

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  
4<sup>th</sup> Target model Workshop  
Brussels 28<sup>th</sup> June 2011**

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- **Some of the Issues we currently face:**
  - **The economic crisis**
  - **Growth in Renewable energy**
  - **Government policies – uncertain outlook for gas**
  - **Rising Carbon Prices**
  - **Regulations**
    - **Speed of implementation**
    - **Overzealousness/ Threat of draconian conditions**

- **Consultation started in Dec 2010**
- **3 Workshops planned to 'finalise' scope of model**
- **4<sup>th</sup> Workshop supposed to present 1<sup>st</sup> Draft of model**
- **Final model to be published Q3/4 2011**

# OGP's understanding of 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.

# Target Model – how to achieve the aims

- **By establishing links between the key elements of the gas market as envisaged in the 3<sup>rd</sup> Energy package:**
  - **CAM/CMP**
  - **Balancing**
  - **Transparency**
  - **Tariffing**
  - **Inter-operability**
  - **Investments**

## 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 for migration of existing contracts to new rules.
- Long term capacity and supply contracts needed for investment signal/bankability.
- Auction process/rules to be harmonised across EU
- A secondary capacity market is necessary

## Balancing

- One balancing regime across the EU
- Daily balancing most used and understood model, cash-out rules to be set in advance
- Network User to balance own system inputs and offtakes
- TSO to provide 'limited' balancing service
- Hubs must be allowed to develop naturally from market needs

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



## **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**

## **Standardisation and harmonisation - Operability**

- **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

## **Gas Quality Harmonisation - Operability**

- **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'?**

**To encourage investments we need:**

- **Sanctity of Contract**
- **Bankabilty of contracts – long term revenue stream**
- **Evidence of demand**

# Were the aims of the GTM achieved - successes and time wasters?

**Don't know if the aims were achieved – need to see the model.**

## **Successes:**

- **All key items addressed in workshops**
- **Stakeholder participation good**

## **Time wasters:**

- **Discussion on Market Coupling – too much time devoted to an unproved concept**

## Issues:

- 1. No capacity contracts required**
- 2. Assumes liquid market with fully developed infrastructure**
- 3. Price levelling device**
- 4. Discourages (or does not encourage) private investment – no long term contracts**