GRTgaz Deutschland

NEWSletter

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A plea for more competition

Residual competition is crucial for the benefit of the customer.

In this interview, Managing Director of GRTgaz Deutschland, Nicolas Delaporte, gives his opinion on the significant developments in European regulation.

Mr Delaporte, you are basically in favour of regulation, aren't you?

Yes, I am. As a natural monopoly, it is important that a transmission system be regulated in order to guarantee non-discriminatory, fair prices for all network users. It is also important that transmission system operators (TSOs) cooperate on a national and European level to open up larger entry-exit systems, establish mutual European regulations and break down market barriers. However, the regulations should not completely cut off competition.

How can competition survive with these regulations in place?

In my opinion, it is possible for competition to survive if market mechanisms remain in place. We therefore consider the development of the NC TAR (Network Code Tariffs) and the mandatory creation of Virtual Interconnection Points (VIP) between entry-exit-systems as laid out in the NC CAM (Capacity Allocation Mechanism) to be critical.

Why do you consider this to be critical?

As soon as joint tariff setting between all TSOs in one entry-exit system is implemented, this will inevitably lead to a system of common fees with inter-TSO compensation. As a result, the priorities of the operators change - much to the disadvantage of the customers - since there is no longer a requirement for efficiency when it comes to individual TSOs. A possible side-effect of this may be increased investment activity, since there are no corrective, competitive fees.

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What, in your opinion, needs to be done about this?

To avoid this situation we are appealing for a tariff setting to be maintained at TSO level using a standardized methodology in the entry-exit system. Over- and under-recovery can then – as they are today – be reconciled using the corresponding regulatory account. This means that each TSO can still invoice its customers with network-specific costs rather than the socialised costs of the entry-exit system.
This approach is far more efficient and helps to keep residual competition between TSOs alive. In the end, this also benefits the customer.

Earlier, you mentioned VIPs... What are the effects associated with these?

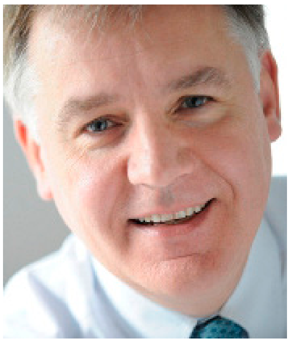
When establishing VIPs, such as laid out in the NC CAM, the physical points of different TSOs between two entry-exit systems can be combined in one virtual point. In the future, only this single point can and has to be used, with the result that for each entry-exit system, capacity products can be booked at common standardised prices.

Why do you consider this to be problematic?

On the one hand, this has the appeal of simplicity, but on the other hand it affects everyone involved. For one, the commercial trade options for transport customers are reduced significantly. For the individual TSOs, this will also mean that they no longer have the opportunity to distinguish themselves by capacity product, price or service.
All in all, under the guise of reduced complexity and simplified processes, we create a new – unnecessary – monopoly structure, which restricts TSOs in terms of their marketing competencies and also reduces the options available to customers with regards to optimisation.

Has there not already been a serious reduction in marketing competence within the context of PRISMA?

Actually, in reality it is already evident that our transport customers' need for consultancy services has increased. We communicate a lot more with our customers today. The focus here, among other things, is on how national or European regulations are developing and the effect that these changes will have on the marketing platform.
We are of course very pleased and motivated by this intensive dialogue with our customers and the outstanding positive feedback about our services offered.



Nicolas Delaporte

> *„By creating a system of common fees with inter-TSO compensation, the priorities of the operators change, much to the disadvantage of the customers."*
> ***Nicolas Delaporte***

You also addressed another point – the creation of new monopoly structures as a result of standardised, concerted tariffs. Are the cartel authorities, the Federal Cartel Office or the DG comp not involved in the plans?

Recently we had some intensive contact with the cartel authorities. In our opinion, the authorities have not yet taken a final clear-cut position at this point in time. Nevertheless, until now we have always received a certain amount of support for maintaining competition mechanisms, even in a regulated world. Also in the future, over-regulation can be in the interest neither of cartel authorities nor of other people involved.

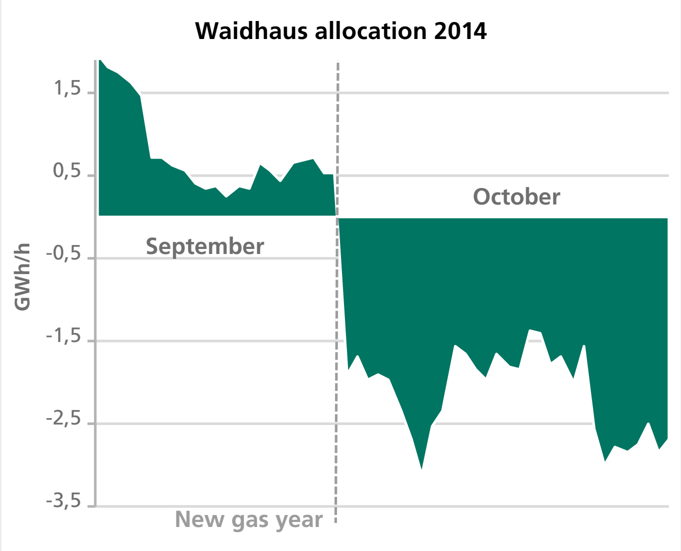
Mr Delaporte, many thanks for giving this interview.

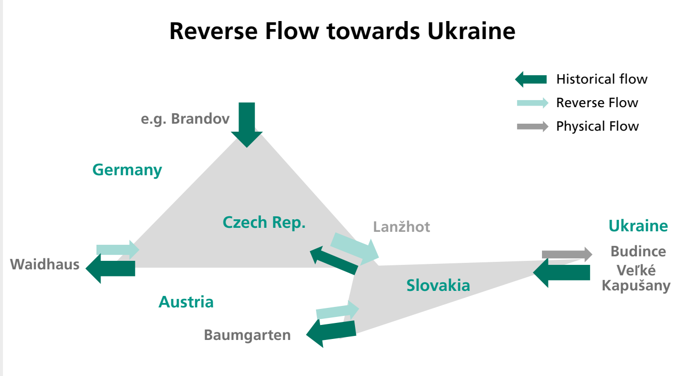
OUR NETWORK

Reverse flow towards Ukraine

In Waidhaus, there is currently a high demand for exit capacities.
At the start of the new gas year on 1 October 2014, a change took place for the first time in the transport direction of gas in the part of the MEGAL pipeline operated by GRTgaz Germany at the Czech border in Waidhaus.

The increased demand for gas to be transported to the Czech Republic was effortlessly met, since the entry quantities in the entire MEGAL at the point Waidhaus were sufficient to allow a virtual reverse flow. A physical reverse flow in Waidhaus is not currently possible.





Since summer 2014, Ukraine has imported gas from Europe via Hungary, Poland and Slovakia. The resulting need of Slovakia for gas is increasingly met due to imports from the Czech Republic, which also affect Waidhaus.

GRTgaz DEUTSCHLAND

Stable regulated capacity fees for 2015

On 1 October, GRTgaz Deutschland published the prices for 2015. After an exceptional price increase in 2014 – caused by necessary investments, changes to the portfolio and higher fuel gas consumption – the prices for the next calendar year have been increased of a moderate 1.49 percent.

The tariff structure is set to remain unchanged for the coming year. GRTgaz Germany is therefore offering the usual discounts (see table "2015 tariff structure") for firm products that do not offer the same amount of flexibility as freely allocable capacities (FZK).

2015 tariff structure

FZK	*Freely allocable capacities*	*100%*
bFZK	*Conditionally firm freely allocable capacities*	*95%**
DZK	*Dynamically allocable capacities*	*85%**
Interruptible capacities/Reverse flow capacities		*70%**
Seasonal factor Winter/Summer		*55%/45%*

**of FZK price*

Quick overview on the current draft of BEATE

BEATE includes the following points:

- *Introduction of multipliers for the prices of capacity products with a duration of less than one year for all entry and exit points:*
  - *- Daily products (1 to 27 days) :1,4*
  - *- Monthly products (28 to 89 days): 1,25*
  - *- Quarterly products (90 to 364 days): 1,1*
- *Introduction of a discount, with a safety margin of 10% for interruptible capacities*
- *Introduction of a 50% discount for entry and exit points to gas storages (up to 90% in some cases)*

With effect from 01.01.2016

Whether price stability can be guaranteed for 2016 is not yet known, since the introduction of "Pricing of entry or exit transport capacities" (BEATE) mean changes regarding the discount structure of the products offered need to be taken into account.

GRTgaz

Transition énergétique – Energiewende in French

On 10 October, a draft legislation regarding changes to energy policy was passed in France: The plan is to reform energy policy by means of an extensive package of measures. Similar to Germany, the role of gas is not explicitly defined here.

The draft legislation states, among other things, that CO2 emissions are to be reduced by 40 percent by 2030, with respect to the values of 1990. In a country where oil and coal represent only a marginal share of the entire energy mix, it remains to be seen in the medium-term whether this will provide an opportunity for the energy source gas. Nevertheless, in the context of creating regenerative energy parks, the responsible Ministry has among other things already indicated its support towards the creation of 1,500 biogas plants on multiple occasions.

The content includes an intensive debate regarding energy policy in France, particularly within the French transmission system operator, GRTgaz, which has been ongoing since August 2012. In comparison to Germany, the use of gas to balance the volatility of renewable energy sources is given much greater importance due to its substantive arguments. GRTgaz has therefore actively been participating in this discussion from the early stages and emphasising the significance of gas as a constant and, if necessary, quickly capitalisable energy source within the scope of electricity generation. This will now become increasingly more important, since the percentage of renewable energy in France is predicted to increase by 23 percent by 2020.

At a glance

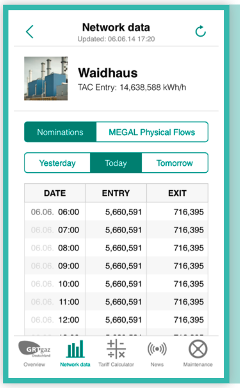
GRTgaz and the additional uses of natural gas in the energy mix – find out more here soon:

- *Saving surplus 'renewable energy' – Power-to-Gas*
- *Decentralised production of renewable energy – Biomethane plants*
- *Use of natural gas for fuelling – environmentally-friendly fuels, NGV (Natural Gas Vehicles)*

MISCELLANEOUS

Our offer – Your advantage

With its App, GRTgaz Deutschland offers its customers a permanent mobile access to view operative data of the MEGAL pipeline system. Much importance was given to intuitive use in order to create a user-friendly design. The users of the GRTgaz Deutschland App will be given fast access to transmission-relevant information such as nomination and physical flow data on a day-to-day basis, among other things. The App also provides a tariff calculator.



*"The natural gas transport business has changed dramatically over the last few years, and has increasingly become more short-term," explains **Jörg Weissgerber**, EconGas GmbH. "Having a quick look at data and information makes daily transport business easier, which is why I downloaded the App (by GRTgaz Germany) and use it on a regular basis."*

The App is available now, free of charge, from the AppStore and is also available for Android in the PlayStore. Both versions are available in German and English.

Mini Tech - QUIZ

Test your knowledge of German and European gas markets.

Which country in Europe records the biggest working gas capacities in underground storage sites?

a.) Germany

b.) France

c.) UK

*Quickly select the correct answer to be in with a chance of winning a bottle of Crémant! **

**The winner will be drawn from all correct entries received*

CONTACT

Publisher
GRTgaz Deutschland GmbH
Zimmerstraße 56
10117 Berlin
www.grtgaz-deutschland.de

Contact person
Maryline Ehlermann
T +49 30 7261 904 932
newsletter@grtgaz-deutschland.de

We welcome your comments and suggestions!