



Europex views on the Gas Target Model

4th Gas Target Model Workshop

28 June 2011

Increasing role of short term markets

- How to ensure the supply of gas to the European market
 - Choice to be let to the market parties on the right combination between long term contracts and short term supply
- Increasing role of short term markets
 - Much greater within-day fluctuations in gas demand with 20-20-20 obligations and new CCGT plants
 - More flexibility needed by the shippers
- And thus, increasing liquidity on gas hubs
 - Well functioning tools, platforms to be made available by exchanges
 - Platforms that should evolve with market participants needs

Economic investment

- Investment in infrastructures should be linked with need for transportation and hence, scarcity
- Auctions on capacity are valid economic signals to trigger investment (whatever the reserve price)
- Auctions on short term capacities are part of the indicator for the economic investment in infrastructures
- Europex understands the importance of the issue of cost-recovery by TSOs and right allocation of costs between network users for the functioning of the gas market
 - A zero-reserve price could result in under-recovery of TSO revenues in some cases
 - Short term value of capacity could be cost-reflective

Implicit allocation of capacities

- Implicit methods for capacity allocation can be different in gas and in electricity
 - Implicit allocation of capacities can be integrated to continuous trading schemes
 - Implicit allocation does not need a zero-reserve price for short term capacities
- Studies are ongoing and first projects will be launched soon in some countries

Implicit allocation of capacities

- Implicit methods can still have benefits for the gas market
 - It optimizes capacity allocation by enabling that capacity allocation and usage is performed via spot gas market
 - it embeds and respects TSOs constraints in order to safely manage the grid
 - netting of capacity allocated in opposite directions for the same border
 - capacity is always allocated and used in the direction that is economically rational (from low area price to high area price)
 - it helps traders to keep their portfolio balanced via the simultaneous trade of capacity and commodity on the “coupled” wholesale markets

*Thank You for Your
attention!*

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