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Enclosure(s)  
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## Accelerating TTF Development

Dear Mr. Sutorius,

Referring to your request to respond on your draft recommendation concerning "Accelerating TTF development", we hereby inform you about the standpoint of RWE Energy Nederland N.V.

We understand that the underlying motivation for investigating possibilities to accelerate TTF development is the desire to have a highly competitive retail market, which in terms shall be facilitated by a sufficiently liquid trading market. RWE fully agrees that liquid hubs are a prerequisite for flexibility in the market and that they will facilitate retail competition.

However, RWE has a slightly different view on the gap between the status quo and the desired situation, as we believe from our experience that many of the topics mentioned in the recommendation do already exist or are possible today. For example, it is already possible to buy flexibility, seasonal swing or to hedge.

As a consequence, we much rather see the need for selective fine tuning rather than significant changes, and we will investigate the recommendations given in your letter from this point of view.

### *1. General - How can TTF become more effective*

As long as there is a shortage on either import capacity or quality conversion, this may have a negative influence on the development of TTF. If, as is foreseeable in our opinion, additional import capacity becomes available and quality conversion becomes a full system service, we believe it may encourage shippers to become more active.

Apart from the quantitative aspect we believe it is even more important to spend attention on the qualitative aspects such as appropriate steering information. It is imperative for Shippers to always be aware of the real time position to be able to decide which trading action is necessary to balance the portfolio. As mentioned in the recommendation, the workgroup Progas is working hard to get this steering information available. As participant in Progas we share the author's assessment that the target date (January 1<sup>st</sup> 2008) seems to be rather optimistic. Based on previous experience, we consider a date around mid to end 2009 to be more realistic before the quality of the data reaches a status that shippers can use it for balancing purposes and short term deals on TTF.

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## *II. Reaction on specific passages of the document*

### *Article 2.3 "Upstream companies will then be able to bring gas to the hub knowing there gas will find a buyer, without the need to identify or contract the buying party"*

We find it hard to believe that upstream companies are interested in unpredictable flows on TTF if they are able to sell it guaranteed as baseload to a different party. Thus, upstream companies would want to be compensated for the lower level of certainty that selling at TTF has when compared to selling under guaranteed contracts. In our opinion, shipping via TTF would therefore add additional cost without adding significant additional value.

### *Article 2.3 "Domestic flows will not become less predictable"*

We also believe that the domestic flow will not change significantly. We think however, that on this point the recommendation is not consistent. If TTF really becomes a regional hub instead of national hub, arbitrage will take place and domestic flows become regional flows which might follow different patterns.

### *Article 3 General*

We do not agree that in the current situation TTF is not able to source enough flexibility. As already mentioned, all desired products of the end situation do more or less already exist today. It is possible for shippers, suppliers and industrial customers to create flexibility, create a seasonal profile, or even buy storage capacity which is sourced via TTF.

Presently, suppliers who want to buy gas for household customers are likely to require quality conversion, the availability of which may present a limiting factor. We believe that as soon as quality conversion becomes a full system service as recommended, this hurdle to supply household customers will vanish.

We fully agree with the remark that new entrants and industrial customers which have a less diversified portfolio are facing comparatively larger demand swing, but we would like to add that shippers for profiled customers are facing similar problems (swing 400-500%).

We fully agree with the remark that currently shippers are not aware of their actual balance position, due to lack of timely and accurate data. Even with significant investments, shippers are not able to get sufficiently accurate data. The result is significant cost to stay in balance and/or significant penalties. We strongly believe that this situation presents a major limiting factor for shippers to become active on TTF.

### *Article 5 General*

In the current situation it is already possible to deliver gas to consumers at TTF. The question is what products should be offered. Looking at the difficulty of getting appropriate steering information, requiring parties to deliver balancing products (while getting allocation data days after physical delivery) is in our opinion unrealistic.

The same situation occurs if delivery moves to the TTF instead of a regular exit point. Customers will get more flexibility - buying and selling - but the risk for the balancing shippers increase as shippers will no longer be able to make sufficiently correct forecasts. The consequence will be that prices for these products will be significantly higher due to the decreased predictability.

#### *Article 5 Pro rata interruption*

We doubt that it would help TTF, or the market in general, if the system of first-come-first-served were replaced by a pro rata regime. In this set-up, problems will be spread over all rather than few shippers. Secondly, we believe there exists an inconsistency in the risk-reward relation if taking a position long in advance (high risk) will be treated similarly than taking a position on short notice (lower risk). The problem will however be solved once there is enough entry capacity available.

#### *Article 5.9 Re-entry*

Allowing re-entry at exit points enables certain customers to optimise their portfolios. This optimisation makes their behaviour less predictable and will thus raise prices. Additionally, less predictable behaviour would make it more difficult to provide sufficiently accurate steering information – the latter RWE deems crucial for the future development of TTF.

#### *III. RWE Conclusion*

*“GTS can not balance on TTF without having access to steering information” - neither can we as shipper!*

TTF must be seen as a tool to serve the professional gas market. Measures should not solely focus on increasing volumes over TTF, but in our opinion have to focus on improving this service.

We once more want to underline that accurate steering information will not only help accelerating TTF use but also help shippers to stay in balance. If shippers are able to take the right measures to stay in balance they automatically help to keep the system integrity secured. The resulting decreased risk of penalties will lead to lower prices in the market.

#### *IV. RWE recommendation*

As stated in article 6, *“TTF has shown impressive growth over the past years”* we can only add *“let the market do its job”*. Fine-tuning should be applied in the areas indicated, but no major changes are needed.

With kind regards,



23-02-07  
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Manager Transportation & Capacity