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Subject

Consultation paper Functioning wholesale gas market in the Netherlands, zaaknummer 16.0168.29.

Dear Sir/Madam,

GasTerra is pleased to send you the following view on the current level of market functioning of the TTF in reply to the questions asked in Consultation paper: Self-evaluation Gas Target Model II, Functioning of the wholesale gas market in the Netherlands:

1) *Do you agree with the analysis of ACM regarding the expected state of the wholesale market of TTF in 2017? If not, please motivate your answer.*

   In general GasTerra can agree with the findings of ACM. TTF is functioning well, does not suffer from the decline in domestic production, is easily accessible and is an attractive market for all market participants.

   We do have a few remarks regarding the table and analysis from paragraph 3.2.1. onwards.

   The results shown in the table of paragraph 3.2.1. are not in line with GasTerra' s experiences on the markets. GasTerra periodically makes an assessment of the markets, using more or less comparable indicators to assess how liquid specific indicators are on specific hubs.

   In particular the outcome of the bid-offer spreads ACM shows deviates from GasTerra' s findings. In our own analysis the Day-Ahead an Front-Month products are clearly liquid on all aspects of our assessment, including the bid-offer spread. The reason for this deviation lies in the way ACM approaches the bid-offer spread. ACM is using a percentage of the bid price whereas GasTerra is using the absolute difference between the bid and offer price (absolute spread). When using a percentage of the bid-price, the spread becomes sensitive to the price level of the bid-price which is not the case when using the absolute spread. Currently the standard steps used on the exchanges are 0,025 euro/MWh. When using the approach of ACM this means at a bid-price of 10 euro/MWh this indicator will be higher than the standard used by ACM, while with a price of 20 euro/MWh this indicator will fall within the boundaries of ACM. Our analysis has shown there is no

correlation between the spread and the price level. Therefor we suggest to make use of the absolute spreads in order to assess the bid-offer spreads.

As ACM mentions already itself, we would like to point out that the data used is from November 2015 till April 2016. Therefor mainly winter months have been covered and not the full year of 2016. This could lead to flaws in the analysis. Finally the WECOM data is as ACM also mentions not directly obtained from the source and could therefor results in (large) deviations.

2) *What are possible trends or developments that might impact the functioning of the Dutch wholesale market, according to you?*

As a consequence of the NC CAM, article 19, Virtual Interconnection Points (VIP's) have to be implemented as of 2018. Depending on the way VIP's will be implemented in The Netherlands and the neighbouring countries, GasTerra thinks this can have a significant impact on the Dutch market. That is why we consider an early consultation on this subject important.

3) *What do you think should be done to improve the functioning of the Dutch wholesale market?*

There are still capacity issues on the Dutch borders. Offered technical capacities are often not the same on both sides of the borders and unbundled capacity that should match Dutch capacity is often not available for booking. An improvement to the functioning of the market could be to have more flexibility in booked capacity products to better meet market demand.

4) *Do you agree with ACM's view that the TTF gas hub is operated in a fair and non-discriminatory manner and is widely accessible for market participants? If not, what do you think should be done for improvement?*

GasTerra agrees with this view. Currently there are no developments indicating differently.

5) *What are the main barriers to an improved functioning of the Dutch wholesale gas market according to you?*

It is our view that the Dutch wholesale market is a well-functioning market, as a consequence of which we do not see such barriers.

Yours truly,

[redacted]

Legal Counsel