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Stichwort „BK7 KAPplus“
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Your reference “BK7-19-037”
Consultation “KAP+”
for additional [firm] capacities in the single German market area

Dear Mrs. Haller, dear madam and sir,

Regarding your consultation to overcome a very significant reduction in the amount and/or quality of entry capacity into a merged German balancing zone, BP Gas Marketing Ltd (BPGM) likes to express agreement with the approach of the decision chamber of Bundesnetzagentur, to install an overbooking and buy-back system (OSBB).
BPGM fully supports the statement provided by EFET Deutschland and would like to make some further remarks.

a) A positive signal to the gas market will be given, if BNetzA allows the German TSOs to introduce a market-based solution, similar to the one introduced as part of the merger of the two French zones.

   We regret that, based on your previous decisions for the upcoming auctions, no or almost no capacity was made available for the time after the planned merger (01. Oct 2021). This has caused significant concerns in the functioning of the German market, for instance it has been possible to observe changes in spreads between the Dutch TTF and the current both VTPs in Germany.

   To regain trust, a robust solution is urgently required. As such, BPGM would have preferred BNetzA had taken a single step approach instead of the proposed three steps of this consultation, the preparation of a proposal for OSBB by the TSOs and a subsequent consultation and evaluation and final decision by the regulator. For the current auction of annual capacity on PRISMA this anyhow will come too late.

b) BP would prefer to distinguish between those products offered by the market and those provided by neighbouring TSOs to the German market area managers or TSOs. Wheeling and loop-flows/capacity usage via surrounding countries are TSO-cooperation and should not be described as market based.

We believe only buy-back or an exchange based spread product are truly market based. The operation of the neighbouring transport systems are regulated businesses as is the case in Germany by BNetzA. TSOs should also not compete with shippers for capacity, when it comes to capacity auctions.

Currently virtual interconnection points have been or will be introduced between the respective neighbouring TSO and those TSOs of Gaspool or of NetConnect. With the merger into one German Hub, the two separate VIPs per border must merge into a single VIP, too. The options of wheeling and capacity usage in the neighbouring state will disappear into the Operational Balancing Agreement between the neighbouring and the German TSOs, as the distinction into connecting from the neighbouring state into either Gaspool or NetConnet will have disappeared. Only in rare case of a loop-flow across two neighbours a capacity booking seems possible. Even then it would not be a truly *market based* instrument.

c) The OSBB procedure, as foreseen in point 2.2.2 of Annex I of Regulation EC No 715/2009, to our understanding is a measure to provide additional firm capacity at single or virtual interconnection points where there was a contractual congestion without. “Buy-back” then means that transport customers are invited to return their capacity rights in part or full for a defined period.

In the case of the market merger it appears to be a different picture. First an implicit decision to make exit capacities fully available and put all curtailments on entry points had been taken without consultation. Secondly, you correctly state in your consultation document that a firm entry capacity into the German hub is a different product compared to the current capacities, thus three different transport products are put into one equation. We believe, that the simple comparison of the total of firm entry capacities into Gaspool and NetConnect, with the remaing 22% of firm entry for a merged market is not correct.

For example, firm entry capacity by a TSO in the Gaspool area allows the transport customer to only reach the Gaspool VTP. On the other hand, with a firm exit capacity by a TSO in the NCG area it is guaranteed to withdraw gas that was sourced at the NetConnect VTP. Today the combination of these two capacities for a shipper is only possible by booking the necessary interconnection capacity (MÜP) between Gaspool and NetConnect.

Thus, the bottleneck is not at defined entry points of the merged German market but is located in the middle between the two former market areas (compare figure 17 on page 60 of the consultation document to the scenario framework to the Grid Development Plan 2020[1]). In a merged market such MÜP capacity will not bookable by the shipper anymore and thus cannot be bought back.

The spread product discussed is instead not a buy-back but resembles the provision of contrary but simultaneous locational system balancing. Via an exchange one or more shipper offer a planned short position in the one former market area versus, at the

[1] https://www.fnb-gas.de/files/fnb_gas_2020_1_sr_konsultation_de.pdf

same time, a long position in the other. Traders call this a locational swap, which can be a substitute for transport.

BPGM encourages BNetzA to ensure the interpretation that such locational swap can be compared to a buyback of certain IP or VIP capacity and is covered by the text of EC Regulation 715/2009 to avoid further confusion in the markets.

As already discussed during the two workshops by the German TSOs as well the earlier EFET workshop, the solution for the capacity dilemma is not just two-dimensional, but rather within a triangle of: a) restriction of the firmness of capacities, b) the process of infrastructure amendment and c) market- (and eventually grid-) based short term instruments, a macro-economic optimum is to be found. To our opinion, the single reliance on only one of these three measures is insufficient. These points are expanded on below.

a) By the significant reduction of firm capacity availability security of supply levels are risked and liquidity will reduce. Only if more entry capacity, than just the total of all exits is offered, the German Hub will be able to react flexibly and attract gas from various sources.

   Further, we believe the sole use of a specific dynamically allocable capacity (DZK*) might not be a good solution. DZK* in the merged market will only provide firm transport if an entry capacity that in one of the previous market areas had been a firm freely allocable capacity (FZK) is combined with an exit of the same former market area. The transport component to/from the new German Hub under DZK* will then remain interruptible. Instead the combination of a new FZK entry of the one current market area with an FZK exit from the other market area will constitute firm transportation rights to/from the new German Hub. All three types of capacity – FZK to the German Hub, DZK* for former Gaspool and DZK* to former NetConnect will have to held in separate (sub-) balancing accounts to prove to the market area manager and TSOs that no unallowed cross-market area transport was realised.

   Traders who have to guarantee firm delivery to their counterpart will have to label their volumes sold at the German Hub which former market area the gas entered into Germany unless they were successful to acquire new FZK. Besides an already existing split for the gas qualities to avoid unwanted conversion, it will result in a contractual split of the German Hub into further three sub-hubs: one for such gas that entered with new FZK, and one each for such gas with DZK* from Gaspool or NetConnect. Due to the additional layer of complexity, it is to be doubted, that the aim of the gas grid access ordinance (GasNZV) to increase liquidity in Germany is reached under such conditions.

b) We agree with the view of the TSOs referred to by BNetzA in the consultation document, that the process of installing additional capacity will take longer than the market area merger is to be implemented. As a basic principle, unnecessary investments should be avoided. But this shall not mean to completely renounce this option.

   If it turns out that the other options become more expensive than small amendments to the grid, these have to be taken into the grid development plan (NEP) at the earliest.

   Regarding the current NEP 2020-2030 scenario framework we are disappointed with the amount of the respective chapter compared to the importance of the merger. We believe it is appropriate to include the determination of the necessary entry capacity in the scenario framework to the grid development plan.

c) By keeping the size of the respective balancing areas for the spread product large enough, i.e. the whole current grid of the Gaspool as well the NetConnect market area and not smaller subsets of these, it should be possible to attract sufficient supply and competition for the spread product.

Thank you for the possibility to express our general agreement with your attempt to allow additional firm entry capacities into the future German hub as well as to raise our concerns regarding some of the points in your proposal. We would be pleased to continue the discussion and to explain further in direct contact and hope that you take our concerns into consideration.

We agree with the publication of this statement on BNetzA's internet platform.

Best regards,

Joachim Rahls

Regulatory Affairs & Transport Development