

Changing storage usage and effects on security of supply

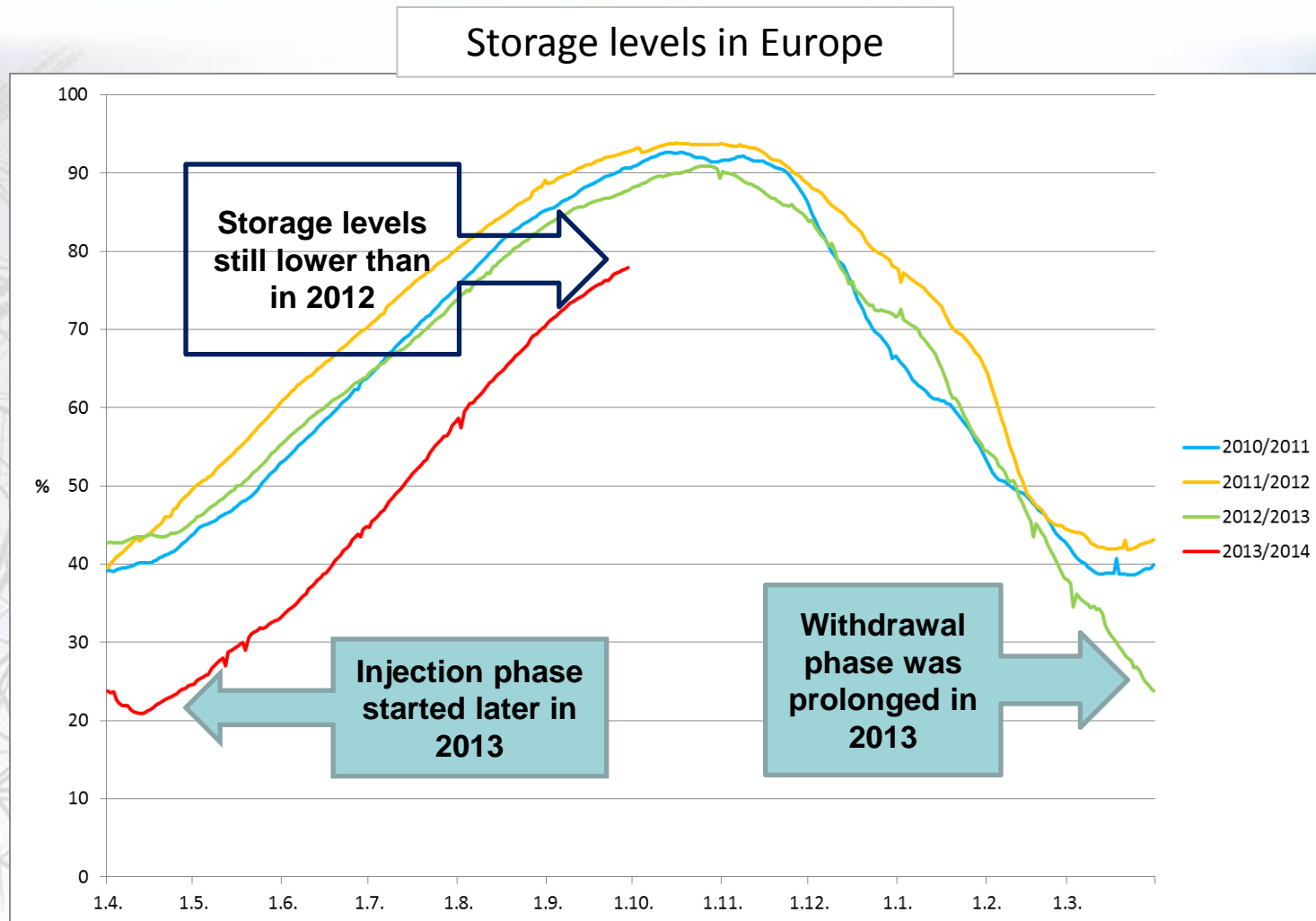
– Interim report –

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Reason to launch CEER project



Source: GSE

Goals of the project

- CEER launched a project with the aim to understand why less storage capacity was booked last year (and possible consequences)

Research questions

1

Understand shippers' reasoning for booking less storage capacity and/or having less gas in storage in comparison to previous year(s);

2

Understand to what extent booking behaviour during the last storage season is temporary or more permanent;

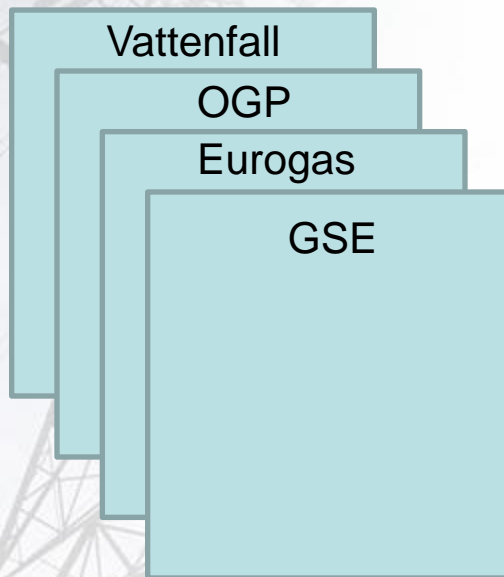
3

Determine whether any (immediate) action is required (and by whom).

Approach taken by CEER

- CEER has developed a questionnaire which was sent to organisations who represent storage users (such as shippers and traders) or storage operators

Respondents



Main questions

- What are the most important reason(s) that shippers book storage capacity?
- What are the most important reason(s) why less storage capacity was booked last year?
- To what extent is booking behaviour temporary (e.g. spread related) or more permanent?
- If booking behaviour is changing: how will this affect the storage market?

Main findings based on received responses (1)

- Sufficient storage capacity is likely available on short term, but competitiveness of storage flexibility determines whether capacity will actually be booked.

Availability of storage capacity

- Outlooks suggest sufficient storage capacity is available for short term
- Postponement of investments not (likely) to impact SoS on short term

Booking of available storage capacity

- Demand side is price driven, economics play a role in choosing flexibility tool
- If other flexibility tools are cheaper: not likely that storage capacity is booked
- In terms of SoS: not a problem as long as other tools provide sufficient flexibility

Main findings based on received responses (2)

- New investments in storage facilities require long-term commitments, but currently storage users are not willing to make such commitments
 - Storage operators are witnessing a shift towards more short term flexibility
 - Building storage facilities takes time: take investment decision in due time
 - Investments in storage facilities require long-term commitments
 - Currently storage users are not willing to make long-term commitments

Questions for CEER

Is lack of willingness temporary (price related) or permanent (business as usual is changing)?

Will storage users commit long-term if they believe sufficient storage capacity is not available?

Considerations on possible EU-actions (1)

- Any possible action should fit the concept of improving security of supply in the EU which is laid down in Regulation 994/2010.

- The market for flexibility – storage included – is a commercial market
- No measures should be introduced unless there is clear evidence that market failure will occur
- Any (SoS) measures related to storage will have an impact on the business case of existing and for developing storage facilities
- The market for flexibility/ storage market should thus be disturbed as little as possible

Considerations on possible EU-actions (2)

- Several possible actions can be taken to make storage flexibility more competitive (further analysis needed on bottlenecks and solutions needed).

Lack of willingness is price related

- Storage users will likely make long-term commitments once storage flexibility is priced more competitively
- Measures can be taken to make storage flexibility more competitive (e.g. discount on transmission fees)

Lack of willingness is permanent

- If long-term commitments are no longer business as usual: new way of organising investments needed?

Better understanding needed on several topics

Impact of decreased capacity booking levels on security of supply

Influence of pricing storage capacity on storage demand


Availability of sufficient storage capacity in the midterm

Influence of NC Balancing and Tariffs on storage use

Possible market failure in the future

Next steps

- Stock levels and booking levels need to be continually monitored

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Further discussions on remaining (CEER) questions

Finalising and publishing CEER report

Presentation to Gas Coordination Group/ Madrid Forum

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Thank you for your attention!

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