



GIE views on Gas Target Model

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Key Messages

Gas Target Model should propose measures that :

- Keep attractiveness of EU gas market and ensure security of supply
- Provide clear market-based investment signals
- Allow for short-term optimisation on top of long-term gas supply
- Ensure that benefits exceed costs
- Pursue technical harmonisation

Attractive EU market – Security of Supply

EU gas market has been attractive → keep attractiveness to ensure future EU security of supply

- Need for long-term gas supply contracts
- ... and long-term gas capacity contracts from production countries to EU markets
- ... while ensuring regulatory predictability and stability to support investments in gas infrastructure

Clear market-based investments signals

3rd Energy Package calls for market-based approach:

- Investments subject to market-based signals – for gas infrastructure developments
- Underpinned by long-term contracts ensuring appropriate risk sharing between infrastructure investors, infrastructure users and final customers
- Investments for Security of Supply should also be, as far as possible, underpinned by the market

Long-term gas supply

Short-term optimisation

Both objectives can be attained :

- Long-term capacity contracts should be allowed and guaranteed
- Efficient recycling of short term unused capacity: secondary market, UIOSI or, if necessary, over-booking, buy-back
- Avoid shift of long-term to short-term bookings by setting reserve price including multipliers for short-term auctions at regulated tariff
- OTC and continuous gas trading between liquid virtual hubs according to reliable price signals

Benefits exceed costs

GTM envisages far-reaching measures like merging of zones and market coupling

- May require big investments or important changes in market design
- Should be subject to extensive Impact Assessment and Cost-Benefit Analysis, taking into account social welfare and security of supply
- Costs in one country for the benefit of another country should be properly allocated

Merger of balancing zones

Balancing zones :

- Aim towards fully unrestricted Entry/Exit balancing zones with liquid Virtual Trading Points
- Therefore, size of balancing zone limited by structural features of transmission networks
- Merger of market areas subject to positive Cost-Benefit Analysis
- Cross-border merger of market areas need extensive co-operation of Member States, NRAs and TSOs

Linking gas markets

Markets are integrated if price difference is lower than transmission cost as long as there is no physical congestion

- Need for efficient use of capacity between market areas, avoiding contractual congestion → secondary market, UIOSI or, if necessary, in a second step over-booking, buy-back
- Flexibility needs on each market require continuous trading → market coupling through continuous trading mechanisms



Pursue technical harmonisation

Internal Gas Market will require harmonisation of “technical” elements, i.e. :

- Gas quality
- Units, Gas Day
- Operational processes, supporting future network codes

Conclusions

GTM is a useful tool to shape a robust gas market

- Focus on transmission; Detrimental impact on competitive activities of storage and LNG should be avoided
- Short-term optimisation on top of long-term gas supply
- Need for sound Impact Assessment and Cost-Benefit Analysis
- Current EU processes for transmission on CAM, CMP and Balancing should provide the right starting point. They should be consistent with the GTM.