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## **CEER Workshop on barriers for gas storage product development**

Fostering energy markets,  
empowering **consumers**.

**CEER Gas Storage Task Force**  
Brussels, 17 February 2017

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## **Welcome address**

**Mr Van Liere**  
***Gas Storage Task Force Co-Chair***

# Agenda

## **10:00 – 10:15**      ***Welcome address***

Opening remarks and organisation

**Mr Van Liere, co-chair CEER Gas Storage Task Force**

## **10:15 – 11:30**      ***Session 1: gas storage products and market demand***

CEER preliminary findings on product availability

**Mr Freeman, co-chair CEER Gas Storage Task Force**

Market demand for new products and storage user views on barriers

**Mr Wood (EFET)**  
**Ms Loudon (Eurogas)**  
**Mr Harry (EURELECTRIC)**

Discussion

## **11:30 – 12:45**      ***Session 2: barriers for gas storage product development***

CEER preliminary findings on barriers for storage product development

**Mr Freeman, co-chair CEER Gas Storage Task Force**

GSE response to CEER findings

**Mr Schmöltzer (Uniper Energy Storage)**  
**Ms Benešová (innogy Gas Storage)**

Discussion

## **12:45 – 13:00**      ***Summary of discussions, closing remarks and next steps***

Closing remarks

**Mr Van Liere, co-chair CEER Gas Storage Task Force**



## Rationale for CEER focus on product development

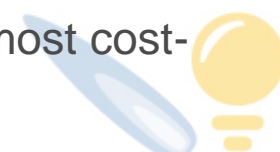
Recent studies on role of storage highlight the importance of flexibility and innovation in SSO product development

- ▶ **CEER Gas Storage Vision**
- ▶ **EC Storage and LNG Strategy**

### CEER Gas Storage Vision

- ▶ Emphasised the importance of **European SSOs being able to innovate and develop new products** to meet the requirements of market participants and **compete on a level playing field** with other sources of flexibility
- ▶ Advocated a **regional approach** to gas storage in Europe with no restriction on the use of storage across borders

### EC Storage and LNG Strategy

- ▶ **“Regulators should allow and encourage storage operators to develop and provide new services** that are freely tradable on secondary markets and across borders.”
  - ▶ **“Competition** between operators will ensure that storage providers and their customers can negotiate contractual terms reflecting their needs in the most cost-efficient manner”
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## Objectives of the study

Removing any unwarranted barriers is an important step to ensure that storage can compete on a level playing field with other sources of flexibility

- ▶ However, we do not have a strong evidence base showing where specific problems exist

### CEER objectives:

- ▶ Review the different types of **products available** in different European storage markets
- ▶ Analyse potential **barriers to the development of different products**, including regulatory barriers, issues related to market development, and the role of SSOs



## Process to date

### SSO questionnaire sent to GSE members and other SSOs in December 2015

- ▶ Engaged with storage users to ensure we captured products and product characteristics that were most important to market participants

### Responses received from 22 SSOs across Europe

- ▶ Covering 58% of total EU storage capacity
- ▶ Some information incomplete and lack of concrete examples of barriers

### Further input sought from SSOs in September 2016

- ▶ GSE position paper
- ▶ Follow up questions to SSOs

### Presented initial findings at Madrid Forum in October 2016

- ▶ Draft report finalised in November 2016



# Objectives of the workshop

## Two main objectives

- ▶ Present and discuss our preliminary findings with market participants
- ▶ Gather additional information from SSOs and other market participants, in particular storage users

## Report will then be finalised and published

- ▶ Alongside document summarising of discussions



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## **Session 1: gas storage product innovation and market demand**

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## Varied product availability

### Changing market demand

- ▶ Evidence that **market participants increasingly demand more flexible, customised and short-term products**

### Some SSOs have already responded with innovative products

- ▶ Products include:
  - storage products delivered at the hub (10)
  - back-up services (3)
  - virtual storage (5)
  - pooled storage (6)
  - cross-border products (6)
  - alternative/customised products (13)

### But, availability of different products varies widely across Europe

- ▶ Depending on market maturity, regulatory framework, role of storage in the market
- ▶ Same applies for different product characteristics, e.g. product durations, pricing methodologies, secondary trading, unbundled and interruptible products



## **SSO development of additional products and services**

### **We asked SSOs if they offered additional products or services to those covered in our questionnaire**

- ▶ The majority of respondents did not offer any additional products or services.
- ▶ A limited number of SSOs specified some products including: swap products; park and loan services; gas-in-store products; and specific trading services.

### **We also asked SSOs if there were additional products or services to those currently available that they would like to offer**

In addition to the products in the questionnaire (e.g. delivered at the hub), additional products included:

- ▶ Products with a flat storage curve
- ▶ Use of gas in store as collateral for securitisation
- ▶ Short-term/fast-cycle products
- ▶ Interruptible products
- ▶ Indexed pricing methodologies
- ▶ Firm unbundled products
- ▶ Park and loan services
- ▶ Products with individualised injection and withdrawal curves.



## Market demand and questions for discussion

Evidence that market participants increasingly demand more flexible, customised and short-term products

Important to understand market demand, which is not homogenous across Europe

- ▶ EFET
- ▶ Eurogas
- ▶ EURelectric

### Key questions

- ▶ How well have SSOs responded to changing market demand?
- ▶ What unmet demand is there for innovative products from storage users?
- ▶ For the next session, what barriers are there to the development of new products?



## Regulatory principles and concluding remarks

### Regulatory principles

- ▶ SSOs should not be unduly prevented from innovating and developing new products.
- ▶ Emphasise the importance of non-discrimination and transparent third party access arrangements.
- ▶ In some markets, risk that innovation and complex product offerings could result in discrimination between storage users and a lessening of competition

### Session conclusions



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## **Session 2: barriers for gas storage product development**

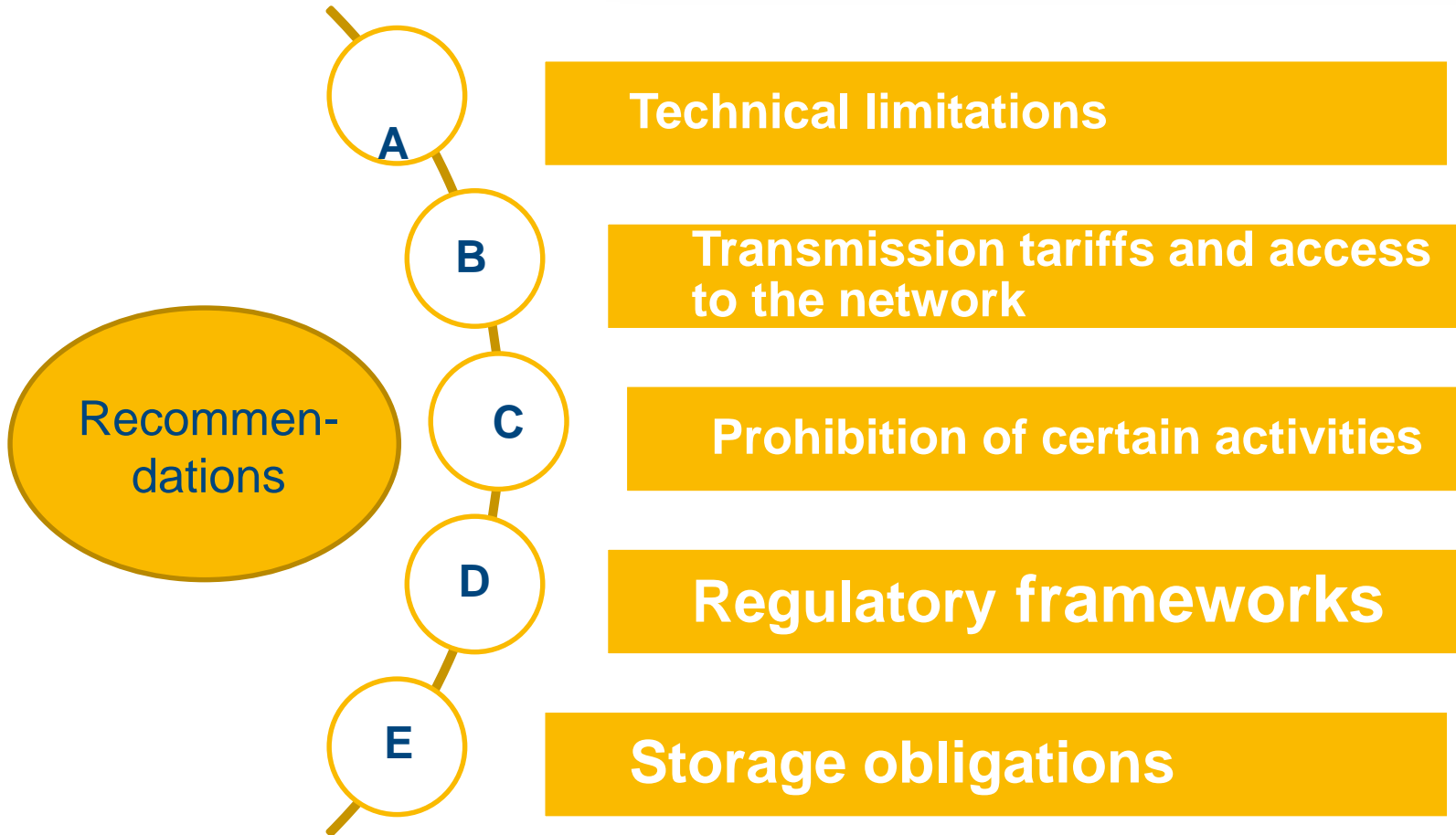
## CEER preliminary findings

### Draft report conclusions

- ▶ Based on the results of the survey of SSOs and wider engagement with relevant market participants, CEER has not identified any pan-European barriers to storage product development.
- ▶ Our findings indicate that where in a few cases barriers do exist, these primarily relate to specific market conditions and national implementation of European storage regulation.
- ▶ Without prejudice to the fundamental principles of third party access, such as transparent and non-discriminatory capacity allocation, CEER considers that SSOs should not be unduly prevented from innovating and developing new products.
- ▶ Where barriers to product development are identified, they should be addressed on a case-by-case basis between the relevant NRA, SSOs and market participants.
- ▶ SSOs should develop clear proposals to NRAs where they consider product development to be unduly restricted by the regulatory framework.



## Areas of recommendations



## Technical limitations

### Barrier raised

- ▶ The **technical characteristics** of particular storage facilities were cited by a number of SSOs as a key driver behind the specific products and services that had been developed
- ▶ Other than virtual products, storage products are primarily asset-backed and therefore must reflect the physical capabilities of a particular storage facility or facilities.
- ▶ Potential restriction on provision of certain products e.g. fast-cycle storage.

### CEER recommendation

- ▶ CEER acknowledges the role of technical limitations in determining the asset-backed products SSOs can offer.
- ▶ No evidence that this is an undue barrier to product storage product development in Europe.





## Transmission tariffs and access to the network

### Barrier raised

- ▶ A number of SSOs cited high transmission tariffs and access to the transmission network as barriers to product development, including cross-border products.

### CEER recommendation

- ▶ Within the framework of the Network Codes, CEER considers that transmission tariffs for storage should consider to the greatest possible extent the benefits and costs that storage facilities provide to the overall system.
- ▶ SSOs should not be unduly restricted from accessing the transmission network.



# Prohibition of certain activities

## Barrier raised

- ▶ In some markets, restrictions on SSO's ability to book transmission capacity and trade gas for the purpose of providing storage products hinders new product development and innovation
- ▶ The Third Package prohibits SSOs transporting or selling gas except for the efficient operation of the facility. Evident this has been interpreted and implemented in different ways.

## CEER recommendation

- ▶ To allow flexibility, consider on a case-by-case basis these activities and the efficient operation of the facility
- ▶ Where there is demand, SSOs should not be unduly restricted for the explicit purpose of providing storage products
- ▶ Provision of additional guidance on interpretation from NRAs/ CA may be beneficial
- ▶ SSOs should develop clear proposals for new products




## Regulatory framework for product development

### Barrier raised

- ▶ Regulatory framework and process for developing new products or amending current access arrangements limits their ability to respond quickly to changing market demand.
  - ▶ Time to introduce changes, including requirement to consult and NRA approval process
- ▶ **Little concrete evidence provided on specific examples of NRA approval preventing the development of a product.**
- ▶ One respondent noted conflict between transparency/non-discrimination and product customisation

### CEER recommendation

- ▶ TPA requirements for facilities are in place for good reason. Enhanced flexibility must not undermine fundamental principles of non-discrimination and transparency
  - ▶ Market consultation needed to ensure stakeholders' views are considered in development of storage products.
  - ▶ Implementation should be proportionate and strike appropriate balance between flexibility and regulatory oversight
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# Storage obligations

## Barriers raised

- ▶ Storage obligations place an obligation on market participants to procure storage based on their customers or portfolios and ensure that a certain level of gas is in store at a specified time.
- ▶ Some stakeholders have indicated that the presence of such obligations acts as a barrier to storage product development and restricts users' ability to manage their portfolios and optimise the use of storage.
- ▶ One SSO noted in response to our questionnaire that storage obligations in other countries distort the storage market.

## CEER recommendation

- ▶ As noted in the CEER Storage Vision, the use of storage obligations should be restricted to situations where there is clear market failure and the impact on the market should be understood and minimised.



## Conclusions

**CEER has not identified any pan-European barriers to storage product development.**

- ▶ Where in a few cases barriers were identified, these primarily relate to specific market conditions and national implementation of European storage regulation.
- ▶ CEER need more evidence to consider further work in this area, such as reviewing the GGPSSO



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## **Session 2: barriers for gas storage product development**

***GSE presentation and discussion***

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## **Summary of discussion, closing remarks, and next steps**

# Thank you for your attention!

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