

Office of Energy Regulation

To

European Federation of Energy Traders
T.a.v. dr. C. Lyle, Board Member and Gas Committee
Chairman
Amstelveenseweg 998
1081 JS Amsterdam

Date

Your ref.

Our ref.

Enclosure(s)

102633/1.B184CG

Subject

DA Gas Capacity pilot

Dear Colin,

Thank you for your recent letters endorsing the regional initiative process and in particular your views on the day ahead auction process and how we may speed up the process if necessary. As you know, we see this project as a key priority of the regional initiative that has the potential to deliver real improvements to the gas market in our region. EFET has been instrumental in helping us to get to where we are today.

We also appreciate the effort and commitment operators have shown this project. We would like to ensure you that the operators have done exceptional work considering the restricted resources that they struggle with in a market that is in continuous transition. Much work has been done behind the scenes, for example in reducing lead time from 10 days to 3 hours in most cases. We have full faith in them continuing with their efforts in the coming months.

I am still very optimistic about the daily auctions of primary and secondary capacity even if it is perceivable that it will be a staged process. I believe it will improve the market itself but will also act as a catalyst to future initiatives for improving the current system. This pilot enables us to make a considerable step forward by identifying a wide range of practical problems and helping us find the right solutions. Thanks to all participants we have been able to make progress in solving practical issues on transparency, harmonisation of procedures, ICT, and so on. We are also working on developing a firm understanding of the legal issues that may need to be overcome.

At the Jour Fixe workgroup meeting on May 31st I understand that considerable progress was made on secondary capacity allocation and that most of us left with the feeling that our

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objectives, as agreed in Dublin, can be achieved. Before we can definitely determine this however members of the workgroup need to examine a number of identified issues. The outcome of this is to be discussed on June 21st at which point we expect to determine a date to start the secondary capacity pilot and further plan the work on an auction pilot for primary capacity.

So as not to loose the current momentum we have all worked so hard to achieve, I propose we continue work as decided upon in the last jour fixe in The Hague. The outcome of current investigations, to be discussed on June 21st, will help us understand the need to consider adapted approaches such as a interim step using traded markets.

As always I appreciate EFET's efforts, ideas and pro-active attitude and look forward to our future cooperation in achieving an improved regional gas market.

Best wishes,

Peter Plug
Director DTe
Chair of the Gas Regional Initiative North West