

Bundesnetzagentur  
Ruling Chamber 7Visitor address:  
Bygnes, N-4250 Kopervik

Via e-mail: Poststelle@bnetza.de

Phone: +47 52 81 25 00  
Fax: +47 52 81 29 46  
No 983 452 841

Att: Barbie Kornelia Haller

[www.gassco.no](http://www.gassco.no)Your ref.: BK7-19-037  
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Bygnes, 28.01.2020

**Regarding the KAP+ procedure for additional capacity in the single German market area**

Dear Mrs. Haller

Gassco AS operates the integrated system for processing and transporting gas from the Norwegian Continental Shelf to Germany and other European countries. The network has been developed in parallel with the development of production capacity, and represents a well-adjusted, flexible, integrated and comprehensive supply system with high deliverability. In 2019 we transported more than 106 billion cubic meters of natural gas to Europe, of which 47,6 was delivered to our landing points in Emden and Dornum.

For legislative purposes this system is regarded as an "upstream pipeline network" under Directive 2009/73 and it is regulated under the Norwegian Petroleum Act. The pipelines to Germany are also regulated by treaties between Germany and Norway, which include provisions to secure transit capacity of Norwegian gas to other countries.

The availability and functionality of the Gassco operated system is not only essential for energy supply to Europe, but also for the production of oil and gas from the Norwegian continental shelf. Based on our knowledge of current developments in the German transmission systems, we are concerned for the impacts of a potential capacity reduction and related measures on the German side, which may affect the gas flows in our infrastructure. It is an additional concern that we have been informed of large re-allocations of available capacity in German downstream systems from our landing points to other entry points (i.e LNG).

The future provision of a comparable level of capacity at our exit points and the corresponding entry points in Germany is of high importance. Providing certainty on this issue is key for the long term planning of maintenance and investment in the Norwegian gas infrastructure.

With reference to the BNetzA consultation "KAP+" procedure of Ruling Chamber 7 of the Bundesnetzagentur for additional capacity in the single German market area (BK7-19-037), we would like to offer the following comments:

### *Level of firm, free allocable entry capacity*

Germany decided to merge its market areas before April 2022 which now is likely to be implemented in October 2021. According to the consultation documents this merger faces significant challenges regarding the future offered firm, free allocable entry capacity. According to the TSOs' calculations, it is only possible to reproduce about 22% of the network's capability in the future single market area. In the document "Concept of an oversubscription and buy-back scheme in the common market area" under item, 2 it is suggested that the additional offered capacity depends "on the individual circumstances at each entry point" with maximum to the level of the confirmed 2018-2028 NDP capacities. We would emphasise that incentives should be implemented to ensure that the level of the confirmed 2018-2028 NDP capacities is provided and not the opposite. As communicated by Gassco in connection with input to the ENTSOG TYNDPs, we do not expect substantial changes of the gas volumes in the Norwegian gas export in the upcoming years.

Figure 1 (Schematic representation of capacities in the new market area) in the same document, suggests a high temperature relation. However, regarding the used capacity between Norway and Germany, we see significantly less seasonal variations. Hence, a conditional firm capacity related to the temperature seems not to be an appropriate compensation mechanism, from our point of view, for reduced firm, free allocable capacity.

### *Instruments for securing the additional capacity*

In the above mentioned document, item 3, and in the Annex, the different market-based instruments (VIP wheeling, third-party network use, spread product and capacity buy-back product) are presented. Gassco needs to gain a better understanding of these measures, but has the following preliminary comments:

#### *VIP Wheeling*

The concept of wheeling is not possible within the current regulatory framework applicable for our upstream gas transportation system. As there are no Virtual Interconnection Points involving our system and German transmission systems, there is currently no precondition for "VIP wheeling" as such.

#### *Third party grid usage*

To the extent that it is foreseen that the Norwegian upstream pipeline network should contribute to this instrument, Gassco would need to understand this further in order to make an assessment of whether that would be feasible and advisable.

#### *Capacity buy-back product*

Capacity buy-back is proposed to be a subordinate tool to the other market-based instruments. As we do not offer bundled products there should not be any problems to buy-back of German capacity.

### *Suspension of short-term marketing*

In item 3.4 of the document it is suggested that the marketing of short-term capacities (day-ahead and within-day capacity) is suspended while market-based instruments are used, or capacity is bought back. A massive reduction of day ahead marketing on the German side may create operational constraints in our system (e.g. bottlenecks) and thus cause sub-optimal gas routing. Therefore, the planned restriction of the previous committed capacity should be carefully considered.

### *Review Process*

According to item 8 a regular review process is foreseen to compare the market-based instruments with network expansion and assess the most cost-effective instrument. We support that regular assessment and are prepared to contribute to that process.

### *Way forward*

It is important for Gassco to get a better understanding of how this merger and its respective instruments will affect our system, and we would appreciate if we could have a dialogue on this topic. We would also like to discuss how we can contribute to ensure the current transport capacity for the gas flows from the Norwegian Continental Shelf to Germany.

The point of contact on our side for follow up of this letter is Sverre Sydnes; e-mail: [svs@gassco.no](mailto:svs@gassco.no).

Yours faithfully  
Gassco AS

Frode Leversund  
President and CEO