

Vereinigung der Fernleitungsnetzbetreiber Gas e.V

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## Incremental capacity Entry Germany at Ellund

8 September 2020

Dear Sirs,

Thank you for the opportunity to provide our response to your consultation on the incremental capacity cycle 2019-2021 at the Entry Point Ellund.

Our ref. Petbi

As you are aware, Ørsted is active in the Northwest European gas markets, including Denmark/Sweden and Germany. The connectivity and integration between the gas markets is extremely important for the markets' ability to function with effective gas deliveries to consumers and hedging of risks. We were surprised, when the German TSOs decided to downgrade the historically offered firm capacity for Entry Germany at the Ellund border point to "interruptible capacity" - not least because the downgrade happened just a few years after the successful completion of the expansion of the Ellund capacity. We have raised this point with the Danish regulator, and we question compliance with at least the spirit in the EU regulation, which aims at reinforcing cross-border capacity in EU enabling competition and liquid markets ultimately resulting in one internal EU gas market.

Nevertheless, we now face a situation, where the capacity has been downgraded to interruptible capacity and the TSOs' consultation for comments and ultimately long-term bookings to underpin investments to reinstate the firm capacity. The creation of the internal energy market has fostered liquid and competitive markets. Here, gas flows are determined by price differences between markets – and committing to long term transport capacity will entail that companies assume a considerable risk. This is also reflected in the general market trend, where gas flows are based on shorter term price signals and bookings, which is documented in ACER's INFOFLASH from 1 September.

We are thus concerned that the effective functioning of the market, where considerable gas volumes will flow into Denmark via Baltic Pipe and the rebuild Tyra platform, will be hampered by the downgrade of the German Entry capacity, and the market dynamics will no longer support long term bookings. If such situation arises, then it must be the responsibility of the TSOs and Regulators to find solutions supporting an effective cross border market.

Yours sincerely

Ørsted



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