



Response of ENGIE on the consultation paper: Self-evaluation Gas Target Model II  
Functioning of the wholesale gas market in the Netherlands  
Zaaknummer: 16.0168.29

1. Obviously, TTF is the most efficient market in Europe.
2. Though, there is an important lack of transparency in the market. This lack of transparency is at the advantage of companies that has access to this information, leading to unfair competition. In particular, L-Cal gas weather corrected gas demand is not public. Data on Norg storage, one of the biggest assets in Europe, is either lacking or presenting huge and brutal evolutions that are not physically possible, without any explanations to the market. There is no disaggregated information on local production. This is preventing any company without privileged information to correctly forecast what is the situation of the L-Cal gas market.

GTS has always refused to publish the flow scenarios used to define its technical capacity. No information on Dutch internal bottlenecks has been released. Even worse, GTS has recently begun to publish absurdly high values of technical capacities at some points, and stopped to publish technical capacity under ENTSOG transparency platform. For instance, technical capacity on both directions at Zelzate is set at 25 000 GWh/d, i.e. enough to supply nearly twice the whole Europe. This is a real issue, because Zelzate is physically a medium point (on a previous GTE map, capacity was 271 GWh/d on one direction, and 406 GWh/d on the other), at the extreme end of the Dutch network, linking Zeebeach (and indirectly NBP) with TTF, that can be saturated. This point on technical capacities, if generalized, could go further than simply lack of transparency. On the German side of the Dutch border, shippers have been allowed to give back capacities. Therefore, there are mismatches of capacities with more booking on the Dutch side, and if GTS and German TSOs were able to cooperate to define coherent capacities on both side of the border, there should be unbundled capacity available on the German side. With the new unrealistically high level of technical capacity defined by GTS, it is sure that there can't be anymore any unbundled capacity on the German side. If a shipper for whatever reason wants to buy an unbundled capacity on the German side, it now must buy a bundled capacity, thus increasing GTS turnover, but thus reducing integration of markets. It also results in leaving the TSO on the other side of the border taking the full responsibility of technical capacity calculation.

3. On the possible trends that might impact the Dutch wholesale market, the upcoming end of gas transportation long term contracts is a central issue. This is not specifically a Dutch issue, but a European one. Currently, existing long term bookings are more than sufficient to support all physical flows. Shippers don't need to book any additional capacity to move gas across Europe, and whether or not they move gas, they still have to pay for the capacity. This explains why the marginal cost to transport gas across Europe is currently 0, and that we observe a relative "lake of gas" in Europe, with closely correlated prices.

This situation will come to an end in the early 2020s. Long term bookings will decrease, won't be renewed, so shippers will need to book at least some additional capacity on a shorter term to move gas across Europe. These bookings won't happen without sufficient price spreads within Europe. These price spreads will depend on the marginal flows. In a perfect market, given the meshed gas network in Europe, we expect highly volatile spreads. Dutch market won't be immune to that evolution : the Dutch market is already dependent on marginal imports – at least to honor its long term export commitments – and if this marginal import must come from the East of Europe, again in a perfect market, the Dutch hub price will have to reflect the pancaking of tariffs from the marginal import point in the East to the Dutch border.

Moreover, this evolution is raising questions in terms of market power. Gas producers, that need to move their gas to collect an upstream rent, have a different behavior than pure traders. They already have a large market share of capacities within Europe. These producers will be in position to set the price spreads within transportation costs range. Till these spreads are kept below transportation costs, no new entrant can contest this pricing power, as they will have no incentive to book capacities. By keeping high reserve prices at internal IPs within Europe, the current market design is securing a non-contestable price zone for dominant producers.

Finally, TSOs with a high share of cross-border capacity may face a vicious circle at the end of long term contracts

There is no purely Dutch solution to this issue, as even the tariffs on the other side of the Dutch border are not under ACM scope. Most of the answers of the different consultants of the "Quo Vadis" study launched by the European Commission point at this transport tariff issue, and some hint at pushing the transport tariff away from cross-border points. This is probably what is required to guarantee the lowest gas price to the Dutch customer in the 2020s and 2030s.