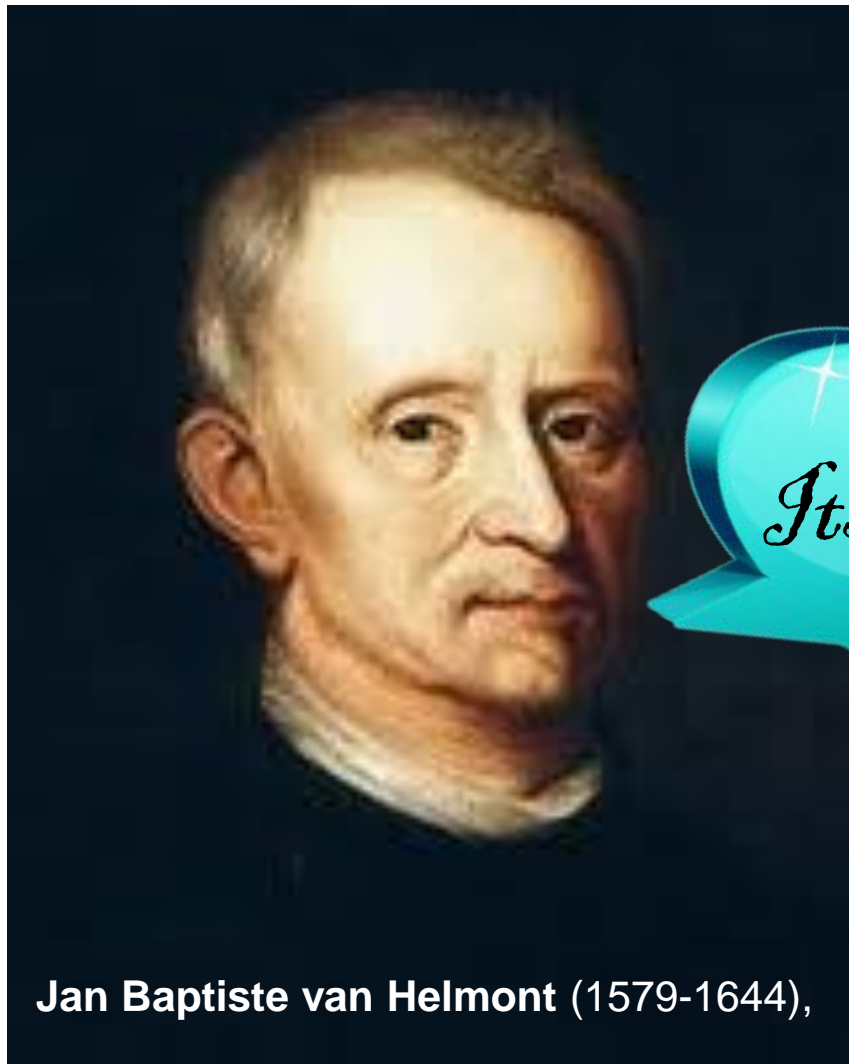


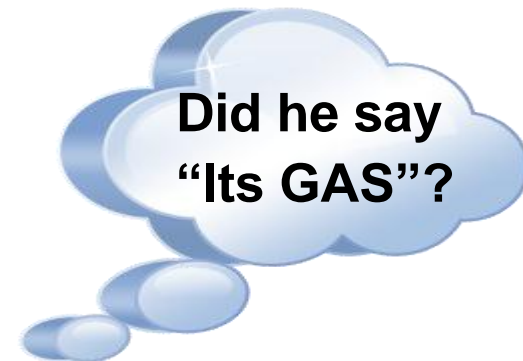
# Improving our understanding is always helpful. Gas has long been misunderstood



Jan Baptiste van Helmont (1579-1644),



The word 'gas' originated when a heavily accented 17<sup>th</sup> century Dutch Chemist was misheard, when he used the Greek word 'chaos' to describe the nature of air !



# Improving our understanding is always helpful.

## Electricity - Monk Coupling, Paris, 1746

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Abbot Jean-Antoine Nollet (1700-1770)





European Federation of Energy Traders

## Vision for a conceptual model for the European Gas Market

Input for 4<sup>th</sup> CEER workshop  
28<sup>th</sup> June 2011, Brussels

EFET Gas Committee



### EFET Vision

We foresee sustainable energy markets throughout Europe,  
in which traders efficiently intermediate in the value chain  
on the basis of clear wholesale price signals,  
thereby optimising supply and demand  
and enhancing security of supply,  
to the overall long-term benefit of the economy and of society.



advanced  
energy  
trading



actogas



aspo



BARCLAYS



BG International



BKW  
BKW FMB Energy Ltd.



BNP PARIBAS



ConocoPhillips



CREDIT SUISSE



DONG  
energy

ECONGAS



Electrabel

EnBW



enercity  
positive energie



e-on  
Energy Trading



-essent



ExxonMobil



GASELYS  
GDF SUEZ & SOCIÉTÉ GÉNÉRALE

gasNatural

GasTerra



GETEC ENERGIE  
Aktiengesellschaft



HEP TRGOVINA d.o.o.





EFET

# A conceptual model for the EU gas market

## - Investment and Security of Supply (1<sup>st</sup> June w/s)



### ⇒ Economic viability

- Options analysed and costed by TSOs
- Regulators ensure TSO projects only include efficient costs (benchmarking ...)

### ⇒ Project selection

- Based on regular market tests (with social funding if deemed necessary)

### ⇒ Investments to overcome physical congestion

- part of capacity allocation process, including annual LT allocation procedures

### ⇒ Ensuring the conditions for finance of regulated infrastructure

- This is primarily a regulatory issue.

### ⇒ A consistent approach across borders

- a difficult challenge for regulators and for TSOs, but essential for success

### ⇒ A balanced methodology for tariffs (capacity allocation reserve prices)

- LT reflects part of investment costs, ST allows discovery of market value

# A conceptual model for the EU gas market

## - Information provision



### **Clear target for 2014**

Near real-time aggregate data on major gas flows, quality, line-pack and availability of infrastructure etc...

### **Flexible vision for 2020**

On-line real-time information both for aggregate data and own positions



# A conceptual model for the EU gas market

## - Market-based balancing



### Clear target for 2014

All TSO systems, or combined systems, use market-based balancing with single cash-out of imbalances at local market prices at end of a common EU gas day.

### Flexible vision for 2020

Either all within day constraints have been resolved or shorter-term balancing markets evolve with the technical/operational necessities of gas working in closer partnership with renewable energy sources

# A conceptual model for the EU gas market

## - Cross-border capacity at interconnection points



### Clear target for 2014

Capacity products, allocation process, noms. procedures, main commercial terms and op. rules that affect market participant are consistent at TSO system interfaces.  
Market participants can choose to bundle capacity.

### Flexible vision for 2020

The number of interconnection points has decreased as TSO systems have become more integrated and some balancing zones have merged.

### Clear target for 2014

TSOs jointly re-assess technical capacity on an on-going basis and sell additional short-term firm capacity. LT capacity holders incentivised to sell capacity. TSOs maximise capacity use with buyback as necessary.

### Flexible vision for 2020

Congestion management is rarely needed because enhanced capacity has been built in response to market signals in the ongoing primary allocation process and secondary markets flourish for optimisation.

### Clear target for 2014

Having a contract enabling purchase or sales through a 'final' network automatically gives access to a Virtual Trading Point in a physically connected transmission system.

### Flexible vision for 2020

DSOs and NRAs have developed sufficiently harmonised approaches for market areas to be fully integrated across countries where technically and economically viable



### **Clear target for 2014**

Having system entry capacity into Europe, automatically gives access to a Virtual Trading Point

### **Flexible vision for 2020**

All market participants at any location in Europe have access to liquid wholesale markets at which there are many buyers and sellers

### Clear target for 2014

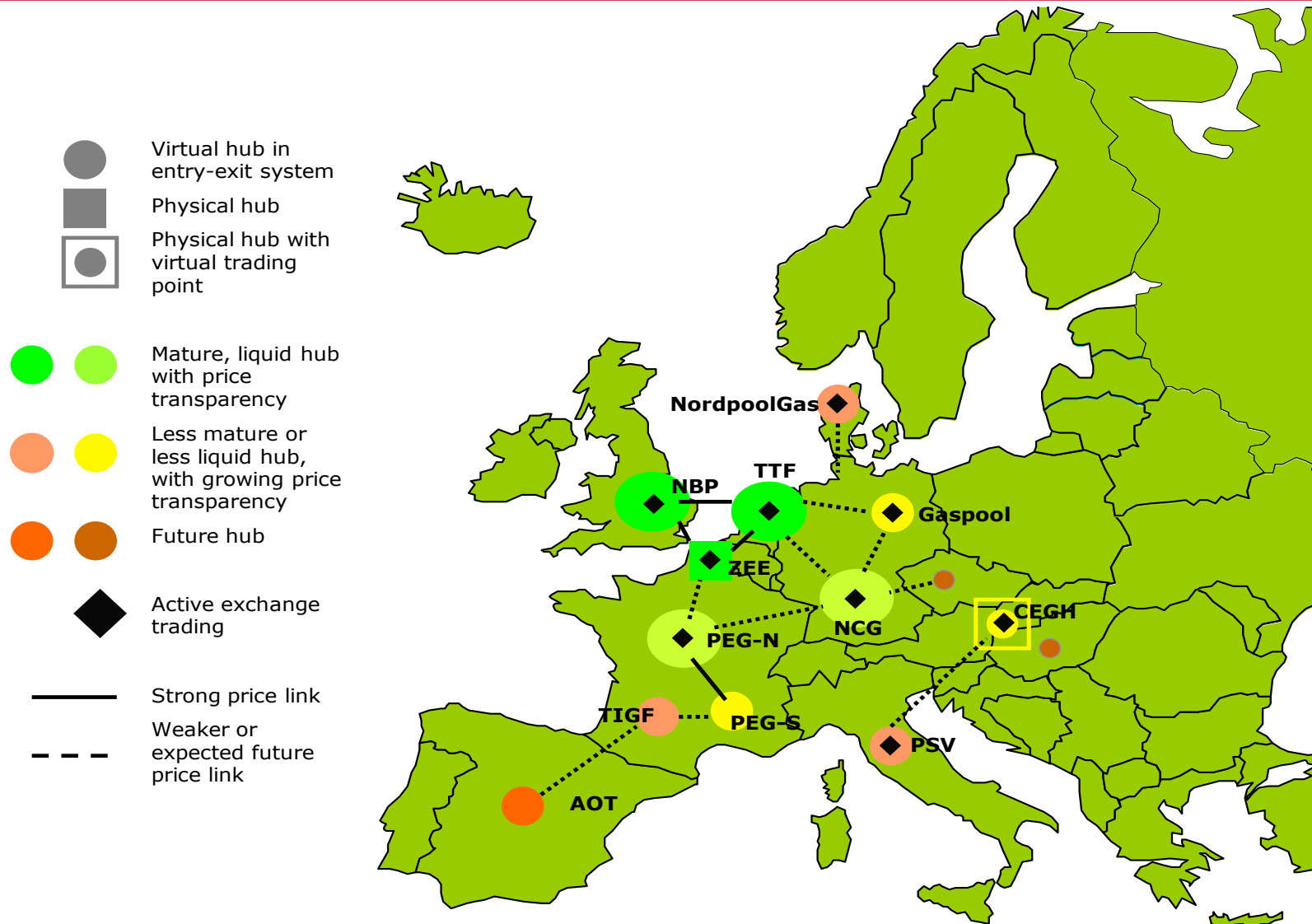
EU guidelines have established a consistent framework to encourage the development of a competitive storage market. Administered storage and priority access are phased out.

### Flexible vision for 2020

A competitive storage/flexibility market has been established throughout Europe, with several storage operators accessible in each balancing zone.

# A conceptual model for the EU gas market

## - Widening trading areas and deepening hubs



# Thank you for your attention!

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