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Submission on the GTE+'s First consultation Towards the European single gas market

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Dear Sir/Madam,

StatoilHydro welcomes the opportunity to comment on your consultation document regarding GTE+'s work programme. StatoilHydro also appreciates GTE efforts to facilitate the transition to the new regulatory framework as envisaged by the European Commission.

We believe GTE is right in its endeavour to support convergence and coherence within the European gas market, nonetheless we see that some margins for improvement exists to make sure its ambitions are accomplished, in particular with respect to the following aspects:

- a) Coherence with the provisions of the EC's proposal of the Third Package as to ensure that a common ground for discussion is shared by all stakeholders;
- b) Sufficient involvement of other stakeholders also through a human resources recruitment process that takes into consideration staff coming from entities other than the TSOs;
- c) Definition of a functional and workable set of priorities as to ensure the feasibility and the success of the envisaged programmes.

Below you will find the questions from your questionnaire and StatoilHydro's views on these issues.

Q1. Does the programme identify the correct priorities for GTE+ focus during 2008/2009?

StatoilHydro supports GTE+ initiative to commence working on the key areas identified by the Third Package Commission proposal that seemingly will affect most the activities and the role of European transmission system operators. Establishing a new organisation such as ENTSOG presents a number of challenges and the ability to address them depends heavily on tackling them in a timely, appropriate, and non-speculative manner.

For this reason if it is important to start identifying the right priorities as soon as possible as well as defining GTE+ working methodology, but it is also very important that any discussion remains within the limits of the provisions as defined by the European Commission in its September 2007 proposal in order for all stakeholders to comment on the basis of a common ground. In particular it is important that the language and the content of the proposal are fully reflected.

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Inter alia, this implies that GTE+ has to reflect first and foremost the priorities given by the EC and thus concentrate on:

1. draft of statutes;
2. list of future members and draft rules of procedure;
3. rules of procedure on the consultation of other stakeholders.

Only then GTE+ will have to decide what will be part of its work programme for the 2008-2009 with reference to all the six areas of competence indicated in the package.

This should happen while keeping in mind that, as the Third Package has not yet reached its final shape, some of the competences that are part of the above mentioned working areas might be subject to modification. An outcome of the GTE+ exercise that would not reflect the content of the Third Package as approved by the European Parliament and by the Council would make the same exercise pre-judgemental and would imply an inefficient use of time and resources. Some flexibility in the results that GTE+ is willing to achieve will thus have to be maintained.

Getting resources to carry out any of the work mentioned is also of extreme importance and a plan that will help ensuring that expectations on deliverables are met is also highly important. Involving resources from all market participants would provide expertise necessary to assist the transition and would also show TSOs readiness to cooperate extensively with other stakeholders in line with the consultation requirements foreseen by the EC's proposal for the activities ENTSG will be responsible for.

In fact, the consultation document makes quite clear that comprehensive stakeholder involvement makes quite an important issue to address. Our understanding is that defining procedures for stakeholder involvement is actually a pre-condition for the ENTSG to become a credible interlocutor for gas players and should be utmost priority.

Q2. What other priorities should be addressed. ? Which elements of the plan should be displaced?

Our position is in line with the OGP response: "all of the areas identified in the GTE+ programme are important but the decision with regard to when they should be carried out, and which topics should be deferred, can only be taken when this prioritisation process has been completed. In addition it is important that this assessment of the programme content is not considered a one off exercise. Regular milestones should be set to check that the programme is still viable and that the activities are relevant".

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Submission on the GTE+'s First consultation

Towards the European single gas market

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Q3. Are the objectives and deliverables associated with each plan realistic?

a. Organisational development

Developing Statutes and Rules of Procedures for ENTSOG must remain the key and first deliverable for GTE+ until the Third Package reaches its final shape.

Consultation has to proceed to allow constant interaction between GTE+ and other stakeholders. Including review periods in the development plan could serve this goal and provide a wide window for consultation to be effective.

b. Transparency Platform

The focus in this respect should be on the availability of information as well as on consistency and comparability of information for the entire European gas network.

Information on capacity, tariffs, and contract should be completed by information on import regimes – national security of supply requirements, flexibility/modulation requirements – and access to hubs rules to avoid permanence of regulatory barriers to entry.

We also share OGP views that “the project plan for the transparency platform lacks the detail of specific milestones for each TSO to have provided the interfaces necessary to allow the plan to be delivered. In addition, the plan does not include any reference to regular reviews by the market participants who will be the main customers”.

c. European winter outlooks

Most important in this respect is that winter outlook are made an intelligent tool providing an adequate set of alternative scenario enriched with views and insights by transmission system operators and going beyond the mere aggregation of national information. A realistic assessment of the supply/demand balance for the forthcoming winter should form the basis for defining such tool.

d. Ten year network development statement

In line with OGP position we believe the consultation document “is unclear as to what the expectations of the ten year development statement are. We would anticipate a more precise definition of the purpose and output of the plan / statement. Furthermore, the deliverables described are lacking recommendations of areas that should be focused on”. We also question if the ten year statement as described

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Submission on the GTE+'s First consultation Towards the European single gas market

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meets the expectations of the European Gas Market and we are in doubt whether a 10 year development statement would really be in line with the requirements of the Regulation as presented by the Commission where mention is made of a 10 year investment plan to be updated every two years.

Input from stakeholders on supply/demand scenario should be received at regular intervals as to allow a coherent picture of the needs for capacity and consistently give TSO's sufficient time for any grid upgrade. This input shall constantly feed the update of the development plan.

e. Capacity coordination

Capacity coordination does not end at matching cross-border firm and interruptible services but requires a thorough alignment of national grid capacity and services as to allow fully-fledged compatibility of between adjacent networks. Such an exercise should include, where barriers are acknowledged, views on how these barriers can be overcome and identification of the participants whose input is necessary to resolve them.

f. Procedure on harmonisation of maintenance platforms

In order to be effective maintenance harmonisation needs to be organised involving a wider set of players beyond transmission system operators. Although consultation with other stakeholders is foreseen we believe that information from other players is key to the success of this initiative. In fact, coordination of maintenance activity related to production, LNG, and storage infrastructures, as well as power stations and industrial consumers, is crucial should be an integral part of this well needed exercise. For this reason we consider the development plan as well as the foreseen schedule for its implementation as unrealistic.

g. IT and communication road map

In this respect we share OGP position whereby recognition of a "need for coordination and harmonisation at the European level in IT and communication matters [is made clear]. We support the statement that communication standards and protocols should be developed jointly by all stakeholders and recognise the key role for GTE+ in the development and adoption of principles and guidelines".

Moreover, we believe that in developing IT and communication tools market players should take stock of already achieved results in this respect, in particular with reference to what has been defined within the EASEEgas context. The developments of Edig@s messages and communications protocols within EASEEgas have been ongoing for a significant amount of time. The set up of the EASEEgas group ensures

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Submission on the GTE+'s First consultation

Towards the European single gas market

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the necessary balance between input from market parties and TSOs and has, through time, proven to be a beneficial cooperation.

We believe that a more realistic development plan schedule could be considered.

Q4. If delivered in a timely and responsive manner would the programme defined in this document constitute a significant step towards the development of the internal market?

The delivery of the programme defined in the consultation document would certainly contribute to the development of the internal market, although a good programme must also be judged in terms of its feasibility as well as on the degree of observance it obtains by all relevant parties and thus on its degree of enforceability. In this respect we believe that there is space for improvement as in some areas the programme fails to identify appropriate development plans. The aggregated envisaged working load makes the programme overly ambitious. The work programme is attempting to accomplish too many activities in the same period of time.

Q5. Do respondents have any additional comments or remarks to make about?

In line with OGP response to GTE+ consultation "we believe that establishing ENTSG presents an opportunity for the European TSOs to demonstrate that they can work together to deliver a single, open and transparent gas market that will deliver best value to the consumer. We believe that the proposal to establish ENTSG recognises the central role that the TSOs have in the gas market, having an expectation that the TSOs will use this as an opportunity but as a positive step towards working with other market participants on an equal basis. The European Commission, Member States and National Regulators will be watching the industry with interest to see if we can work together in a positive, joined up way that will result in the best conditions for European consumers". Whilst saying this we highlight that it will not be satisfactory for us to participate in a process that does not give an equal voice on matters that affect all parties.

We also maintain that in its initial phase GTE+ should focus on the fundamental reasons why it was established, and thus to guarantee and facilitate the transition towards another coordination mechanism. The definition of rules and procedure and the draft statute of ENTSG should occupy GTE+ agenda before any other activity.

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Submission on the GTE+'s First consultation

Towards the European single gas market

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Q6. Is there any advice/feedback you would like to offer to GTE about how it can best facilitate the transition between today and implementation of the Third Package?

Full coordination with all stakeholders will be key to the success of the transition. For this reason we reiterate the proposals to have resources from other stakeholders involved in the development of the envisaged programme.

Q7. Would you like to meet with GTE members to discuss the development of ENTSOG consultation and development processes?

A7. Yes

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