

Trading Hub Europe

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Incremental capacity at Ellund Entry

Danish Energy welcomes the opportunity to comment on the consultation on the incremental capacity cycle 2019-2021 for the Entry point Ellund.

Danish Energy is an association representing Danish electricity and gas companies. Our members include gas suppliers and companies active in the Northwestern European gas markets.

Transmission capacity has been constructed and expanded to connect the European gas markets to enable competition and liquid markets for the benefit of the European gas consumers. In recent years, the Ellund capacity has been expanded which has benefitted the cross-border gas trade between Denmark and Germany.

The German TSO's downgrade of firm entry capacity to interruptible capacity at Ellund as of 2020 is likely to affect cross-border trade and prices spreads. In the current situation, where the capacity has been downgraded to interruptible and the German incremental capacity process requires long-term bookings to underpin investments to reinstate the firm capacity, we are considered for the cross-border trade between Denmark and Germany.

The creation of the internal energy market has fostered liquid and competitive markets. Gas flows are determined by price differences between markets and are based on shorter term price signals and bookings. By having to commit to long-term capacity bookings, gas companies assume a considerable risk in a market where prices and price spreads are determined by short term signals and trading.

The EU has worked on promoting competitive, liquid gas markets with initiatives such as the Gas Target Model, moreover, there has been a focus on narrowing the price spread between markets and regions. This has largely succeeded in Northwestern Europe, and the price spread between Denmark and Germany has narrowed to less than 1 EUR/MWh according to ACER's Market Monitoring Report 2018 for wholesale gas. Furthermore, the market dynamics and trends have moved towards short term capacity booking, as shown in ACER's preliminary findings of the Market Monitoring Report 2019 for gas wholesale.

We are concerned that the effective functioning of the market will be negatively affected by the lack of firm capacity on the German Ellund Entry point. Additionally, we believe it is contrary to the intention in the EU regulation, which aims at reinforcing cross-border capacity in EU to enable competition and liquid markets.

Yours sincerely,
On behalf of Danish Energy

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