

A stylized graphic of a globe is positioned on the left side of the slide. It is composed of several overlapping, light blue curved lines that represent the latitude and longitude of a sphere.

**European Gas Market
Target model
Workshop – Vienna 3rd Dec 2010**

**Sam Phillips
EU Affairs Manager**

Q. Why is a target model needed at this advance stage in the EU gas market plan, when MS should be well into implementation of the 3rd package?

A. To reflect all the major issues currently covered by a series of Framework Guidelines and to be detailed in Network Codes.

>>>> If the question is appropriate and the answer correct, what should the aim of the target model be?

What should be the aim of the target model?

A. To facilitate the creation and functioning of:

- A stable and competitive gas market in a stimulating environment that will encourage new developments whilst maximising the use of existing infrastructure.
- A market where stakeholders are aware of their responsibilities and take actions that safeguard timely supply of gas within an enabling economic environment.

B. To be an overarching Framework Guideline linking all other FGs and associated NCs.

- The model should be utilised in monitoring the development of the market including timing for each Network Code.

European gas Market – changes/developments



- **Connectivity between countries**
- **Model should define behavioural norms and performance standards**
- **Long term contract – supply and capacity – are desirable for market liquidity and investment decisions.**
- **In terms of capacity, long term booked capacity should be less than physical capacity.**
- **Gas hubs should be allowed to develop naturally, based on initial balancing zones and market demand.**

Capacity and Congestion Management

- Capacity Allocation rules must be transparent
- Regulators must not be permitted to change rules 'at will'
- Existing capacity contracts must be respected
- Time must be allowed to migrate existing contracts to satisfy the new rules with agreement between parties to the contracts - commercial impact to be addressed and security of supply issues addressed

Transparency – EC 715/2009

Rules to:

- Aid gas availability
- Satisfy demand
- Satisfy public concerns/worries
- Be impartial to location of Supplier
- Improve liquidity

Rules not to:

- Penalise any stakeholder
- Unduly benefit any market participant at the expense of others
- Destroy market liquidity

Gas Quality Harmonisation

- The goal is to define standards that are as wide as possible within reasonable costs
- A range of gas quality to:
 - Minimise investment in appliances and equipment, maximise energy output
 - Have flexibility to meet changing sources over time
 - Enhance security of supply
- Achieved over time or in one swoop?
- Who pays - should the costs be 'socialised'?

Balancing

- One balancing regime across the EU
- Daily balancing most used and understood model, cash-out rules to be set in advance
- Time must be allowed to migrate existing contracts to satisfy the new rules with agreement between parties to the contracts - commercial impact and security of supply issues to be addressed
- Network User to balance own system inputs and offtakes

Standardisation and harmonisation

Procedures and rules for TSOs

Rules and procedures for Network users

Measuring tools standardisation

Contracts standardisation

Reporting of Operational information

- Gas demand by country/town/province/district
- Governance rules
- Planned maintenance schedule
- Interruptions to supply
- Daily/hourly flows

TPA and Tariffing

- **Transparent basis for tariff derivation**
- **How to become a shipper – clear rules/guidelines**
- **What is expected of a shipper, strict behavioural code**
- **Role of the regulator**

Undoubtedly in an integrated market time definition needs to be consistent. As daily balancing is almost universally accepted, the day should be defined, e.g. CET 06.00 to 06.00.