

Our date
2016-08-24

Our reference

Our name

Your date
2016-07-12

Your reference
BK7-16-050

1 of 2

Bundesnetzagentur für Elektrizität, Gas, Telekommunikation, Post und Eisenbahnen
- Beschlusskammer 7 -
Tulpenfeld 4
53113 Bonn
By e-mail: Marktgebiete@BNetzA.de

Statoil response to the second consultation on the conversion system

Berlin, 24 August 2016

Dear Sir or Madam,

Statoil ASA welcomes the opportunity to participate in the consultation on the future of the German conversion system and the decision to review the KONNI Gas decision.

We firstly note that the tenor of the decision lacks a clear definition of the review's objectives: is the previous objective of integrated cross-quality market areas still valid, or is quality-specific gas injection for security of supply reasons the new main objective? If the latter was the case, this should be spelled out clearly. With the proposed continued reliance on a conversion fee, NCG and Gaspool remain effectively split into two market areas, meaning that Germany, as long as L-gas is consumed, consists of four gas market areas.

Referring to our submission to the first consultation, we believe that none of the proposed solutions is optimal due to their negative consequences for the German gas wholesale market. Assuming that concerns about future availability of L-gas are the main reason for the proposed regime, we believe that the best answer to such concerns is accelerated physical conversion of end-consumer exits from L-gas to H-gas, in order to reduce L-gas consumption more quickly than currently planned. The focus should be on converted consumption volumes rather than the number of converted appliances. This can be achieved by prioritising the physical conversion of the largest end-consumers. We understand from bilateral exchanges and a survey of the association of industrial energy users (VIK e.V.) that a significant potential to convert large end-users without much additional investment need exists: this potential should be realised as soon as possible. Bundesnetzagentur should ask concerned German TSO to assess this potential.

When it comes to the proposed solutions (ex-ante conversion fee and ex-post conversion fee), Statoil acknowledges that a trade-off needs to be made due to the negative consequences of each solution. In our assessment, an ex-post fee is preferable as it minimises negative consequences for wholesale gas trading, use of storage and cross-border trading – under the condition that there will be no conversion charge in a future system based on an ex-post fee. As indicated by the Market Area Managers at the workshop in July 2016, an ex-post fee should cover (nearly) all costs

Our date
2016-08-24

Our reference

Our name

Your date
2016-07-12

Your reference
BK7-16-050

2 of 2

of the conversion system; any costs that cannot be recovered by the fee shall be recovered via the balancing neutrality charge.

Statoil is concerned by the proposal to apply a conversion fee for H-gas volumes converted to L-gas, while no conversion fee shall apply to L-gas volumes converted to H-gas. This gives an unjustified competitive advantage to L-gas producers and discriminates against H-gas producers.

If against our recommendation a conversion charge is levied in the future, it should be applied to all end-consumer exits, but not at entries nor cross-border or storage exits. It is important to avoid a continuation of the current situation in NCG, where all shippers need to pay a significant conversion charge on their entry flows, without however getting any tangible advantage in return. A shipper without a L-gas portfolio (own production or long-term import contract) needs to pay the charge, but is still unable to make competitive offers in the L-Gas market area. This situation is also in clear contradiction to the principle of a fair (“verursachungsgerecht”) allocation of costs.

As explained in our earlier submission, ad-hoc charges on entry flows like the conversion charge disincentivise long-term capacity bookings, especially if their level is announced after the booking window for yearly transport capacity. Shippers should know the level of the conversion charge before they book capacity at least with regard to yearly products for the next gas year. This is why an announcement of the conversion charge only six weeks before the application period (as proposed in the tenor) is too late.

Statoil welcomes the proposal to publish the balance of the conversion accounts five work days after the end of each month using preliminary data, as well as the publication of daily conversion volumes as soon as available.

We wish to refer to our submission to the first consultation in April and EFET’s submission to this consultation for a more detailed discussion of arguments in favour and against each of the proposed solutions.

Yours sincerely,