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Decoupled Entry-Exit Tariff Model

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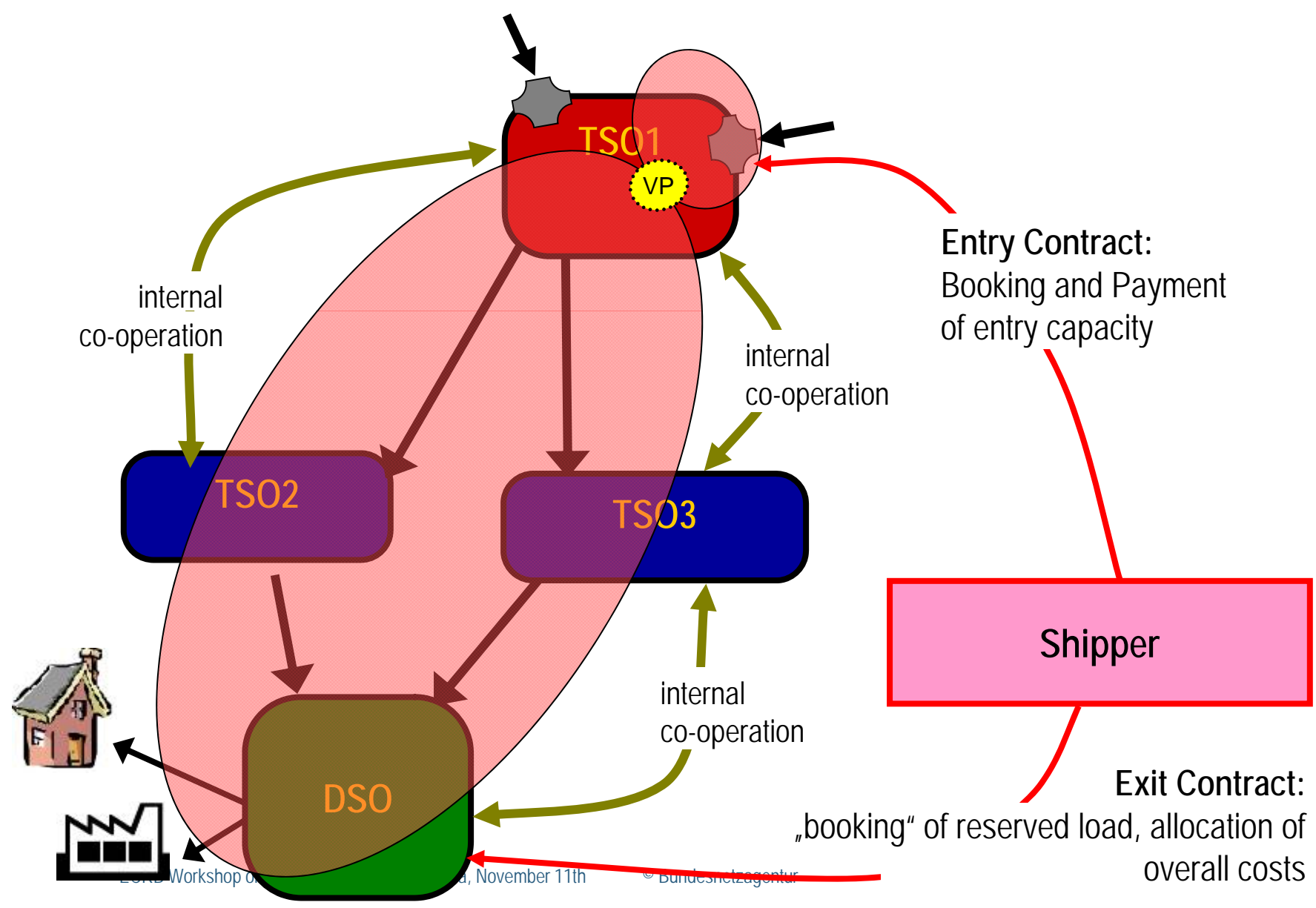
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- **sec. 20 (1b) Energy Industry Act (2005)**
 - Independence from transport routes / separation of physical and contractual flows
 - Unrestricted free use of capacities (Entry / Exit)
 - Gas Transportation is a collective obligation of TSOs
 - Intensive cooperation required

- **Ordinance on network access (GasNZV) of 3rd September 2010**
 - Codifying regulatory practice
 - Entry/Exit §3, §8
 - Market area §2 (11), §20
 - Virtual trading point (VP) §2 (15)

German Entry-Exit System „Two Contract Model“



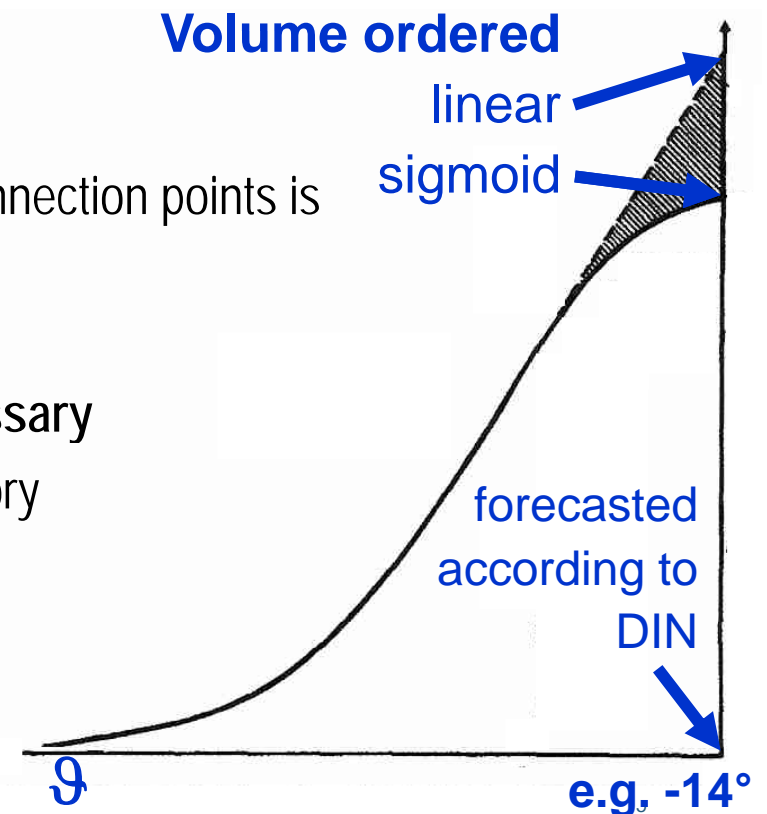


- **Summing up all gas volumes in the network**
 - no reference to transport capacity per user
 - overall usage of simultaneity- and netting effects

- **System operators co-operate at interconnection points (internal booking)**
 - not possible for shippers to book at these points
 - to reduce internal booking, each system operator eager to streamline total flows
 - No „real“ booking at upstream DSO

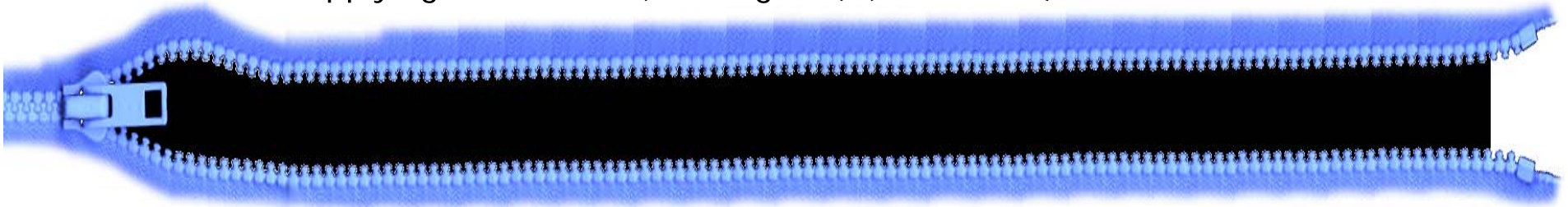


- Forecasting of demand of capacity at interconnection point by network operator
- Extrapolation of historical data to forecasted temperature (coldest winter)
 - Decisions of shippers (especially in case of overlapping)
 - „assured perception“
- Following forecasts, internal booking at interconnection points is made accordingly
- Agreement of both network operators necessary
 - Booking at upstream DSO is not compulsory
 - 5% tolerance





- Shipper is only responsible for:
 - Booking and nominating entry (contract 1)
 - Trading at the virtual trading point (VP)
 - Supplying consumers (booking exit) (contract 2)

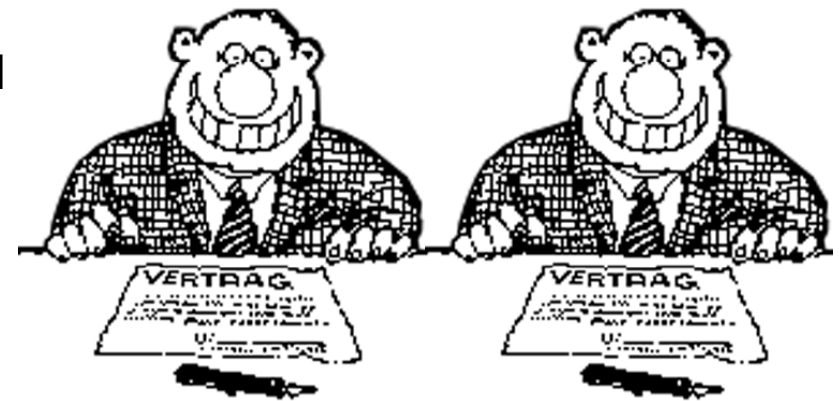


- TSOs and DSOs arrange transportation:
 - Summing up all transports in their grids
 - **Co-operating** of all SOs:
 - Joint implementation of **transports over several grids**,
 - Joint **balancing**
 - Facilitate trading at **Virtual Hubs (VP)**

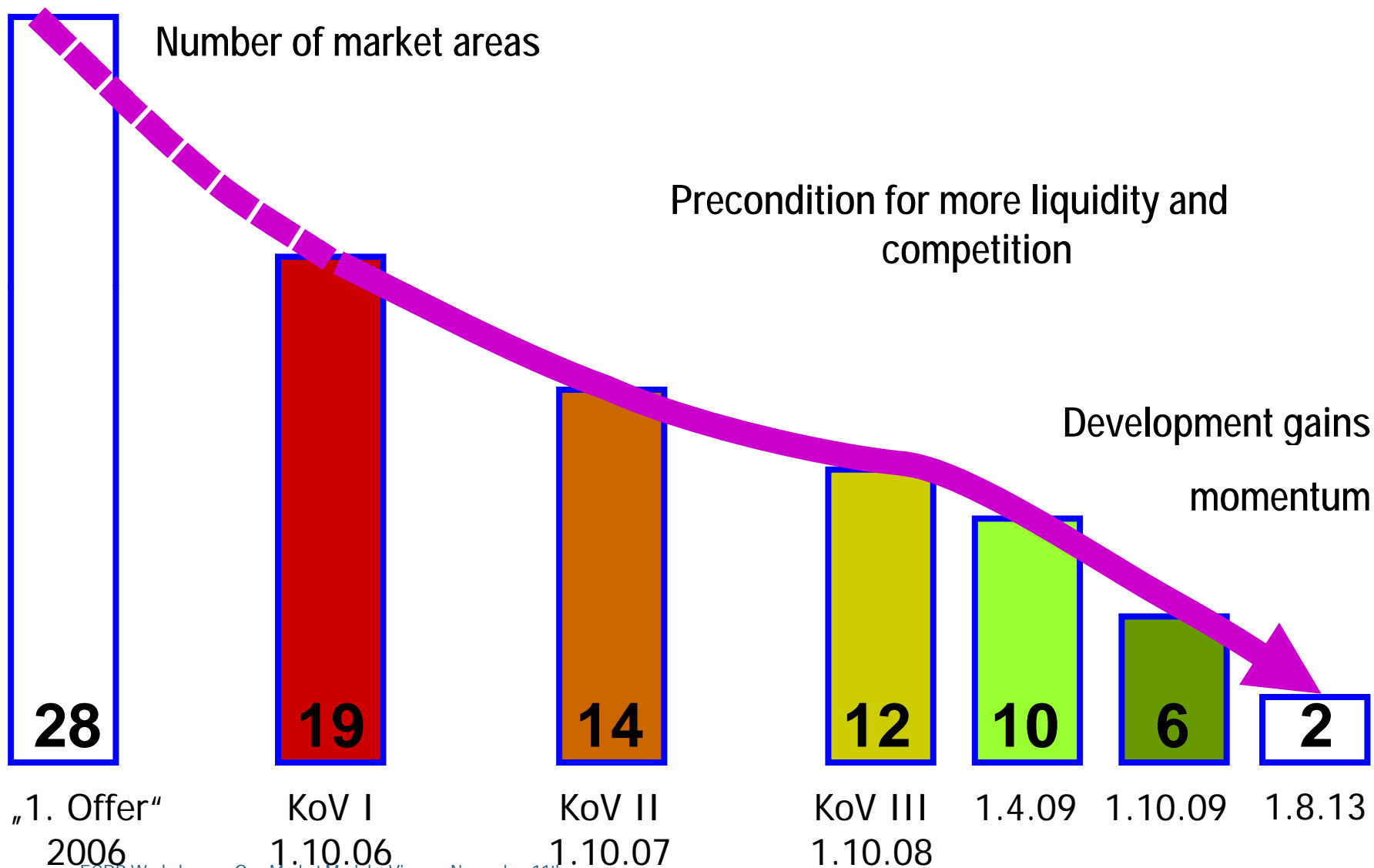
This regime lays the foundation for gas-to-gas competition!



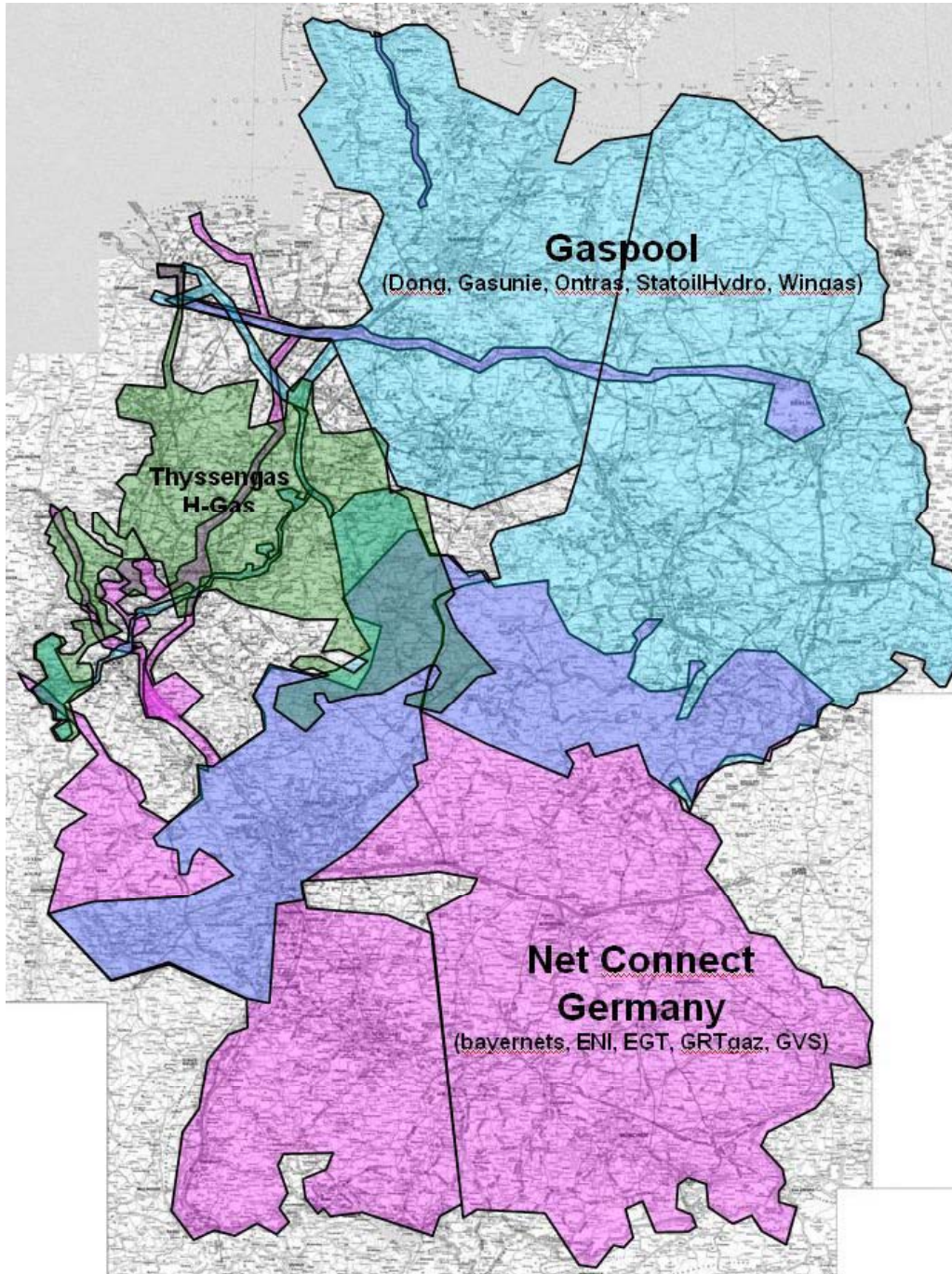
- free use of capacities and balancing is only guaranteed in Market Areas
- **definition market area:** summing up TSO and DSO networks, in which shippers can allocate booked capacity freely, feed gas out to final customers and transfer it to other balancing accounts
- **creation** of market areas beyond ownership is legally required, but in practise difficult due to historical development of German gas market → from 19 market areas (10/2007) to 6 (10/2010)
- **Ordinance on access to Gasnetworks §21:** 3 market areas (4/2011) to 2 (08/2013)
- **restrictions apply:**
 - technical feasibility (bottlenecks; H- and L-gas barrier, ...)
 - economical reasonability



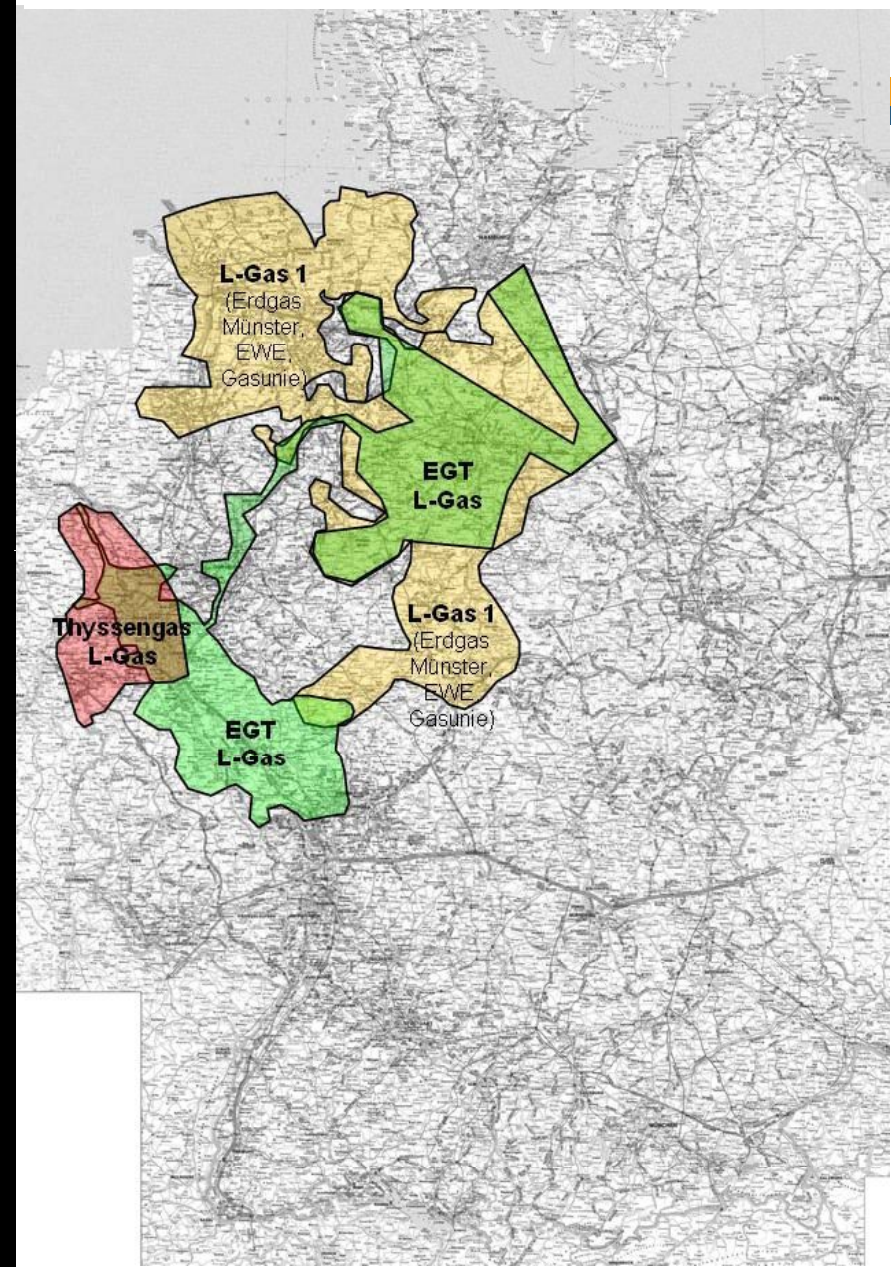
Reduction of market areas



3 H-Gas-Market areas



3 L-Gas-Market areas





- **Entry-Exit model is applied for all transports since October 1st 2007**
 - Former „city-Gate“ is now VP or sub-balancing account
 - Storages are „connected“ to VP

 - **At least within market areas:**
 - Balancing for whole market area
 - Standardised VPs for gas trading (= transmission between balancing account)
 - Free use of capacities (sometimes strong limitations)
- ➔ **Entry-Exit system successfully introduced change in system**
- ➔ **Result: increase of trading activities and competition**





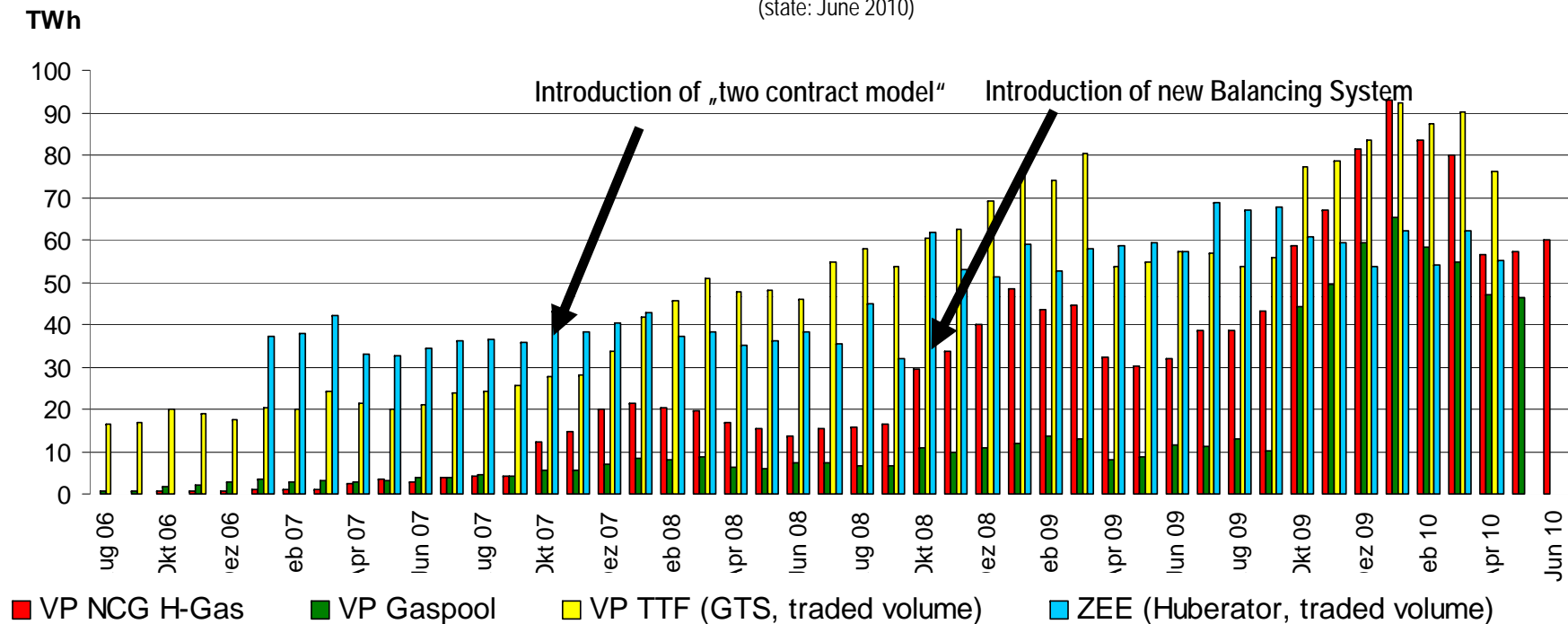
Thank you for your attention!

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Traded H-Gas volumes at selected trading points

(state: June 2010)



- Liquidity of German trading point is developing to top levels
- In 2009 85% more trading in H-Gas market areas than in 2008
- Reasons → „Two contract model“, „GABi-Gas“ and reduction of market areas