



Position paper on the Federal Ministry of Economic Affairs and Energy's corner stones for natural gas security of supply

Leipzig/Paris, 12th of January 2016



About PEGAS

PEGAS is the central gas trading platform of EEX Group operated by Powernext. PEGAS provides its members with access to all products on one single platform and allows them to trade natural gas contracts in the Belgian, Dutch, French, German, Italian and UK market areas. The product range of PEGAS covers spot and derivatives contracts for the major European gas hubs as well as trading in location spread products between these market areas. This setup enables market harmonisation and forms the leading pan-European natural gas market. For more information: www.pegas-trading.com

Summary

PEGAS welcomes the corner stones on security of supply for natural gas that the Federal Ministry of Economic Affairs and Energy (BMWi) has developed together with market participants and associations. In the past six years, PEGAS has established itself through various product and process innovations, as a reliable partner of the German **Market Area Managers (MAM)** to organise the markets for balancing energy. These markets ensure that balancing products are priced efficiently. In 2015 the German Market Area Managers have traded more than 80% of balancing energy via the PEGAS platform, with more than 80 parties concluding more than 30, 000 transactions.

PEGAS welcomes the discussion regarding natural gas security of supply. We aim to provide market-based solutions that allow for a timely and market-compliant implementation of the measures suggested by BMWi, BNetzA and market participants. Gas balancing products can be traded efficiently on the exchange and allow for healthy competition.

Statement

PEGAS supports the measures as suggested by BMWi to increase security of supply for natural gas, in particular:

- 1) The increase in the quantity of long-term balancing energy products for local purposes that are procured by the MAM in MOL 4, by paying an availability price on top of the commodity price.
- 2) The introduction of new standardised long-term balancing energy products for the purpose of demand-side management by paying only the commodity price.

These measures are in line with economic principles and allow for an efficient procurement of security of supply. PEGAS is ready to support the relevant decision makers when implementing the suggested measures by providing its ideas on infrastructure and products needed.



PEGAS can organise trading and clearing of long-term balancing energy products of MOL 4, similar to short-term balancing energy products according to GABi Gas 2.0. This would simplify trading of such products for market participants and MAM, and by doing so, trading would become more cost efficient, transparent and non-discriminatory. This increases social welfare and decreases costs which would otherwise have been transferred to the end consumer. In addition, short and long term balancing energy products of MAM could be offered on the PEGAS platform centrally traded by market participants.

More specifically, PEGAS can organize the trading of standardized balancing energy products that are tendered in dedicated time slots by the market participants. By making order books transparent, the MAM can benefit from lower costs of procuring balancing energy. In addition, traders of balancing energy can also benefit from price transparency as this allows them to adjust the competitiveness (price) of their own offer which in turn increases the probability of execution by MAM. For those trading MOL 4 balancing products through the exchange, additional prequalification processes for financial reliability are not required, because the membership on the exchange itself guarantees a proper financial settlement of trades.

The physical settlement, as well as the detailed products specifications and trading processes should be legally agreed upon by MAM and shipper, as it is already the case today for existing balancing energy products traded on the exchange.

Based on our considerations as outlined above, we fully support the German Ministry, the regulatory authorities and the market participants to implement these measures as suggested by the position paper on BMWI's corner stones of security of supply for natural gas. Furthermore, we are at your disposal should you have any additional questions.

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