

Comment received by email from TAG on 5.9.2006

referring to the mail dated 24.07.06 and in particular to the consultation paper, TAG GmbH as TSO responsible for the transit from the Slovakian/Austrian border to the Austrian/Italian border, respectively, via the SOL system to the Austrian/Slovenian border first of all welcomes the joint efforts as to accelerate progress in the European gas market in particular as to the implementation of an action plan for the SSEE natural gas market. Therefore, TAG GmbH is glad to submit you the following comments.

General remarks: analyzing the European Gas Market should bear in mind the special parameters of this market, compared e.g. with consumer goods but also the electricity market and even the gas market in the UK until now.

As a matter of fact Western Europe is more and more becoming dependent on imported gas from outside the EU, due to the fact of increasing demand and decreasing domestic resources. The structure of the producing entities is not a polypolistic one. Large, mainly state owned companies are negotiating with the European Market players.

This is the main reason for the lack of liquidity, mentioned in the Consultation Paper.

Then again we have to recognize the development of the European Natural Gas Network.

At the beginning of every transit pipeline there has been a long-term contract negotiated between a producing company, in most cases identical with the above mentioned ones and a large integrated national company.

Going hand in hand with these contracts there have been long-term ship or pay contracts, otherwise the financing and therefore the construction of such systems would have been impossible.

With unbundled TSOs, and despite mature markets an increasing gas demand for further necessary investments, new models have to be found. In our point of view, this cannot be the obligation for TSOs to expand their systems.

1) Discussion point 1

We retain that the following two issues should also be included in the priorities:

- contractual conditions of the suppliers (in particular of the producers)
- conditions and climate for investments

2) Discussion point 3 (priority I)

We agree with you on the importance of balancing rules. Nevertheless, we retain that these balancing rules have to remain in the sphere of competence of the TSO. Only general principles should be mentioned, also with the involvement of the producers. Furthermore, said balancing rules have to be applied homogeneously on the whole system. Furthermore these have to involve the relevant TSOs and also the origin, which is to say the suppliers.

3) Priority II

We agree with you on the importance of a good functioning of hubs as link between supply and transmission systems. Yet, we retain that these hubs have to strongly involve the TSOs. But nevertheless the best rules for TSOs cannot improve the liquidity on hubs without a sufficient supply situation. Furthermore we cannot realize why questions like: "Can the rate of returns of the concerned pipelines be defined or estimated? Are they derived from negotiated or regulated settings?" will improve the liquidity of hubs.

4) Discussion point 6 (priority IV)

We agree with you on the importance of interoperability agreements e.g. IPA and OBA and of gas quality parameters. None the less these have to be homogeneous on European level and have to be applied on the whole transmission system.

5) Point 5 Proposals for an Action Plan - discussion point 7

We think a feasible UIOLI principle will be a possible solution regarding congestion problems, but it has to be applied at European level.

6) Discussion point 8

We retain that the suggested methodology does not represent a good solution for transit, in which case the tariff should depend in particular on the distance. Furthermore, we retain that the "inter-TSO compensation" is hardly viable.

7) Discussion point 9 (open season)

As described in our introduction the former mechanisms of creating new infrastructure are no more functioning due to the fact of unbundling. Therefore new incentives have to be created e. g. exemptions from the existing regulatory framework. With changing gas flows all over Europe a regional open season is in our view no adequate solution.

8) Discussion point 10

Guidelines should concentrate on overall principles. While we prefer detailed balancing rules on a country-by-country basis

9) Discussion point 11

We are convinced of the importance of transparency requirements. We believe that the TSOs have already taken measures in order to implement the GGP2 of Madrid Forum.

There should be no additional obligation for the TSOs to compile data in an extended way (additional costs)