ERGEG
28 rue le Titien
1000 Bruxelles

DONG Energy A/S
Agern Alle 24-26
2970 Hørsholm
Denmark

Tel +45 99 55 11 11
Fax +45 99 55 00 02

www.dongenergy.com
Company No. 36 21 37 28

March 20th, 2009

Our ref. Vagn Pedersen
Doc. responsible vaped

vaped@dongenergy.dk
Tel +45 0045 99 55 79 21

DONG Energy's comments to the ERGEG Public Consultation Document on Capacity allocation and congestion management

Dear Sirs,

We are pleased to offer our comments on the ERGEG Public Consultation Paper dated January 15th, 2009 as follows:

In general, we think that the basic physical differences between the electricity and the gas markets need to be outlined in more detail in the consultation document i.e. the need for physical transport of gas over still longer distances. Then, as a shipper we need the re-nomination tool under the current settings in order to secure physical gas volumes from other sources, when the expected flow stream is disrupted, which now happens quite frequently. We fear that limitation of re-nomination rights will have severe consequences for the security of supply.

Even with a changed set of rules for UIOLI, we are doubtful if such a regulation will have any measurable effect. A given shipper may just nominate full flow during one day – where after the UIOLI process starts all over again. Also UIOLI is directed at past flows with a long lead time for implementation. As an alternative, we would like to suggest the active use of tools with an immediate effect within fully booked market areas - such as Capacity Release.

Transparency is most important for the daily operation and to continuously determine possible congestion points. Evenly important is it to ensure that the same rules (e.g. the possibility to trade secondary capacity) are applied for all IP points at the same time – and that possible changes are introduced at all IP points simultaneously.

Instead of more regulation, we would like to see that the CAM/CMP challenges are primarily solved by the market. This could possibly be achieved to a great extend if there were to be a much greater rebate on interruptible products. If the tariff for interruptible was set at e.g. 5 percent of the firm tariff, then a shipper

Registered office
Kraftværksvej 53, 7000 Fredericia, Denmark

with unused capacity will know that there will be an actual flow – even if he decides not to offer the unused capacity to the market. Also, with such a low tariff for interruptible products a shipper may very well book 100 percent firm capacity in the preferred flow direction, while optionally book interruptible in another direction, which may provide better market opportunities at the time when the gas actually flows. In order to trigger the desired effect, the rebate for long-term contracts should perhaps be more than 25 percent – and for short-term day-ahead contracts the rebate should perhaps be in the region of 95 percent (more in-depth studies are needed to identify specific tariff levels).

In general, we think that interruptible capacity is more important than firm day-ahead – provided that interruptible is offered at all IP points and given full transparency for flow data, risk of interruption etc. Firm Day-ahead may be an interesting supplementary product – but it should probably be seen as a (small) part of the total solution of the CAM/CMP challenge. It may be difficult to achieve a liquid day-ahead market in all IP points - and smaller shippers and traders may not have the organizational strength to monitor and trade in all points Day-Ahead.

Gas is primarily traded on 1-3 years contracts. It should be possible for shippers to close capacity contracts for the same duration at all IP points. In other words capacity contracts at variable lengths should be available at each IP point each year. Our proposal for 3 standard capacity products would be: 0-6 months; 7-36 months; and Long-term.

We would welcome a more active role from the side of TSO's to enable more capacity to the market – such as Flow Commitment (especially for transit volumes), buy back etc. – also a harmonisation of the calculation methods for the calculation of the technical pipeline capacity would probably be beneficial for the creation of more immediate capacity.

Yours sincerely
DONG Energy

Vagn Pedersen
Senior Regulatory Advisor