, 2nd March 2011

Dear Walter,

Eurogas welcomes the opportunity to engage in discussions on a non-binding gas market target model. Eurogas responded to the consultation calling for evidence on the issue. Following the Bonn workshop on 22nd February, as you asked for comments within a fortnight, Eurogas now offers interim comments on the discussions (see attached).

First however Eurogas recalls its understanding of the main function of the model and its working concept.

A gas target model should serve as a useful steer for work to be realized on the market and technical rules and codes required by the Third Package. The model's eventual achievement will be facilitated by these codes. It should be consistent and coherent with the objectives and requirements of the Third Package, and provide an efficient framework in which to make faster progress towards a robust, well functioning market. At the same time it should be consistent and coherent with longer term energy policy considerations, security of gas supply and sustainability objectives. A check list of wider policy areas with which the model should be consistent is at Annex I. Also, the target model should strike a pragmatic balance between issues to be managed nationally, regionally and at European level.

In approaching the initial assessment of the models/model elements discussed in the workshop, Eurogas has in mind three principal criteria against which a model should be assessed

- The development of a deep liquid market
- Mechanisms to promote investments in new capacities
- Long-term gas industry needs, including importance of long-term contracts and the respect for existing contracts, essential to enhance security of supply and trigger needed investment.

Other points are:

- a more integrated market, with seamless flow of gas in the market, underpinned therefore by enhanced TSO co-operation

- efficient capacity allocation systems marked by optimization of existing capacity availability, and more availability of firm capacity, coupled with efficient congestion management
- availability of capacity products, short-term, medium-term and long-term meeting users needs; more day ahead capacity to ensure efficient arbitrage and price convergence
- properly designed access tariffs
- market-driven wholesale prices,
- an optimal system, promoted by regulatory stability and predictability, which sends economic investment signals to market participants
- convergent balancing zones
- technical and operational interoperability

Although the model has still to be elaborated, Eurogas finds it difficult to envisage an early date for implementing anything but the loosest sort of model throughout Europe. A model should set a framework suitable for implementation by 2014 in some parts of Europe, while in other areas of Europe implementation can occur surely and progressively.

Eurogas expects that the work already engaged with, on a deep harmonization of the market through rules and codes, should deliver improvements aimed for in the list given above. A target model, properly designed will give a better understanding among stakeholders of the framework goal aimed at in future Framework Guidelines and Codes, which should make discussions on the paths to reach it easier. However, before any final decision can be taken, there has to be a clear understanding of the costs/benefits of an eventual option, and this should include the impact on the long-term commitments of gas suppliers.

Eurogas looks forward to participating in the further work, but Eurogas representatives will be able to bring more added-value participation to the future workshops if the material for discussion is circulated well in advance so we can consult before hand with our members.

Yours sincerely,



Ralf Presse

Chairman of the System Users' Committee