

Call for evidence - Evaluation

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Vision for a conceptual model for the European Gas Market
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Introduction

- **3rd package new regulatory framework for a single European market but leaves the detail to be defined...**
 - Charging based on entry-exit & not based on transport routes
 - Competitive & liquid markets for gas trading
 - Market-based capacity allocation- due attention to merits of 'implicit auctions'
- **Changing gas markets**
 - Increased European demand and swings (back up to renewable generation)
 - Reduction in indigenous gas sources and increased need for imports.
 - Long-term contracts a continuing important role in gas security of supply

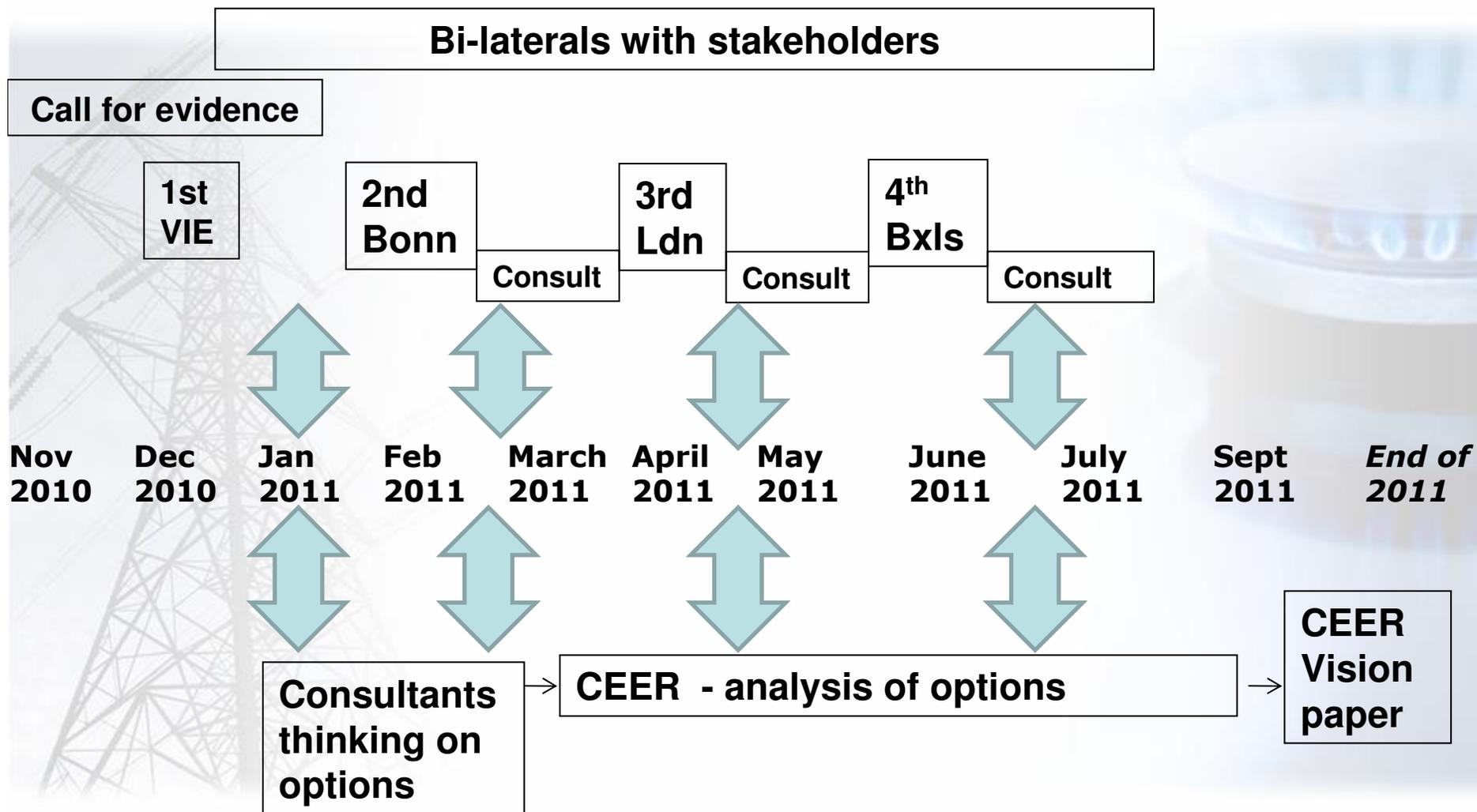
Support for a target model to ensure consistency in network codes.

General Remarks

- 42 responses received (2 confidential), covering a broad spectrum of stakeholders
- Target model non-binding high level principles
- Clear timetable wanted with performance indicators.
- Quick conclusion to provide input into on going work (i.e. framework Guidelines & network codes)
- Assess the benefits and costs of any options

Consensus on the need for a vision but quickly...

Key Steps



Target Model Scope

- **CAM**: Mix of short & long term products. Auctions preferred by many, with support for bundled products.
- **CMP**: Market based. Many for TSO oversell and buy back. Some favour restrictions on re-nominations, some against. Support developing secondary markets.
- **Network tariffs**: consistent, transparent & cost reflective at interconnection points not across whole market.
- **Wholesale market pricing**: leave to market.
- **Balancing arrangements**: market based, daily balancing, cost reflective imbalance charges.
- **Gas quality**: broad specification of gas quality

Target model to build on market design already in FGs etc..

Views on depth of target model

- Focus on interconnection or harmonised market design?
- All agree that aspects of wholesale market need harmonised
 - e.g. Common gas day
 - Distribution: some consider it necessary others not
 - Storage/LNG? some argue it is within scope others not
- Retail activities, non wholesale markets, upstream activities and non-regulated activities should be excluded.

Depth of harmonised market design may vary depending on target model

Views on integration options

- Most highlight that a reduction in the number of the balancing zones can lead to an improvement in trading and competition.
- Main aim should be to create the conditions to enable such zones to emerge organically
- Any potential merger of zones has to be carefully assessed and weighed against the benefits of greater and more liquid market areas.
- Nearly all respondents not clear if market coupling is also appropriate for gas given physical difference to electricity market.

Calls for assessment of market coupling & merging markets

Key questions

- **What are the options for a future target model?**
- **What cost/ benefit assessment is needed?**
- **What might be the impact of the options on:**
 - L/term contracts and Security of Supply?
 - Creating liquid markets?
 - Existing market arrangements?
- **How quickly can the options be implemented?**