



CEER

**Council of European
Energy Regulators**

Gas storage and security of supply in Europe

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An enhanced focus on security of supply and the role of storage

- The political situation in Ukraine has put European security of supply firmly in the spotlight, in particular the role of storage
- Gas storage is seen as a critical means of ensuring continuity of gas supply in the event of a major supply disruption
- Some stakeholders have raised concerns about the need for interventions in the market to ensure that sufficient gas is in store when it is needed



Incentives to book storage: seasonal arbitrage opportunities

- Long-term trend of declining summer-winter spreads
- Participants told us that they looked to multiple sources for flexibility, including LNG, interconnection and hub products, indicating a flexibility market
- However, spreads have increased in recent months
- Booking levels at most facilities for the year ahead have been strong, indicating that market players are responding to market signals

Summer-Q1 Spreads at NBP

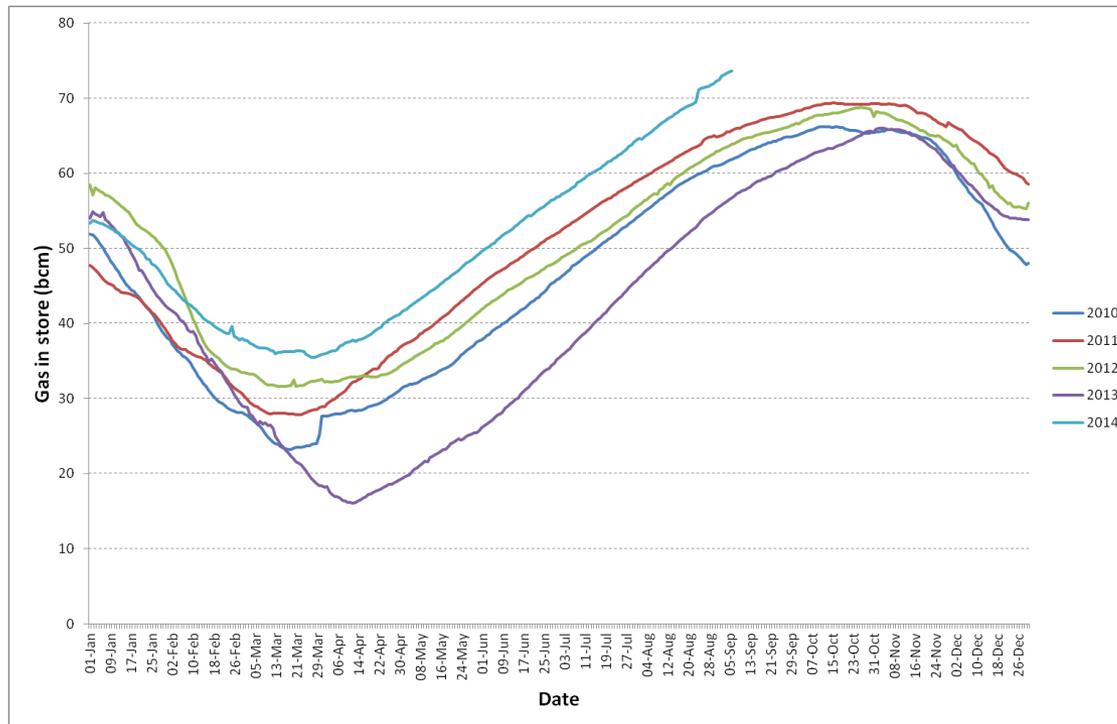


Source: Heren data



Resulting in high storage fill levels

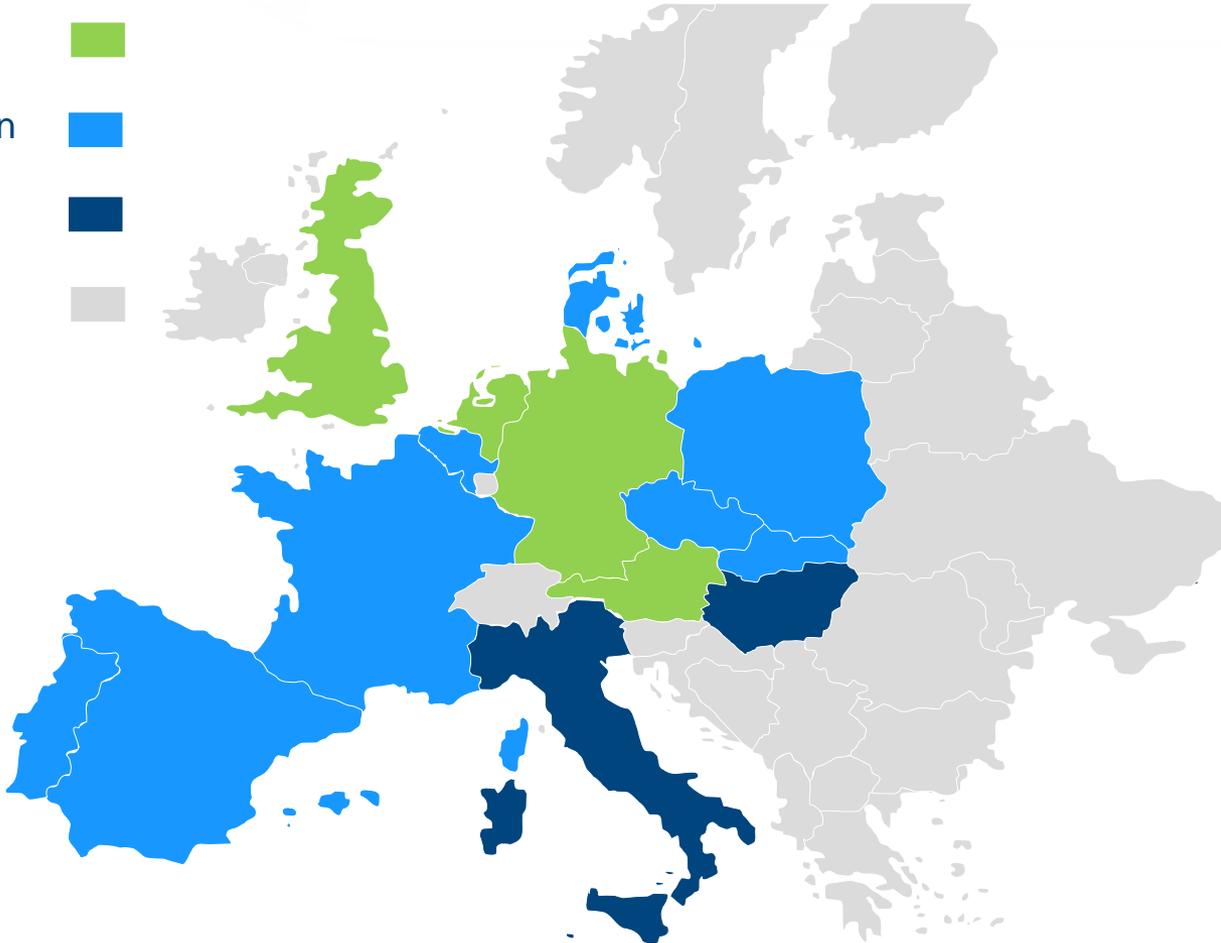
- Strong stock levels at the end of a mild winter (2013/14), widening summer-winter spreads and concern about the situation in Ukraine are among the factors behind the current high stock levels



2014: Highest stock levels ever recorded
→ Without strategic storage in most countries

The situation across Europe is different

- No obligations 
- Supplier obligation 
- Strategic storage 
- No data received 

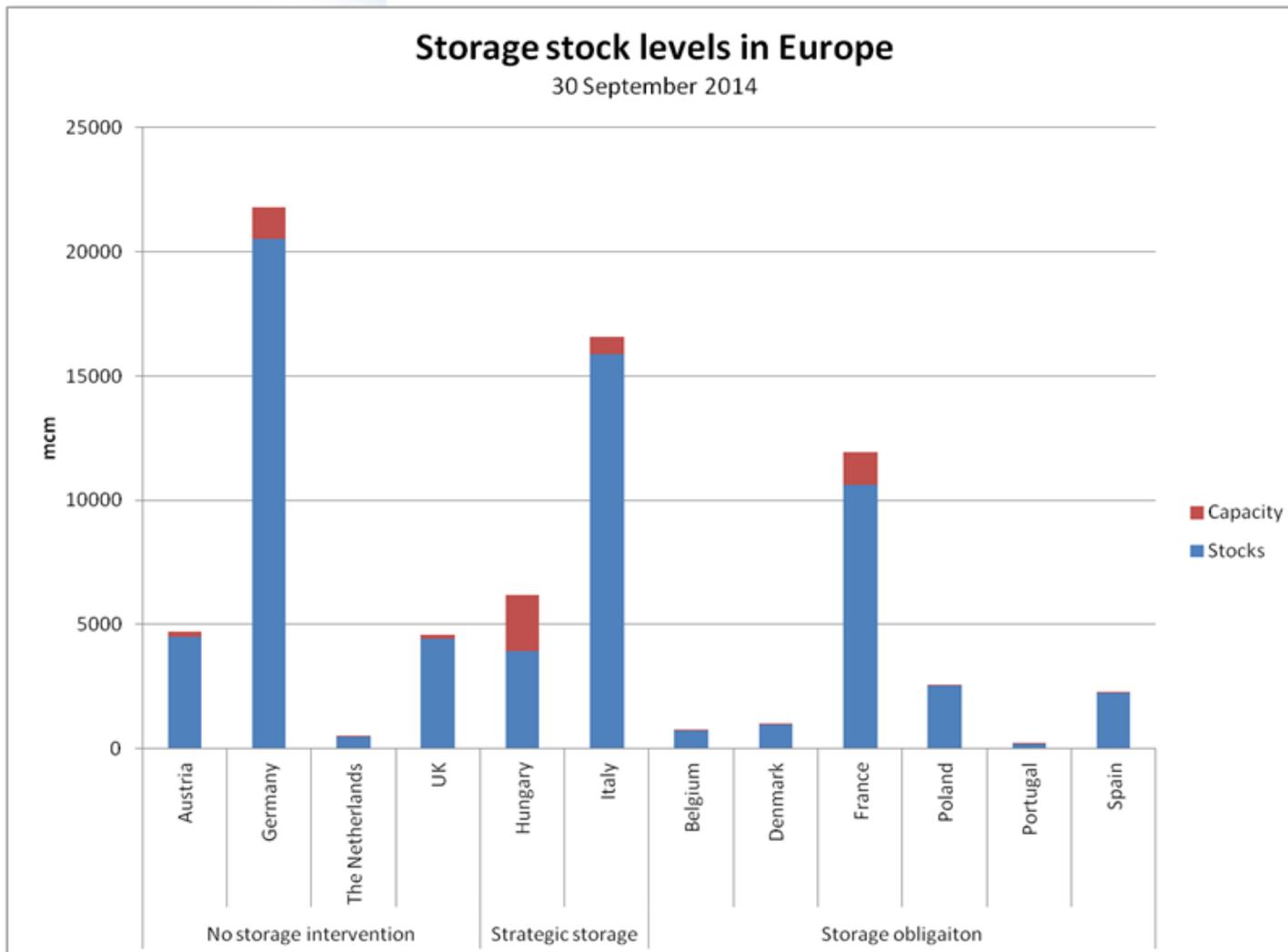


Source: CEER Interim report (data incomplete)





Current storage fill levels in Europe



Are the conditions in place for the value of storage to be realised?

- The current situation supports a positive outlook for security of supply for the winter ahead
- However, significant inter-year variation
 - ▶ Only last year we had low stock levels
 - ▶ Need to ensure that our approach is robust across multiple years
- CEER has produced a vision which aims to address these important questions for Europe in the long-term:
 - ▶ Are storage markets in Europe functioning sustainably?
 - ▶ Can storage play an adequate role in providing security of supply in the current regulatory framework? What impact do interventions have on the storage market?

Developing the Vision:

- ▶ We consulted on an [interim report](#) in November 2013
- ▶ We introduced our early thinking at the 25th Madrid Forum in May 2014
- ▶ We held a [joint workshop](#) with GSE in June 2014



Storage is a cornerstone of competitive wholesale gas markets

- **Storage competes in the wider flexibility market**
 - ▶ Well functioning markets are best placed to value and deliver security of supply
 - ▶ Effective competition between different sources of flexibility should deliver the most economic and efficient solution
 - ▶ Regulatory arrangements should facilitate this competition, where appropriate
- **Ongoing developments will have a positive impact and need to be prioritised**
 - ▶ Efficient wholesale markets with robust reference prices are important for all sources of flexibility, particularly storage
 - ▶ The requirements of the 3rd Package ensure transparency, open access to transmission and storage assets and the foundations for competitive wholesale markets
 - Balancing Network Code will deliver price signals in markets across Europe and reflect the value of storage in market prices
 - Capacity Allocation Mechanism Network Code will increase the opportunities to trade between markets
- **Where additional measures are needed, one size does not fit all**
 - ▶ Security of supply should be considered in a cross-border context
 - ▶ European markets are at different stages of development
 - ▶ Any regulatory levers or policy interventions should be targeted to situations where there is clear evidence that markets are failing to deliver



Ensuring fair competition between flexibility sources

- **Access to storage:** all storage capacity should be fully contestable and offered to the market on a non-discriminatory basis
- **Product development:** regulatory arrangements should facilitate innovation where appropriate, not stifle it
- **Transportation tariffs:** transportation charges should be cost reflective and National Regulatory Authorities may consider the benefits that storage facilities provide to the overall system
- **Information provision:** good progress made to date. Encourage SSOs to continue to provide enhanced information to the market
- **Regional approach:** users should be able to access storage capacity in adjacent markets without restriction on its use



Storage helping deliver Europe's Security of Supply

- In developed markets, security of supply is **delivered through wholesale market price signals** and security of supply **interventions are not necessary**
- Non-discriminatory access in emergency situations enhances the value of storage, creating appropriate incentives on market participants to deliver security of supply
- Where liquid wholesale markets do not yet exist, there may be a need for intervention to ensure security of supply. **One size does not fit all**
- Interventions distort the efficient functioning of the market and should only be considered where there is clear evidence of market failure
 - ▶ For example, storage obligations can hinder market participants' ability to respond to market signals
- The impact on the market should be understood and minimised and an exit strategy should be prepared. Existing interventions should also be reviewed
- Where strategic storage is introduced, clear rules, responsibilities and boundaries are essential



Next steps

- CEER Consultation Paper to be published shortly
- CEER invites participants at Madrid to comment over the coming weeks
- A final report, incorporating comments, will be published in the new year

Any questions please contact ryan.mclaughlin@ofgem.gov.uk



**Thank you for your
attention!**

