

3 January 2007

ABN Amro Bank Amstelveen:
Account no: 54 05 15 116

Dear Mr. Rakhou and Mr. Hölzer,
Dear Ms. Alvermann and Mr. Schippers ,

I would like to thank you for the constructive information meeting on Wednesday 20 December in the GIE offices about the coordination on Day Ahead Capacity.

EFET is pleased to see that the proposal formulated by the involved TSOs takes on board several features that we put forward in our October 2006 paper, (attached to this letter for your convenience) that addressed our view on daily cross border capacity auction in the framework of the regional gas initiative for North and North West Europe. We appreciate the view stated in the meeting that all regional TSOs involved consider that the implementation of an auction model for the allocation of combined daily entry and exit capacity is the best way forward. We would like to thank you all for your readiness to develop a trial project for a small number of important cross-border points.

EFET is disappointed, however, that the offered product is initially limited to interruptible capacity, and that this is without any further definition in the TSOs' presentation. We have serious doubts that this will be sufficiently attractive for the market, although we understand that it might allow TSOs to have a quicker launch of the auction process. We are still convinced that as part of this project, the team needs to agree on the steps that are necessary to also offer firm daily capacity rights through a daily auction. As you are aware, EFET has already made some initial suggestions at the meeting on how you could do this, for example:

- a) TSOs should allow shippers to offer back part of their firm capacity rights to the auction; or
- b) monthly auctions where TSOs buy back firm capacity rights to enable them to offer these rights again on a day ahead basis.

As also expressed in the meeting, we believe that another key factor that is (not yet committed to in the TSO proposal) is the need for a harmonised web-based platform that should become the unique place for all cross-border points where all aspects of the allocation process should be coordinated and organised. The TSOs propose that the trial will be in just two locations, which we accept is a practical way to make an immediate start. However for this trial to be useful in a regional context, there needs to be a common platform capturing all the essential features needed for international co-operation. Ideally the platform could allow for revisions and improvements for future expansion to all relevant borders and to additional products when required by the market (like firm and/or interruptible and without distinction between the current

short term (daily) allocations and later on long-term (like monthly, quarterly, yearly...) allocations).

EFET believes that, once firm capacity is on offer, this prototype project will signify a major step in the development of liquid short-term regional gas markets. Therefore

we appreciate your invitation to prepare together with the involved TSOs the stakeholder workshop to be held on the 9th of February 2007 and hosted by BNetzA. We are sure that, if due consideration is given to the concerns we have identified, then the outcome of this Workshop will be positive and we can already indicate our support for further implementation steps.

We have already the offered Workshop preparation meetings with the TSOs on the afternoon of 11 January in Berlin and/or the morning of 23 January in Brussels. Our Project Group Capacity Management, under the leadership of Adam Cooper (contact details below), will keep in touch with the Key Operator Contacts for the Workshop preparation.

We are looking forward to participation in this promising project.

Yours sincerely,



Colin Lyle
Chairman of the Gas Committee
European Federation of Energy Traders

Contact details:

Adam Cooper, Merrill Lynch

t +44 207 995 9021

m +44 7789 201 986

e adam_cooper@ml.com

Attachment : EFET Gas Committee paper October 2006 : Daily Cross Border Capacity Auctions in North and North West Europe, also available under the gas position papers section on the EFET website www.efet.org.