

Our date
2012-06-29

Our reference

Administrative officer
Christian Schülke

Your date

Your reference

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NetConnect Germany GmbH & Co. KG
Kaiserswerther Straße 115
D-40880 Ratingen

and

GASPOOL Balancing Services GmbH
Reinhardtstraße 52
D-10117 Berlin

By e-mail:

market@net-connect-germany.de, balancing.services@gaspool.de

Statoil Reply to Market Consultation on Target Model for a Standardized German Balancing Gas Market

Dear Sir or Madam,

Statoil ASA is pleased about the opportunity to comment on the draft Target Model for a Standardized German Balancing Market as published by NCG and GASPOOL on 6 June 2012.

We welcome the general direction of the changes proposed and all efforts undertaken to achieve a more harmonized balancing market in Germany. The modifications proposed in the draft target model would represent a clear step forward when compared to today's situation, leading to a more harmonized and more transparent balancing market.

Regarding the **merit order** of product groups being used in the balancing market, Statoil ASA agrees that short-term standardized products delivered at the VTP should be the first choice of the Market Area Managers (MAMs). We would, however, want to underline that the category "exchange-based procurement within own market area" has our clear preference among the three products listed under merit order rank 1.

As the document says, the procurement of standardised short-term products via bilateral platforms should be regularly reviewed and MAMs shall cease to use this procurement option as soon as a solely exchange-based procurement is deemed reliable enough, i.e. enough liquidity on this market is achieved. Priority should hence be given to achieve the objective of increasing liquidity in the day-ahead and within-day market at the exchange.

Regarding "exchange-based procurement in adjacent markets", we would ask MAMs to reconsider the attribution of merit order rank 1 to this type of balancing energy procurement. In our opinion, trading on adjacent markets is not a normal task of a MAM, and hence procurement of balancing energy on adjacent markets should not receive merit order rank 1, but rather classed in rank 2. While we recognize that there may be defined circumstances where it is appropriate for the MAM to trade in adjacent markets to ensure the system is kept within safe operational limits, we do not believe that this should be a standard way of procuring balancing gas. Such operations should be limited to the strict necessary minimum. They should not impede price signals for network users to

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procure gas in adjacent markets to balance their positions, nor should they result in capacity being withheld from network users. Trading in adjacent markets might be considered in conflict with the role of the MAM as residual balancer but we recognize that where the MAM's market is not sufficiently liquid, there may be a role for MAMs trading in adjacent markets via an Operational Balancing Agreement as an interim measure that can help to bring down costs. A deadline for the respective interim period should also be consulted on as such MAM actions may serve to further delay liquidity in its respective market.

Finally, we believe that the target date for implementation of the planned changes could be advanced to e.g. 1 April 2013.

Kind regards,

Olav Aamlid Syversen

Olav Aamlid Syversen
Head of Gas Regulatory Affairs
Natural Gas
Statoil ASA