

To:

**EU Parliament, Gas Rapporteurs
EU Energy Council, Presidency & Member States' Representatives
EU Commission, DG TREN.**

**European Union Internal Energy Market
Proposed Gas Directive and Gas Regulation
Amending Directive 2003/55/EC and EC Regulation 1775/2005**

Dear Sir/Madam,

The European Federation of Energy Traders (EFET), representing a large majority of those companies trading gas in Europe, would like to help the European Parliament and Council to achieve relevant and effective EU internal energy market legislation.

EFET welcomes the progress made by the European Parliament and the European Council on the 3rd Energy Package. We consider that improvements to the gas directive and gas regulation texts can now be made in the process of bringing together the Parliamentary amendments and the Council's political agreement

We do not seek to re-open areas that have been fully discussed, but we do offer suggestions that we believe will help the stable development of the gas market. For ease of reference we have set out in three sections. Part 1 gives priority amendments from the Parliament or from EFET. Part 2 comprises EFET suggestions that will help achieve a better solution and which form either compromise or additional text for consideration by the Parliament and the Council. Part 3 lists the other Parliamentary amendments that EFET strongly supports and we urge the Council Working Groups to take these on board.

The priority amendments cover three main issues:

Regional Integration

The EU gas market is characterized by different access rules and regulations either side of national borders. Indeed, even within the same country, there are commercial and operational differences at almost every intersection between different high pressure gas pipeline systems. To make matters worse, a small number of companies have historical long-term capacity rights that overcome these difficulties, whilst new entrants face these barriers to trade. It is time to end the market fragmentation and inefficiencies that result from the current inconsistent national (or even sub-national) network operation and regulation.

A wider cooperative approach to Europe's gas grid operation and its regulation will be helped by **Parliamentary amendments 55 and 104 for the Gas Directive and amendments 3 and 23 for the Gas Regulation**. EFET would also prioritise its **own suggestions GR7 and GR8 to enhance regional co-operation** between TSOs. Many aspect of how ENTSO will operates would also be improved if there were a more balanced European approach starting with their **tasks and how ENTSO approach them in GR9**.

Obligations on those responsible for pipeline capacity

EFET believes that TSOs or other entities responsible for managing pipeline capacity should offer market participants the maximum amount of cross-border capacity on a consistent and fully financially firm basis. TSOs should ensure that the allocated cross border capacity is then tradable in secondary markets. For electricity these duties are already clearly set out in EU Regulation 1228/2003, but they are less clear for gas.

We need a clear statement of the responsibility of TSOs and Regulators to ensure that the capacity needed by the market at network intersections is built and fairly allocated. For gas, this cornerstone of an integrated market is still missing.

Several **EFET amendments, including priority amendments GD 4 and GD 9**, as well as the **Parliament's amendment 118** seek to put this clearly in place.

Involvement of Market Participants

A free market does not mean a free for all. There must be market rules, and market participants must have equality with the infrastructure operators in determining these rule. EFET recognises the relationship between regulated infrastructure operators and Regulators - but it is market participants who use the networks and who are putting their capital at risk. As the users of regulated infrastructure, market participants need information, but they also need to be allowed to fully engage in decisions that affect them.

The **Parliament has recognised this in terms of consultation (e.g. Gas Regulation amendment 16)** and we would highlight **EFET amendment GR4** as the essence of the required balance.

Transparency of information about TPA infrastructure

Finally we would draw attention to the issue of the continuing lack of full transparency of information about the aggregate use and availability of Europe's main gas infrastructure. This remains a fundamental barrier to market development and a potential threat to security of supply. EFET is still advocating other transparency improvements but we will raise these through the Madrid Gas Regulatory Forum to avoid slowing down the 3rd package process. It is important, however, that the 3rd package does not retreat from the position proposed by the EU Commission regarding infrastructure information transparency. For example, EFET has a clear position (see www.EFET.org) that the so-called "less than three shipper rule, or 3 minus rule" (which allows monopoly and duopoly capacity holders to avoid information disclosure) is not appropriate for European gas transmission. The EU Commission rightly deleted this "3 minus rule" in their original 3rd package proposal. It would be wise to reject any suggestion to reinstate any similar exemption from information publication.



We realise the complexity of the legislative process and the political priorities in ensuring the passage of the 3rd Energy Package as a whole. We believe the amendments to the text of the Directive and the Regulation that we suggest are necessary to achieve a tangible and fast improvement in the functioning of the internal gas market.

If you have any queries on the attached amendments or if you feel that a further meeting would help to explain our concerns at this stage then please contact the secretary of the Gas Committee Ilaria.Conti@EFET.org who will be delighted to hear from you.

Yours faithfully,

Jan van Aken
EFET Secretary General