

**Comments on the Commission draft Strategy paper dated 11 April 2001:
Long term vision of a fully operational single market for gas in Europe**

In this Annex to its Position Paper, GTE welcomes the opportunity to comment on the Commission's draft Strategy Paper « Long term vision of a fully operational single market for gas in Europe », dated 11 April 2001. GTE should like to point out that the remarks below are not exhaustive.

A part from the GTE position paper and this annex A, we should like to point out that GTE's comments are completed by the revised reports to the next Madrid Regulatory Forum scheduled on the 2nd - 3rd July on the following issues:

- Balancing and Storage
- Capacity and Congestion
- Interoperability
- Transmission Tariffs.

GTE believes that clearly defined priorities are essential in the process towards a long-term vision for fully operational single market. The time-table for the process should be realistic and encompass a longer period than proposed in the Strategy Paper.

GTE fully supports the goal expressed by the Commission to reinforce the dialogue and invites them to take the GTE comments sent on the 9th March significantly more into account.

GTE remarks

1. GTE welcomes the revised draft outline, which is clearly more comprehensive than the first draft, dated 19 December 2000.
2. Several GTE members question that the Commission has not waited for the progressive implementation of the market opening in the Member States, and is in particular not giving market players an opportunity to gain experience in the liberalised environment before proposing new ideas for discussion. A more phased approach would allow adjustments to be made in line with requirements of the market and permit market-driven harmonisation of national systems on the road to a single market for gas.

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3. GTE considers that this draft Strategy Paper is still very much in line with the first draft outline. In light of these similarities, most of the GTE written comments sent on the 9th March on the earlier version still apply and should therefore to a large extent be put forward again. For instance, GTE Members consider that the Strategy Paper should fully recognise and/or take into account the following points:
- The fundamental differences between gas and electricity markets, such as the basic principle of gas transportation which is the physical movement of material, are ignored. Those differences are important factors in the debate on the tarification system for transmission, and on the future planning and design of long-term investment in the gas transmission system.
 - Both the diversity of institutional frameworks in the individual Member States and of the technical and economic conditions of gas transportation must be recognised. The subsidiarity principle should be underlined as a EU basic principle, but GTE recognises that in some cases harmonisation and/or convergence on a European level would be helpful and/or necessary.
 - The Commission still views security of supply mainly from the perspective of supply disruptions and arrives at conclusions for the security of supply as a whole, i.e. including long-term supply security. A clear distinction should be made between the security of supply within the balancing period, the long term security of supply through sufficient and adequate transmission capacity, and longer term security of supply in terms of available gas volumes. It is the opinion of most GTE members that the transmission companies are only responsible for providing the transmission capacity that is needed to support long term security of supply objective and for maintaining system integrity in specific supply situations. The latter means that the transmission company has to ensure that a certain level of imbalances within the balancing period (as defined by the transmission system requirements) will be “covered”, for example through the use of line-pack, or perhaps storage facilities. Providing transmission capacity to support long-term security of supply requires a sound investment climate, which can be strongly enhanced by an appropriate tariff structure as well as long-term reservation of transmission capacity.
 - Market mechanisms and customers’ needs should be favoured rather than a European central planning project as implied by measures referred to in the Strategy Paper. A centralised approach carries a risk of excessive and inappropriate regulation.

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4. The responsibilities of all participants in the European transmission market should be clearly defined. GTE considers that transmission companies are responsible for the provision of technical transmission capacity and ancillary services. The responsibility of the transmission companies is to provide reliable and safe transmission, whereas shippers are responsible for matching supply and demand.
5. GTE is currently studying the possibility to set-up a European permanent, independent, non-profit standardisation organisation in which all parties would be involved. This would amongst other things facilitate cross-border trade.
6. Taking into account the demand of a number of shippers and discussion with EU Commission representatives, GTE members agreed on publishing indicative information on the available capacities with a traffic light system on the GTE website www.gte.be.