



GEODE Position Paper on the ERGEG Public Consultation Paper – Gas Regional Initiatives Coherence and Convergence –

GEODE welcomes the opportunity to contribute to the ERGEG consultation on Gas Regional Initiatives coherence and convergence. However, since GEODE represents European independent distribution companies, the experience with supra-national gas trading and transport are limited. Therefore GEODE gives its view on general aspects of the consultation rather than giving comments on specific issues.

I. Interacting of Regions

GEODE agrees that the issue of coherence and convergence within regions is more important than between regions as a first step. This holds particularly true for the Iberian Peninsula due to the lack of interconnection with the other regions. However, while it is important to insure consistency within the regions, the main goal of creating one single European market instead of separate regional markets shall not be lost sight of. Strictly concentrating on the situation within regions may lead to a delay when trying to combine the regional markets. The ultimate goal of a single European market is only accessible when the course is set now within **and** between the regions. This is particularly important for the Gas sector, since unlike the Electricity sector, where generation and supply is peripherally organized, Gas is produced and distributed centrally and both incumbents and new entrants are reliant on unitary and not merely regional structures.

II. Interconnection and Capacity

The approach of using existing capacity more efficiently is crucial for enhancing the interconnection within and prospectively between regions. Experience shows that the potential of unused capacity is not utilized exhaustingly, therefore congestion management rules need to be harmonized and monitored thoroughly.

However, where existing capacity is insufficient, capacity enhancements need to be considered not only within regions but also between regions. Otherwise the congestion problem would only be shifted from transnational to transregional level and the creation of a unitary single European market with a unitary capacity level would be delayed unnecessarily.

III. Transparency

The “less than 3” rule is a narrow exemption whose right to exist is doubtful. The ERGEG Monitoring Report on Additional Transparency Requirements, dated 09.10.2007, shows, that the rule is not applied in many of the countries of the responding ERGEG Members, but it is excessively used in Germany (5 requests of exemption). This contrast leads to the assumption that while rule is not indispensable, it could be abused easily. Therefore GEODE supports ERGEG’s proposal to abolish the rule.

However, as long as the rule is applicable, its application needs to be monitored closely by the regulatory authorities. Since transparency aspects affect all regions equally, regardless of the level of development, the application of the guidance on the “less than 3” rule in the other regions would be strongly supported by GEODE. Regulatory authorities need to ensure that the exceptional character of this rule is not undermined.

IV. Interoperability

Although the approaches within the different regions appear antithetic on first sight, GEODE believes that they might set the course for the creation of a unitary European Gas market. Each region approaches aspects which are indispensable for the enhancement of interoperability within and between regions. GEODE especially appreciates the introduction of an Entry/Exit system in the South-South East region, since it facilitates the transaction of Gas transports and its feasibility shows nationally, where similar systems were implemented, like in Germany. If such an Entry/Exit system can be implemented successfully in the South-South East region, the other regions fall behind. Still their approaches establish the preconditions for the introduction of a single market with an Entry/Exit system.

V. Further Comments and Suggestions

GEODE strongly supports the Regional Initiatives approach and appreciates the progress made so far. Still, GEODE believes that some aspects of the EC Third Energy Package already need to be considered now within the scope of the Regional Initiatives.

There is an urgent need for the further development of the regional markets as a first step towards a single market, since neither ownership unbundling nor an independent system

operator (ISO) is a guarantee for the actual improvement of sufficient interconnection and interoperability. GEODE has repeatedly emphasized the importance of creating a regional ISO. The 3rd EU Energy Package already provides incentives for a move in this direction. GEODE encourages ERGEG and the Gas Regional Initiatives to consider this issue within the further work on coherence and convergence.

The European Energy Agency could monitor the development of the Regional Initiatives to ensure the effective use of the progress gained within the specific regions.

Barcelona