

**CEER**

**Council of European  
Energy Regulators**



Fostering energy markets, empowering **consumers**.

# **CEER Final Vision for Regulatory Arrangements for the Gas Storage Market**

## **Evaluation of Responses**

**Ref: C15-GWG-119-03a  
25 May 2015**

## INFORMATION PAGE

### Abstract

On 22 October 2014, CEER launched its public consultation on the draft “CEER Vision on Regulatory Arrangements for the Gas Storage Market”<sup>1</sup> which outlined the current conditions on the gas storage market and presented regulatory principles, identified by CEER, to improve the functioning of the gas storage market.

Building on regulators’ work to date, this paper (Ref: C15-GWG-119-03a) considers the responses to the consultation and proposes CEER’s developed thinking and accompanies the final Vision on Regulatory Arrangements for the Gas Storage Market (Ref: C15-GWG-119-03). The complete stakeholder responses can be found at CEER’s website ([www.ceer.eu](http://www.ceer.eu)), under closed public consultations.

### Target Audience

European Commission, energy suppliers, traders, gas/electricity customers, gas/electricity industry, consumer representative groups, network operators, storage system operators, Member States, academics and other interested parties.

### Keywords

Storage; Security of supply; South East Europe; Wholesale markets; LNG; National Regulatory Authorities, 3<sup>rd</sup> Package.

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<sup>1</sup> [“CEER Public Consultation on the draft CEER Vision on Regulatory Arrangements for the Gas Storage Market”](#), Ref: C14-GWG-112-03, 22 October 2014

## Related Documents

### CEER documents

- [“Key points from CEER Eastern Europe Workshop on Gas Storage Vision”](#), CEER, Ref. C15-GST-22-03, 26 February 2015
- [“CEER Vision on the Regulatory Arrangements for the Gas Storage Market”. CEER public consultation document](#), CEER, Ref. C14-GWG-112-03, 22 October 2014
- [“Minutes of joint CEER-GSE workshop on Gas Storage and Security of Supply”](#), CEER, 23 June 2014
- [“CEER Interim Report on Changing Storage Usage and Effect on Security of Supply”](#), CEER, Ref. C13-GWG-102-03, 20 November 2013
- [“Amendment of the Guidelines of Good Practice for Third Party Access \(TPA\) for Storage System Operators \(GGPSSO\): Guidelines for CAM and CMP”](#), CEER, Ref. C11-GST-15-03, 14 July 2011

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## **EXECUTIVE SUMMARY**

### **Objective of the report**

This document presents an evaluation of the 38 contributions (including two confidential) received in response to the CEER public consultation on draft “Vision for Regulatory Arrangements for the Gas Storage Market”, which was conducted as part of the work analysing the storage market and also reviewing the role of storage in security of supply. It consists of a summary of the responses to each consultation question and Council of European Energy Regulators’ (CEER) developed thinking. A conclusions section collates this developed thinking.

### **Key messages**

Most respondents to the CEER public consultation reiterated the position that “one size doesn’t fit all” and that pan-European approaches to storage market regulation are not appropriate. Participants disagreed over the extent to which storage was valued by the market, however, all agreed on the need for a regulatory framework that was conducive to market development and innovation in the storage market.

There was a divide over how storage regulation could best achieve desired security of supply, with participants split equally amongst three camps. Some participants felt that today’s market mechanisms alone were sufficient, whilst others felt that improvements would be needed to allow participants the opportunity to appropriately value security of supply. Others too suggested that the market would never be able to achieve the desired level of security of supply and therefore interventions in the market, through strategic stocks or storage obligations, would be necessary.

## 1. Introduction

### 1.1. Background

In October 2014, CEER launched its Public Consultation on a draft “Vision for Regulatory Arrangements for the Gas Storage Market”.<sup>2</sup> The draft Vision provided a set of regulatory and policy options to ensure that storage can compete in a flexibility market, where present. The consultation also proposed that where a functioning wholesale gas market is not present, measures can be put in place to safeguard supplies whilst a market is developed. The purpose of the consultation was to solicit feedback from stakeholders on the regulators’ approach. The call for consultation responses closed on 12 December 2014 and CEER received in total 38 responses (two being confidential). Feedback received during the public consultation was taken into account while drafting the CEER final “Vision for Regulatory Arrangements for the Gas Storage Market”.<sup>3</sup>

### 1.2. Objective and purpose of this paper

This Evaluation of Responses document summarises the positions of the respondents and addresses each of the main issues raised. In addition to the summarised responses, this paper also provides CEER’s evaluation of the comments received. It should be read in conjunction with the public consultation document on CEER’s draft “Vision on Regulatory Arrangements for the Gas Storage Market” (Ref: C14-GWG-112-03). The CEER consultation ran from 22 October 2014 until 12 December 2014 and was carried out through a dedicated online questionnaire on the CEER website.

Chapter 3 provides a summary of respondents’ views and CEER’s reaction to these. A list of the respondents can also be found in Annex 3. The full response from each stakeholder can be found at CEER’s website: [www.ceer.eu](http://www.ceer.eu), under Closed Public Consultations.

### 1.3. Questions for public consultation

In addition to inviting relevant stakeholders and market participants to respond generally to this consultation, CEER sought the opinion of respondents on a number of specific issues.

Respondents were invited to reply and provide comments on the following questions:

#### ***Storage market fundamentals***

1. Do market participants value all three values of storage identified by CEER (arbitrage, system and insurance) in the market price?
2. If the value of storage is not reflected in the market price, please elaborate on your understanding of the reasons hindering this and potential solutions.

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<sup>2</sup> [“CEER Public Consultation on the draft CEER Vision on Regulatory Arrangements for the Gas Storage Market”](#), Ref: C14-GWG-112-03, 22 October 2014

<sup>3</sup> [“CEER final Vision for Regulatory Arrangements for the Gas Storage Market”](#), Ref: C15-GWG-119-03, 25 May 2015

3. Respondents to the previous CEER questionnaire (launched in 2013)<sup>4</sup> identified that users are currently less likely to enter into long-term commitments than previously. In your view, is this temporary (e.g. price related) or structural (e.g. long-term commitments are no longer desired)?
4. Do you agree with CEER’s observation that storage competes within a wider flexibility market (e.g. with Liquefied Natural Gas (LNG), interconnection and virtual products)?
5. In your view, are there further barriers to competition that have not been considered by CEER in this public consultation document?

### Security of supply

6. Do you agree with the CEER recommendations for delivering security of supply through market mechanisms?
7. Where interventions are necessary, do you agree that the characteristics of interventions identified by CEER (e.g. transparency, clear roles and responsibilities, exit strategy) can help to minimise any potential adverse impact on the market?

## 1.4. Responses

In total, 38 respondents representing a variety of types of stakeholders submitted responses to the public consultation. Figure 1 below shows a breakdown of respondents by sector.

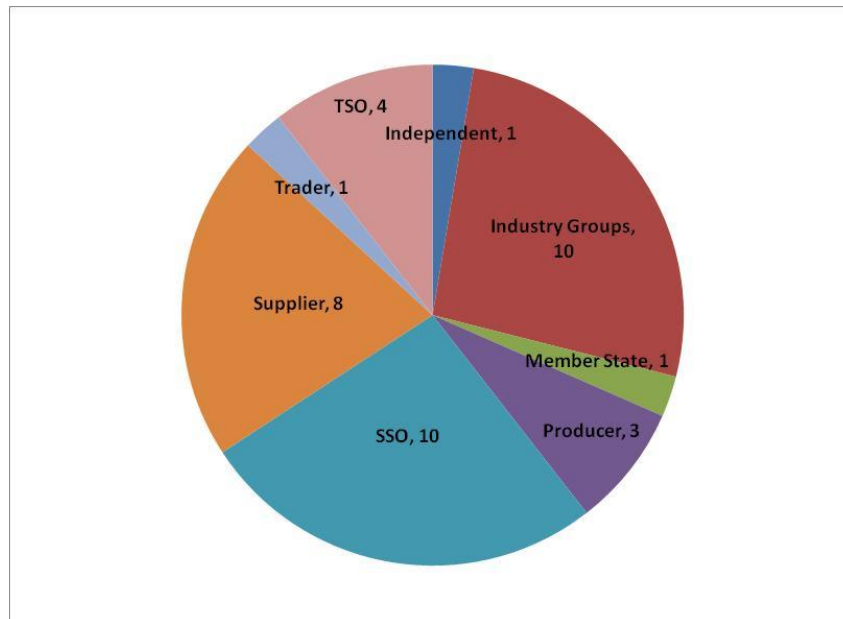


Figure 1: Respondents by sector to the CEER public consultation on the draft “CEER Vision on Regulatory Arrangements for the Gas Storage Market”

<sup>4</sup> At the end of the storage season 2012/2013, Europe faced lower than normal gas storage stock levels and a delayed start to the injection period. Given the importance of gas storage CEER decided to get a more detailed understanding of these recent events. For this purpose, in 2013 CEER developed a questionnaire which was sent to organisations that a) represent storage users (such as shippers and traders) or Storage System Operators (SSOs), or b) that have an in-depth knowledge of the storage market.

### 1.5. Eastern Europe workshop

When reviewing the consultation responses, CEER noted that the majority of respondents represented the interests of Western European organisations (with the exception of some pan-European organisations). As the consultation emphasised the need for a tailored solution for storage, i.e. “one size doesn’t fit all”, CEER organised a workshop in Budapest on 26 February 2015 targeted at Eastern European stakeholders. The purpose of this workshop was to ensure that their views were taken into account in this process. A note outlining the key points of this workshop is available separately on the CEER website<sup>5</sup> but the main points raised aligned with those already collected through the consultation exercise, namely:

- Gas storage needs a level playing field to compete in the wider flexibility market, i.e. fair transmission tariffs, no undue burdens for product innovation;
- The discussion on security of supply showed that, whilst all recognise that it is essential that gas can be physically supplied to protected customers in a crisis, there remains division over how to achieve this;
- Participants at the workshop presented different opinions on whether the system and insurance values of storage are reflected in the market price.

## 2. Customer perspective

CEER believes that functioning wholesale markets can deliver the best outcomes for customers. Gas storage facilities play a key role in the supply of gas to customers by allowing market participants to store gas to manage seasonal swings, as well as providing sufficient flexibility to respond to short term variations in demand.

By setting out a vision for the regulatory arrangements for the gas storage market, CEER aims to ensure that gas storage can continue to play an important role for customers in the most efficient way, by competing with other sources of supply and by helping to deliver appropriate levels of security of supply.

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<sup>5</sup> [“Key points from CEER Eastern Europe Workshop on Gas Storage Vision”](#), CEER, Ref. C15-GST-22-03, 26 February 2015



### 3. Response per question

The table below provides an overview of the comments received to the CEER public consultation on the draft “CEER Vision on Regulatory Arrangements for the Gas Storage Market”.

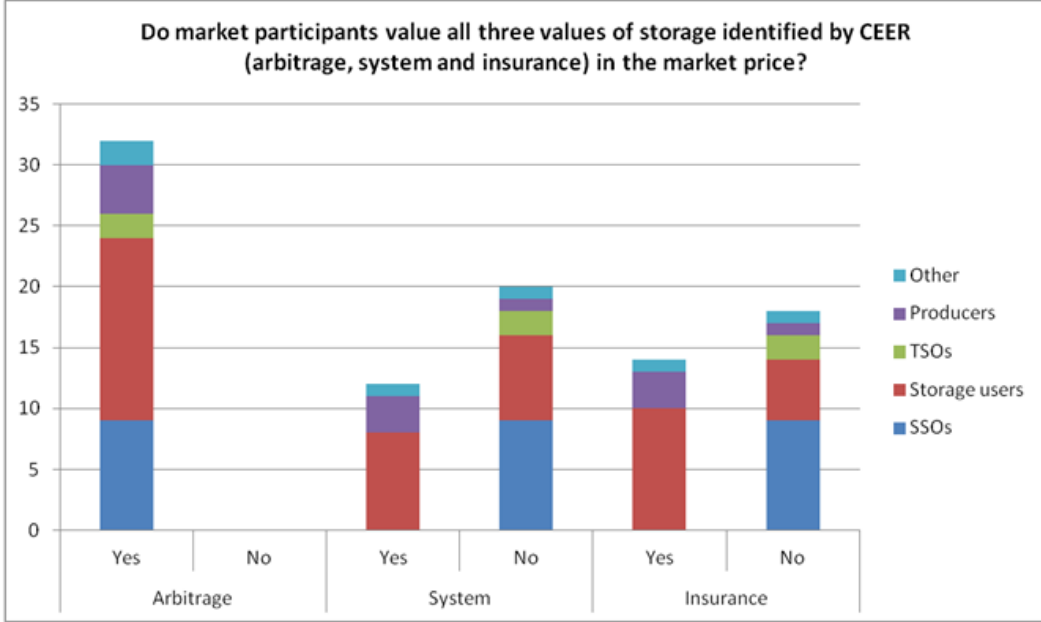
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	 <p style="text-align: center;"><b>Do market participants value all three values of storage identified by CEER (arbitrage, system and insurance) in the market price?</b></p> <table border="1"> <caption>Data for Figure 2: Respondents' views on how the values of storage are reflected in the market price</caption> <thead> <tr> <th>Storage Type</th> <th>Response</th> <th>SSOs</th> <th>Storage users</th> <th>TSOs</th> <th>Producers</th> <th>Other</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Arbitrage</td> <td>Yes</td> <td>9</td> <td>15</td> <td>2</td> <td>4</td> <td>2</td> </tr> <tr> <td>No</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> </tr> <tr> <td rowspan="2">System</td> <td>Yes</td> <td>0</td> <td>8</td> <td>0</td> <td>3</td> <td>1</td> </tr> <tr> <td>No</td> <td>9</td> <td>7</td> <td>2</td> <td>1</td> <td>1</td> </tr> <tr> <td rowspan="2">Insurance</td> <td>Yes</td> <td>0</td> <td>10</td> <td>0</td> <td>3</td> <td>1</td> </tr> <tr> <td>No</td> <td>9</td> <td>5</td> <td>2</td> <td>1</td> <td>1</td> </tr> </tbody> </table>	Storage Type	Response	SSOs	Storage users	TSOs	Producers	Other	Arbitrage	Yes	9	15	2	4	2	No	0	0	0	0	0	System	Yes	0	8	0	3	1	No	9	7	2	1	1	Insurance	Yes	0	10	0	3	1	No	9	5	2	1	1	
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Figure 2: Respondents views on how the values of storage (arbitrage, system and insurance) are reflected in the market price

Question/Issue	Respondents' feedback	CEER's developed thinking
Overview	<p>Respondents to the public consultation agreed with the three values of storage identified by CEER. They were divided, however, on whether or not all three values of storage were reflected in the market price, as illustrated in Figure 2. All respondents stated that the arbitrage value was reflected in the market price but many respondents did not think that the system or insurance values of storage are valued by market participants.</p> <p>Of those respondents who stated that all three values of storage were valued by market participants, some cautioned that this is dependent on the existence of well-functioning markets. They argued that well-functioning markets are a prerequisite for efficient market prices that reflect the full value of storage.</p> <p>Respondents also highlighted potential barriers to the full value of storage being valued by the market, such as interventions in the market and restrictions on access to storage, a lack of transparency and information on available services and restrictions on commercial innovation by Storage System Operators (SSOs) to respond to market demand.</p> <p><u>Arbitrage Value</u></p> <p>Although all respondents thought that the arbitrage value of storage is captured in the market price, some presented a slightly different view. In particular, a number of respondents, mostly SSOs, felt that the extrinsic value of storage may not be fully accounted for in certain circumstances. They argued that seasonal spreads are the main driver for storage prices and that these spreads do not account for short-term price volatility, which</p>	<p>CEER welcomes the respondents' views that arbitrage value is in the main, reflected in market prices, and acknowledge that well-functioning wholesale markets are regarded as a pre-requisite for this.</p> <p>CEER also notes that full implementation of Balancing Network Code in all Member States will lead to more robust price signals.</p> <p>CEER notes the comments raised by participants, particularly that system and insurance values are currently not valued by participants in all markets, which could advocate for regulatory interventions. Among possible options, appropriate transmission tariffs would help, but the task is particularly complex and transmission tariffs may only contribute to provide relevant incentives. <b>As such CEER has decided that the guidance in the consultation document, that transmission tariffs should, as much as possible, reflect the costs and benefits that storage facilities provide to the system, should be retained.</b></p> <p>CEER notes that many market participants</p>

Question/Issue	Respondents' feedback	CEER's developed thinking
	<p>is unpredictable and difficult to quantify. Some noted, however, that the implementation of the Balancing Network Code<sup>6</sup> should ensure the extrinsic value of storage is reflected in the market price. One respondent argued that interventions that reduce price volatility (for example, in emergency situations) distort the market and reduce the extrinsic value of storage in the market.</p> <p><u>System and Insurance Value: Positive Externalities</u></p> <p>A number of respondents, particularly SSOs, argued that the system and insurance values of storage are not valued by market participants. They stated that these values are positive externalities associated with gas storage and that storage is therefore undervalued by the market, which only accounts for the arbitrage value (seasonal spreads for long-term capacity and price volatility for shorter-term). They noted that the appropriate incentives are not present for market participants to internalise these values.</p> <p>Some respondents therefore advocated regulatory interventions to account for these positive externalities. They argued that storage being undervalued reduces the incentive for investments in storage capacity and creates a risk of facility closure across Europe, which endangers security of supply. Other respondents, however, argued that the storage market in Europe is oversupplied, so low prices and closure of some facilities is a natural market correction.</p>	<p>have concerns about the degree to which the market values the insurance value of storage. Possible remedies however, vary across the respondents. For example, several state that the market cannot appropriately value this and therefore some form of intervention is required, whilst others believe that interventions are part of the reason that the value cannot be achieved.</p> <p>CEER maintains the view that appropriate market based mechanisms, that give financial incentives, should be the primary method of achieving security of supply. Whilst recognising that in several Member States there can be concerns that risks may not be adequately covered in market actions, especially in those countries where there is reliance on limited sources of supply. <b>CEER has thus decided to retain the text of the consultation which foresees interventions when there is evidence of market failure.</b></p>

<sup>6</sup> [Commission Regulation \(EU\) No 312/2014 of 26 March 2014 establishing a Network Code on Gas Balancing of Transmission Networks](#)

Question/Issue	Respondents' feedback	CEER's developed thinking
	<p><u>System Value</u></p> <p>A number of respondents argued that the market price for storage does not reflect the benefits that storage provides to the network. They highlighted that due to its typical location close to demand centres, storage provides benefits to Transmission System Operators (TSOs) in terms of system operation and investment. To address this, they suggested that transmission tariffs for storage facilities should reflect the system value of storage.</p> <p>One respondent stated that whether or not the system value is reflected in the price depends on the market design.</p> <p><u>Insurance Value</u></p> <p>Some respondents, particularly SSOs, argued that market participants do not take the risk of extreme events into account and therefore that the full insurance value of storage is not reflected in the market price. They stated that storage as a physical source of gas located close to demand centres and the security of supply benefits this provides is not covered by the market price.</p> <p>One SSO noted that consumers will be the ones to face the costs of interruption, and therefore there is no economic incentive on market participants store gas for these situations. Market participants rely on governments or other parties to manage this risk. One respondent highlighted that in relation to security of supply generally, not just for storage, it is questionable whether the market alone will ensure sufficient security measures to address high impact, low probability events.</p>	

Question/Issue	Respondents' feedback	CEER's developed thinking
	<p>Some respondents, however, argued that the market does reflect the insurance value of storage. They argued that efficient imbalance charges put appropriate incentives on market participants to deliver security of supply, whether through storage or other sources of gas.</p> <p>Respondents who did not think market participants value the insurance value of storage argued that interventions are needed to ensure market participants account for the system value of storage. Others, argued that interventions in the market (e.g. storage obligations) distort the market price, lead to inefficient use of storage capacity and prevent the insurance value from being internalised by market participants.</p>	
<p><b>Question 3: Respondents to the previous CEER questionnaire (launched in 2013)<sup>7</sup> identified that users are currently less likely to enter into long term commitments than previously. In your view is this temporary (e.g. price related) or structural (e.g. long term commitments are no longer desired)? Please refer to Section 2.3 in the public consultation paper.</b></p>		
<p>Overview</p>	<p>Most respondents agreed that storage users are currently reluctant to enter into long-term commitments. The majority of respondents argued that this was a structural change. They cited a number of drivers behind this structural change, including: European gas market fundamentals; the development of liberalised, well-functioning markets with a range of flexibility products available on a short-term basis; the availability of long-term capacity products in some countries; and a regulatory and policy environment that promotes short-term use of storage capacity. Some</p>	<p>Overall, the <b>responses supported CEER's views as set out in the Public Consultation that market developments are driving forward changes to the way storage capacity is used in Europe.</b></p>

<sup>7</sup> At the end of the storage season 2012/2013, Europe faced lower than normal gas storage stock levels and a delayed start to the injection period. Given the importance of gas storage CEER decided to get a more detailed understanding of these recent events. For this purpose, in 2013 CEER developed a questionnaire which was sent to organisations that a) represent storage users (such as shippers and traders) or Storage System Operators (SSOs), or b) that have an in-depth knowledge of the storage market.

Question/Issue	Respondents' feedback	CEER's developed thinking
	<p>respondents, however, noted that longer-term commitments were still widespread in European storage markets. They stated that portfolios now often have a mix of long, mid and short-term products.</p>	
	<p><u>Market fundamentals</u></p> <p>Many respondents agreed with CEER that recent gas demand trends in Europe do not encourage long-term storage bookings. They argued that low demand forecasts and excess storage capacity increase the risk associated with long-term commitments and reduce users' willingness to pay an insurance premium for long-term capacity.</p> <p><u>Market development</u></p> <p>A number of respondents stated that liberalisation, the development of liquid, well-functioning markets and the availability of diverse flexibility products (e.g. interconnection, LNG, hub-based) mean there is confidence in the market to deliver what is needed in the short-term. This is a structural change that has reduced the incentive for market players to enter into long-term commitments.</p> <p><u>Flexibility</u></p> <p>A number of respondents highlighted the importance of enhanced technical performance (e.g. injection/withdrawal rates) at storage facilities and the growing demand for fast-cycling storage. They argued that improved flexibility and responsiveness will improve SSOs' ability to meet the requirements of market participants and compete in the flexibility market.</p>	<p>For CEER, the priority is to ensure that market participants can choose the type of contracts they enter into whilst not leading to any discrimination between users. The regulatory framework should allow for both long and short-term bookings. In addition, SSOs should be able to innovate and respond to changing market conditions where appropriate. <b>CEER does not see a need to change its current thinking as we have already identified the need for a regulatory framework conducive to innovation and proposed several recommendations to achieve this.</b></p>

Question/Issue	Respondents' feedback	CEER's developed thinking
	<p><u>Price</u></p> <p>Some respondents highlighted the importance of prices as a key factor influencing market participants' booking behaviour, suggesting that the current trend of shorter-term commitments could be more temporary. One respondent, for example, said that provided it is priced attractively, shippers should be willing to book long-term capacity.</p> <p><u>Availability</u></p> <p>A few respondents commented that some SSOs do not offer long-term products and the booking period tends to be annual. One respondent, for example, said that in a number of countries, storage can only be acquired annually on a regulated basis.</p> <p><u>Regulatory and policy framework</u></p> <p>Several respondents argued that the European regulatory framework incentivises short-term rather than long-term bookings at storage facilities. One stated that "the regulators are promoting a target model focusing mainly on short-term trading". Others noted that regulatory changes driven by the European Network Codes are promoting this structural shift.</p> <p><u>Future developments</u></p> <p>Regarding the long-term outlook for storage capacity bookings, a number of respondents argued that a return to more long-term commitments is unlikely. Many SSOs noted that long-term commitments are important to secure stable revenue, avoid volatile tariffs and facilitate infrastructure investment. They argued that a lack of long-term commitments could lead</p>	

Question/Issue	Respondents' feedback	CEER's developed thinking
	<p>to facility closures and threaten long-term European security of supply. As such, the regulatory framework should encourage long-term commitments. However, the majority of respondents argued that it would be unwise to intervene to promote either short or long-term commitments. They stated that there was no need for intervention. Rather, it is of primary importance that market participants have freedom to enter into different types of contracts, and that SSOs are able to innovate and develop new flexibility products to respond to changing market conditions.</p>	
<p><b>Question 4: Do you agree with CEER's observation that storage competes within a wider flexibility market (e.g. with LNG, interconnection and virtual products)?</b></p>		
<p>Overview</p>	<p>Overall, the majority of respondents agreed with CEER's observation that storage competes within a wider flexibility market. They also agreed that regulatory arrangements should facilitate this competition on a level playing field.</p> <p>Most respondents agreed with CEER that storage competes with other sources in a wider flexibility market. They argued that flexibility is a commercial product; market participants use a variety of flexible sources to manage their portfolios. The flexibility market includes LNG, interconnection, demand-side response, flexible gas production, interruptible contracts and hub-based products.</p> <p>Some other respondents argued that flexibility sources differ in terms of physical capability, access arrangements and commercial services offered, which limits the level of competition. For example, a few respondents stated that storage offers unique benefits because it is a physical source of gas located close to demand centres. They highlighted that hub-based products are not backed by physical assets and therefore</p>	<p>CEER welcomes the fact that respondents agree with the observation that the storage market competes within a wider flexibility market.</p> <p>CEER recognises that some flexibility sources – like hub products – are not asset backed and differ in price, nature of service and availability. <b>In the final Vision document, these observations will be incorporated.</b> At the same time, CEER considers it the responsibility of market participants to ensure that their flexibility needs at all-time are physically covered and the regulatory framework ensures that participants are aware of their security of supply responsibilities. Such considerations should therefore be taken into account by a</p>



Question/Issue	Respondents' feedback	CEER's developed thinking
	<p>rely on physical sources of flexibility to deliver volumes traded, e.g. storage. They therefore considered storage and hubs to be complementary. One respondent stated that interconnection both competes with and complements storage. Most respondents, however, argued that despite different physical characteristics and commercial arrangements, storage competes in the wider flexibility market compete to provide flexibility to market participants.</p> <p>There was a broad consensus that regulatory arrangements should create a level playing field and facilitate competition between different flexible sources, as recommended by CEER. Respondents emphasised that regulatory arrangements should not favour one source of flexibility over another. For example, some respondents argued that where storage obligations are implemented, market participants should be free to meet their obligations from any flexible source of gas. They also noted that it is important for all flexible sources to be able to innovate and develop new products to meet market participants' needs.</p> <p>Some respondents noted that the existence of a liquid wholesale gas market is a precondition for effective competition between different flexible sources. They highlighted that market conditions vary across Europe. The level of competition between flexible sources depends on the structure and maturity of the gas market. As such, analysis of competition in the flexibility market must be market specific. One respondent highlighted that implementation of the Balancing Network Code will enhance the functioning of the flexibility market.</p>	<p>market participant when deciding how to source their portfolio. <b>CEER's observation that storage competes within a wider flexibility market and that competition should determine what flexibility sources are used will thus not change.</b></p> <p>CEER acknowledges that the flexibility markets throughout Europe are at different levels of maturity. An assessment at a country specific level can be useful to determine the state of play of the flexibility market and identify any measures needed to improve competition. <b>In the final Vision document, this observation will be incorporated.</b> At the same time, such an analysis should not be performed with a purely national view. Rather, it should be explored what role adjacent countries can play in ensuring sufficient access to flexibility sources. A regional approach (allowing storage capacity to be used in adjacent markets without restriction) to facilitate competition in the storage market seems to be considered to be an important step forward. Such an approach is seen by some as a decisive step for the integration of the European energy market in terms of cross border exchanges as well as security of supply. This supports CEER's position in the draft Vision document emphasising the</p>

Question/Issue	Respondents' feedback	CEER's developed thinking
		<p>importance of a regional approach. <b>This position will remain unchanged in the final Vision.</b></p> <p>CEER considers the competition test to be of great importance to ensure that the regulatory regime is fit for purpose.</p>
<p><b>Question 5: In your view, are there further barriers to competition that have not been considered by CEER in this public consultation document?</b></p>		
<p>Overview</p>	<p>Most respondents agreed with the barriers to competition identified by CEER in the draft Vision (CEER public consultation document). However, some highlighted additional barriers or further considerations relating to the barriers identified by CEER. These are summarised below.</p> <p><u>Market barriers</u></p> <p>Some respondents highlighted that liquid markets are needed for effective competition. Less developed markets therefore act as a barrier to competition. In particular, respondents noted that poor implementation of transparency requirements in some Member States hinders competition. A lack of information on the price of different storage products and long-term visibility of prices was noted as a potential barrier.</p> <p>Three respondents noted that credit requirements for storage are sometimes very burdensome.</p> <p>Two respondents stated that in Germany, excess storage capacity negatively impacts the competitiveness of storage operators. They</p>	<p>CEER acknowledges the comments that the development of liquid markets and the enhancement of competition are mutually reinforcing developments. <b>The consultation paper advocates the development of markets and measures to facilitate this, so the final Vision paper will not change.</b></p> <p>CEER welcomes the respondents' comments on the importance of transparency and acknowledges a need for a more detailed understanding of the different regulatory regimes across Europe. <b>This supports the paper so there is no change to the view of CEER.</b></p> <p>CEER recognises that any recommendation to remove barriers to competition cannot contravene the policy framework established</p>

Question/Issue	Respondents' feedback	CEER's developed thinking
	<p>suggested that a strategic reserve could be established out of the market which would improve the market conditions for the remaining commercial storage operators.</p> <p>Several respondents noted that where TSOs offer only interruptible or conditional transmission entry/exit capacity at storage facilities (e.g. temperature dependent capacity, as opposed to firm capacity), it restricts shippers' ability to optimise storage. Unrestricted access to/from storage facilities from/to transmission network should be guaranteed by way of firm transmission capacity so that storage users are treated on equal footing with other network users.</p> <p><u>Regulatory barriers</u></p> <p>A few respondents commented that the diversity and complexity of regulatory regimes across Europe could be seen as a barrier to competition, particularly for smaller market participants. One noted that a greater understanding and monitoring of the different Third Party Access (TPA) regimes across Europe is needed. Another respondent highlighted language barriers as an issue in some circumstances. In general, it was agreed that a stable regulatory framework is beneficial for competition and that National Regulatory Authorities (NRAs) should work more jointly, where possible, to develop harmonised cross-border regulatory frameworks.</p> <p>Respondents emphasised that interventions in the flexibility market act as a barrier to competition. In particular, Public Service Obligations (PSOs) can distort the market and lead to inefficient use of storage. One respondent noted that TSO appropriation of stored gas in an emergency potentially creates unmanageable risks for market participants and may</p>	<p>in the 3<sup>rd</sup> Package. Removing barriers usually calls for a one sized to fit solution (allowing specific situations to be taken into consideration), rather than a one size fits all approach. <b>Looking to the Vision document, CEER does not believe that any recommendation contravenes this policy framework.</b></p> <p><b>CEER welcomes the responses to the consultation and will ensure that the comments are fed into the Tariff Network Code discussions.</b></p>

Question/Issue	Respondents' feedback	CEER's developed thinking
	<p>distort competition. Storage in Europe should have unrestricted market access, subject to the storage levels required to maintain the safe operation of the network, and storage utilisation should follow price signals not interventions.</p> <p>A number of respondents argued that transportation tariffs were not given enough emphasis in the draft Vision document (CEER public consultation paper). They argued that the system value of storage is not currently reflected in transportation tariffs, which negatively impacts the ability of storage to compete in the flexibility market.</p> <p>One respondent argued that the European Network Codes are a barrier to competition for interconnectors as they do not apply to other sources of flexibility.</p>	

Question/Issue	Respondents' feedback	CEER's developed thinking
<b>Question 6: Do you agree with the CEER recommendations for delivering security of supply through market mechanisms?</b>		

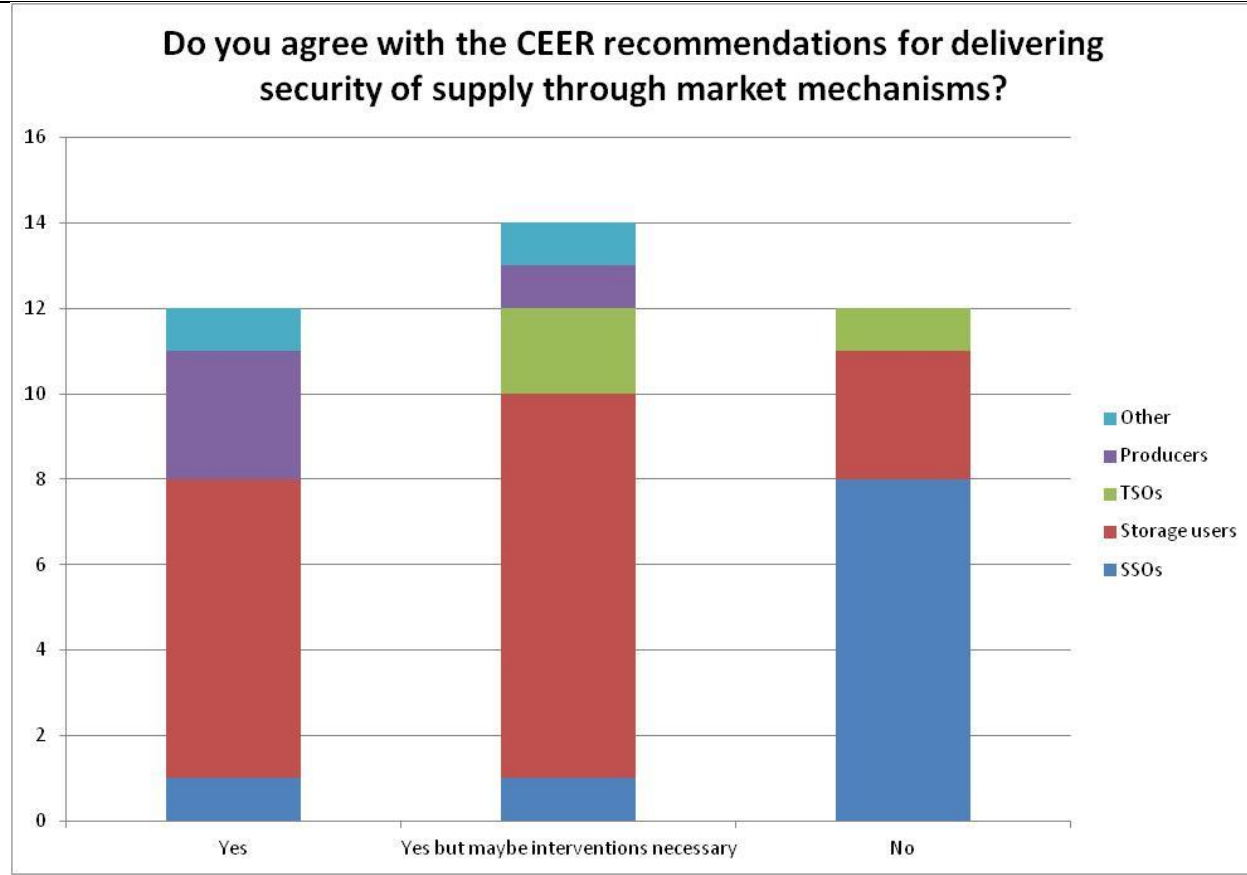


Figure 3: Overview of responses to the proposed CEER recommendations for delivering security of supply through market mechanisms

Question/Issue	Respondents' feedback	CEER's developed thinking
Overview	<p>Respondents to this question were split into three broad groups.</p> <p>The first group (12 respondents) strongly agreed with CEER's view that "well-functioning markets are best placed to value and deliver security of supply and that effective competition between different sources of flexibility should deliver the most economic and efficient solution". They argued that functioning wholesale markets are the cornerstone not only for competition, but also for security of supply; open, transparent, liquid and interconnected markets are the best way to secure security of supply. Respondents in this group also identified the development of the internal market and the implementation of the European Network Codes as important to strengthening markets and therefore security of supply. They argued that interventions distort the market which has negative effects on security of supply. For example, storage obligations restrict the freedom of market participants to manage their portfolios in an optimal manner and create barriers to entry. Also, measures that dampen price volatility reduce the commercial incentives on shippers to store gas and therefore threaten security of supply. One respondent referred to independent analysis that showed that in most scenarios, the cost of intervening to incentivise the use of storage outweighed the benefits, sometimes significantly so.</p> <p>The second group (14 respondents) agreed that free market mechanisms are the best way to deliver security of supply, however they acknowledged that under certain circumstances interventions may be necessary. Many respondents in this group highlighted that interventions should only be implemented in an emergency situation. They argued that markets should function without restriction up until this point, as this will maximise the</p>	<p>Based on the responses CEER recognises that there is a broad range of views as to the extent that the market can deliver security of supply. CEER continues to believe that full implementation of the 3<sup>rd</sup> Package is crucial to create an internal energy market which represents a cost effective way of achieving security of supply. <b>CEER does not see the need to revise the view taken in the consultation paper which foresees the market as the primary driver for security of supply.</b> However, <b>CEER also recognises that the development of well-functioning wholesale markets will not happen instantly and as such interventions may be necessary in certain cases.</b> Interventions may provide a glide path to the development of a well-functioning market. In the following question CEER discusses the characteristics that any intervention should have.</p> <p><b>CEER agrees with the respondent who emphasised the importance of clarity in Preventative Action Plans and Emergency plans. CEER will make the appropriate amendment in the final Vision paper and, importantly, feed this into the ongoing</b></p>

Question/Issue	Respondents' feedback	CEER's developed thinking
	<p>incentives on market participants to manage their portfolios and ensure security of supply. One respondent noted that Preventative Action Plans and Emergency Plans should clarify what constitutes an emergency and how emergency interventions will work. Other respondents in this group noted that in some Member States, where markets are at an early stage of development, interventions may be necessary to deliver security of supply. Respondents in this group stressed that where interventions are implemented, they should be considered on a case-by-case basis and designed in a way to minimise the impact on the efficient functioning of the market. Market based measures (e.g. demand side response) should be prioritised and interventions should only be in place for as long as they are required.</p> <p>Respondents (12 answers) in the third group thought that a market-based approach was not sufficient to deliver security of supply. This group was mostly made up of SSOs who did not think that market mechanisms fully internalise the insurance value of storage. As such, they argued that market mechanisms alone would lead to an underutilisation of storage capacity which threatens European security of supply. Interventions are therefore necessary to ensure that storage facilities have gas in stock when it is needed. In particular, this group argued that market prices do not reflect the risk of unexpected events (moral hazard). Respondents in this group also noted that without interventions in the market, storage facilities may be mothballed or closed which compromises long-term security of supply. They argued that interventions were more desirable than stranded assets. Although they advocated interventions, respondents</p>	<p><b>work on the revision of Regulation 994/2010.<sup>8</sup></b></p>

<sup>8</sup> [Regulation \(EU\) No 994/2010 of the European Parliament and of the Council of 20 October 2010 concerning measures to safeguard security of gas supply and repealing Council Directive 2004/67/EC](#)

Question/Issue	Respondents' feedback	CEER's developed thinking
	<p>in this group stated that interventions should target specific market failures and be implemented in a way that minimises the impact on market functioning. For example, market participants should be able to meet their obligations under PSOs from any flexibility source in Europe.</p> <p>Other comments in the responses to this question emphasised the importance of a regional approach to security of supply and the need to remove any restrictions on the cross-border use of storage, including in emergency situations.</p>	
<p><b>Question 7: Where interventions are necessary, do you agree that the characteristics of interventions identified by CEER (e.g. transparency, clear roles and responsibilities, exit strategy) can help to minimise any potential adverse impact on the market?</b></p>		
<p>Overview</p>	<p>As discussed above, in question 6, there was a divide amongst respondents on the extent to which the market could be relied upon to provide appropriate security of supply. However, nearly all recognised that a proper functioning of single EU gas market helps in providing security of supply. Therefore, it is necessary that each Member State fully and correctly implement the requirements of 3<sup>rd</sup> Package. Many respondents agreed that market interventions could be necessary where there is clear evidence of market failure. In these cases respondents were in agreement with the recommendations of CEER, notably the importance of transparency. In addition, where a market failure is identified, any regulatory intervention should be accompanied by a cost-benefit analysis to assess the compatibility with the 3<sup>rd</sup> Package and its impact on market development. Most of the respondents agreed with CEER that national/regional levels were more appropriate than pan-European decision. Although impact on foreign systems should be taken into account, when interventions are implemented. The reasons for this are: i)</p>	<p>CEER welcomes the responses from participants and agrees that where interventions are necessary, clear rules are of utmost importance. <b>CEER did not receive any further comments which would lead to a change in the characteristics identified in the CEER public consultation on the draft Vision.</b></p>



Question/Issue	Respondents' feedback	CEER's developed thinking
	<p>that national public authorities are the ones bearing the accountability of ensuring security of supply; ii) one fits all solution does not exist and Member States are in the best position to set the most appropriate measures; iii) there would be a substantial risks of unintended consequences in the event of pan-European intervention. It was also noted by respondents that market participants should be free to choose among different sources of flexibility, according to their merit order, to fulfil any requirement arising from an intervention.</p>	
<b>Other comments</b>		
<p>Reviewing existing interventions</p>	<p>Several respondents noted that in order to achieve a consistent European framework it is important that existing interventions remain fit for purpose. As described throughout this document there was a divide between respondents who believed that the market could deliver security of supply and those who felt that this was not feasible.</p>	<p>CEER notes the ongoing work from the European Commission in revising the emergency Regulation 994/2010, in particular the emphasis on enhancing resilience through better cross border cooperation. Therefore, CEER encourages Member States to ensure that their existing obligations continue to add value for consumers and are compatible with the emergency regulation.</p>
<p>Third Party Access</p>	<p>Respondents noted that the framework for Third Party Access, as outlined in Article 33 of Directive 2009/73/EC<sup>9</sup>, allow for both regulated and negotiated access. In the initial CEER public consultation document discussed the importance of a clear competition test to allow NRAs to</p>	<p><b>The responses to the CEER public consultation have reinforced CEER's position that implementation of Article 33 of Directive 2009/73/EC with a clear</b></p>

<sup>9</sup> [Directive 2009/73/EC of the European Parliament and Council of 13 July 2009 concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC](#)

Question/Issue	Respondents' feedback	CEER's developed thinking
	<p>monitor the effectiveness of the chosen regime within each Member State was stressed. Respondents to the public consultation highlighted the interplay of storage interventions and the access regime, for instance, regulated access may be necessary where there is PSOs on suppliers, to protect consumers from excessive pricing.</p>	<p><b>competition test is necessary in all markets.</b></p>

#### **4. Conclusions and Recommendation**

The table above summarises the responses to the consultations and CEER's developed thinking. It outlines where changes will be made to the final Vision document and also where the document remains unchanged.

CEER is convinced that a pan-European approach to storage regulation would not, currently, be the most efficient solution. Instead CEER advocates a solution tailored to the relevant market. Where there are liquid well-functioning wholesale markets with access to diverse supplies. Putting in place a regulatory framework in which market signals provide the appropriate incentives should be the primary method of delivering security of supply.

However, CEER recognises that this will not be the case in all countries and therefore solutions could include interventions where there is evidence that the market does not, or cannot, appropriately value security of supply. CEER notes that where interventions are in place they will have an impact on the market and should therefore be designed to minimise this impact, through clear and transparent rules. CEER also notes the importance of developing the internal energy market and therefore regulators and policy makers should ensure that, when implementing these interventions, development of a wholesale market is not disrupted.

## **Annex 1 – About CEER**

The Council of European Energy Regulators (CEER) is the voice of Europe's national regulators of electricity and gas at EU and international level. CEER's members and observers (from 33 European countries) are the statutory bodies responsible for energy regulation at national level.

One of CEER's key objectives is to facilitate the creation of a single, competitive, efficient and sustainable EU internal energy market that works in the public interest. CEER actively promotes an investment-friendly and harmonised regulatory environment, and consistent application of existing EU legislation. Moreover, CEER champions consumer issues in our belief that a competitive and secure EU single energy market is not a goal in itself, but should deliver benefits for energy consumers.

CEER, based in Brussels, deals with a broad range of energy issues including retail markets and consumers; distribution networks; smart grids; flexibility; sustainability; and international cooperation. European energy regulators are committed to a holistic approach to energy regulation in Europe. Through CEER, NRAs cooperate and develop common position papers, advice and forward-thinking recommendations to improve the electricity and gas markets for the benefit of consumers and businesses.

The work of CEER is structured according to a number of working groups and task forces, composed of staff members of the national energy regulatory authorities, and supported by the CEER Secretariat. This report was prepared by the Gas Storage Task Force of CEER's Gas Working Group.

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More information at [www.ceer.eu](http://www.ceer.eu).

## Annex 2 – List of abbreviations

Term	Definition
ACER	Agency for the Cooperation of Energy Regulators
CEER	Council of European Energy Regulators
GB	Great Britain
GSE	Gas Storage Europe
LNG	Liquefied Natural Gas
NRA	National Regulatory Authority
SSO	Storage System Operator
TPA	Third Party Access
TSO	Transmission System Operator

*Table 1 – List of Abbreviations*

### Annex 3 – List of non-confidential respondents

Name	Organisation
AGN	Association
Bayernugs GMBH	Energy company
BDEW -- German Association of Energy and Water Industries	Association
Direct Energie	Energy company
EDF SA	Energy company
Edison	Energy company
EDF Group	Energy company
EFET - European Federation of Energy Traders	Association
Enagas	TSO
ENECO	Energy company
ENEL	Energy company
Energy UK	Association
ENI	Energy company
Eon Gas Storage	Energy company
Eon Global Commodities	Energy company
ESSO Nederland	Energy company
EURELECTRIC	Association
Eurogas	Association
Federico Boschi	Industry expert
Gas Storage Nederland	Association
GDF Suez	Energy company
GSE - Gas Storage Europe	Association
GSOG - Gas Storage Operators Group	Association
IFIEC	Association
Initiative Erdgasspeicher	Association
Interconnector UK	Energy company
IOGP – International Association of Oil and Gas Producers	Association
Islandmagee Storage	Energy company
OMV Gas Storage	Energy company
REN	Energy company
SEDIGAS	Association
SSE	Energy company
Statoil	Energy company
Trianel	Energy company
UPRIGAZ	Energy company
Vattenfall	Producer

Table 2- List of non-confidential respondents