

Ensuring secure supply patterns in Europe

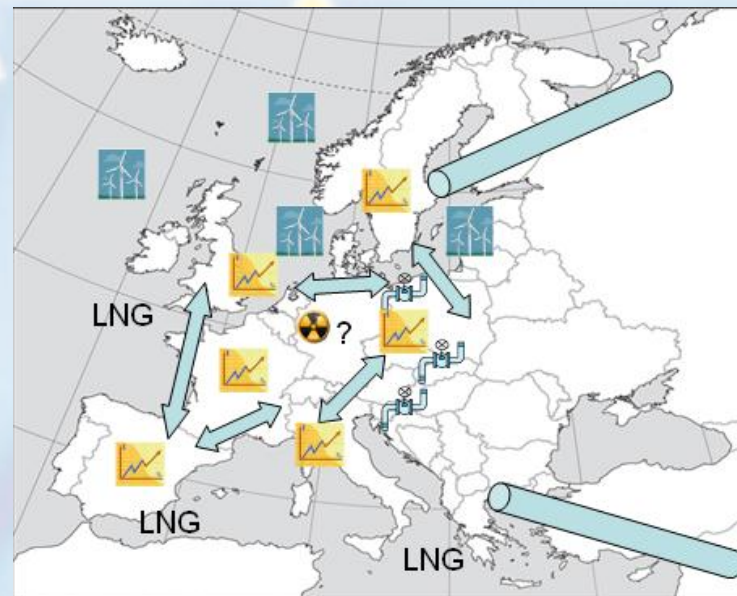
4th Gas Target Model Workshop, Brussels, 28 June 2011

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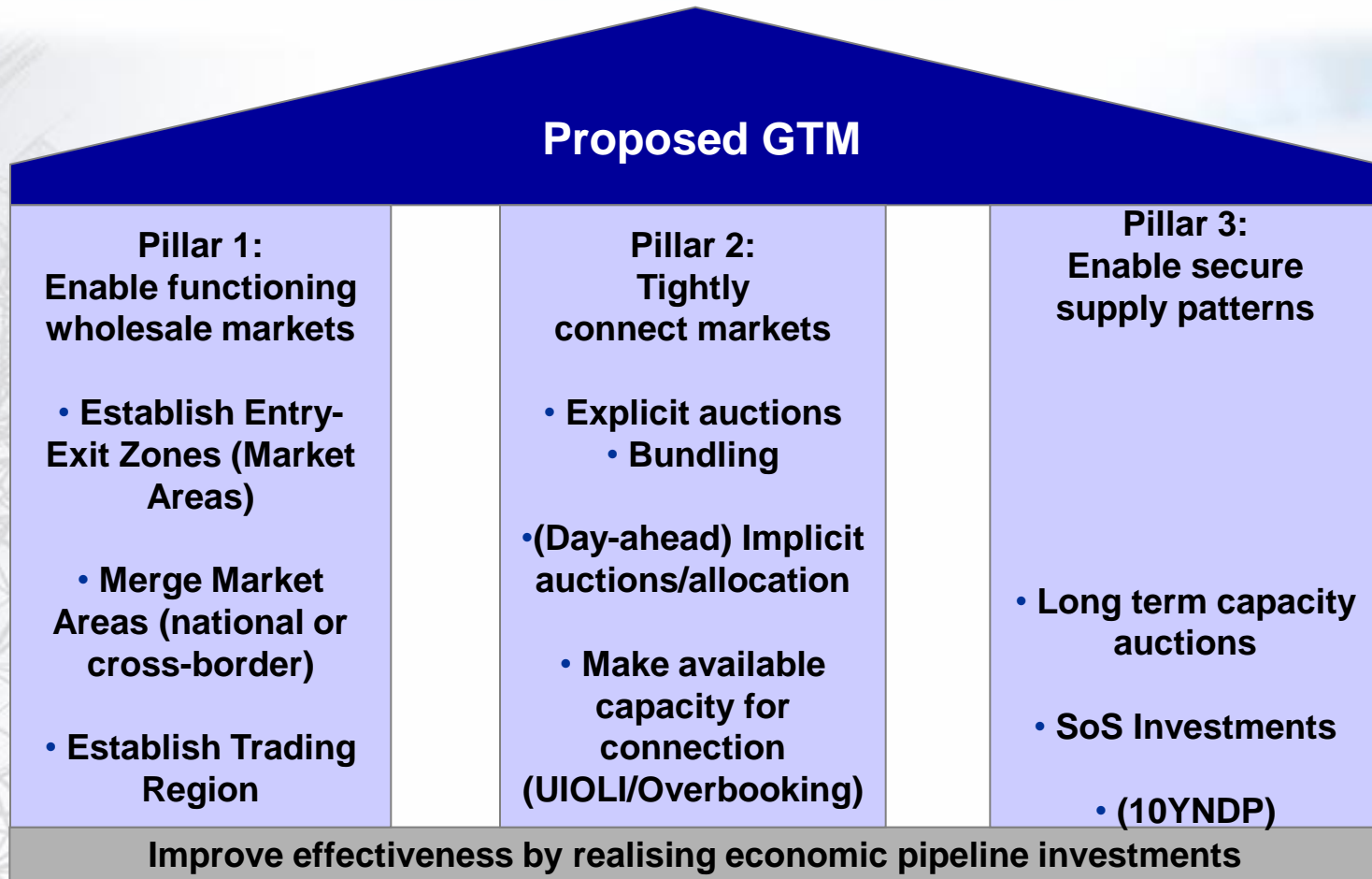
Bundesnetzagentur (Federal Network Agency),
Head of Section „Access to Gas Transmission Networks and
International Gas Trading”

Problem Identification

- **Europe highly (and increasingly) dependent on external gas supply**
 - Long term supply contracts
 - Long distance transports
 - [high investments in pipeline infrastructure]
 - **Europe depending on a few number of suppliers/high market concentration**
 - Question of diversification of supply
 - Access to different supply sources via better connection (reverse flow between eastern and western Member States)
 - Question of market design
- Not all aspects can be resolved by Gas Target Model/Framework Guidelines



Proposed Gas Target Model

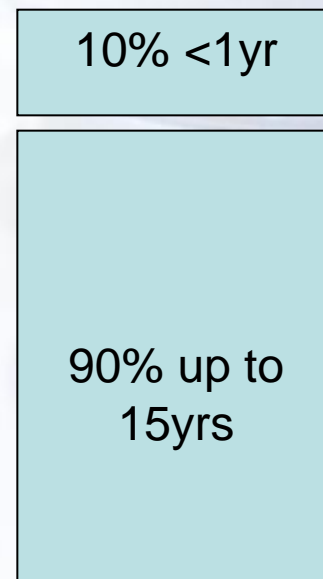


What are the issues?

- Possibility to book long-term to underpin long-term supply-contracts
- Possibility to book at several points to reach a target market (long distance transport)
- Access to infrastructure and liquid wholesale markets
- SoS arrangements and diversification of sources

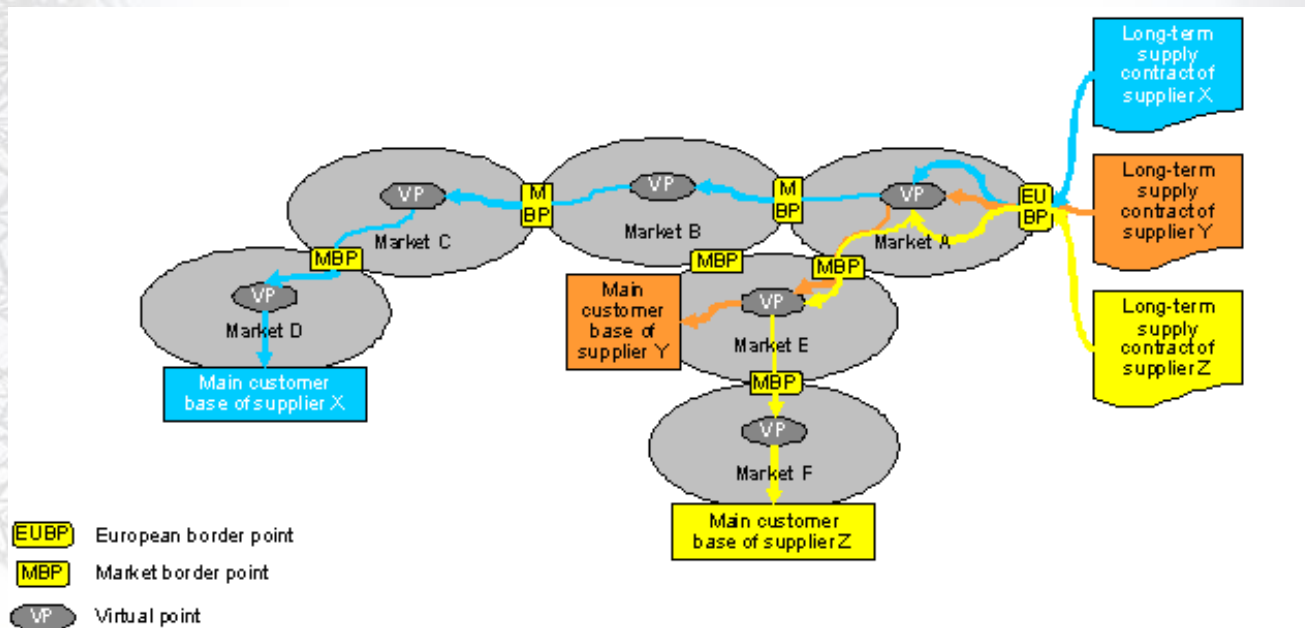
Long Term capacity bookings?

- FG CAM reserves (at least) 10% for short-term
→ 90% can be booked on long-term basis
- Capacity can be booked and structured for 15 years in advance (cf. ENTSOG NC)
- Inclusion of “incremental capacity”? (FG CAM: Coherence)



Long-Distance capacity booking?

- What situation do/will we face?
 - Introduction of Entry-Exit system in all countries
 - Auctions as standard allocation mechanism (instead of, e.g. FCFS)



Long Distance Options

1. **“Link chain”** auctions
 - Predefined routes to be auctioned (multiple IP’s; reservation of “route capacity”)
2. **“Fall-back capacity”** auctions
 - TSOs to book capacity which remain available for individual shippers
3. **“Normal”** auctions
 - Recurring auctions parallel at different IP’s

Views of Stakeholders & Proposal

- Roundtable on Gas Target Model & ENTSOG's Workshop on NC CAM:
 - Participants fine with having auctions as long as parallel etc.
 - No need to reserve capacity (link chain)
 - would create “contract paths” and reduce capacity offer
 - technically complex to reserve capacity for certain routes
 - Secondary markets also help
- Proposal: parallel auctions (Option 3)

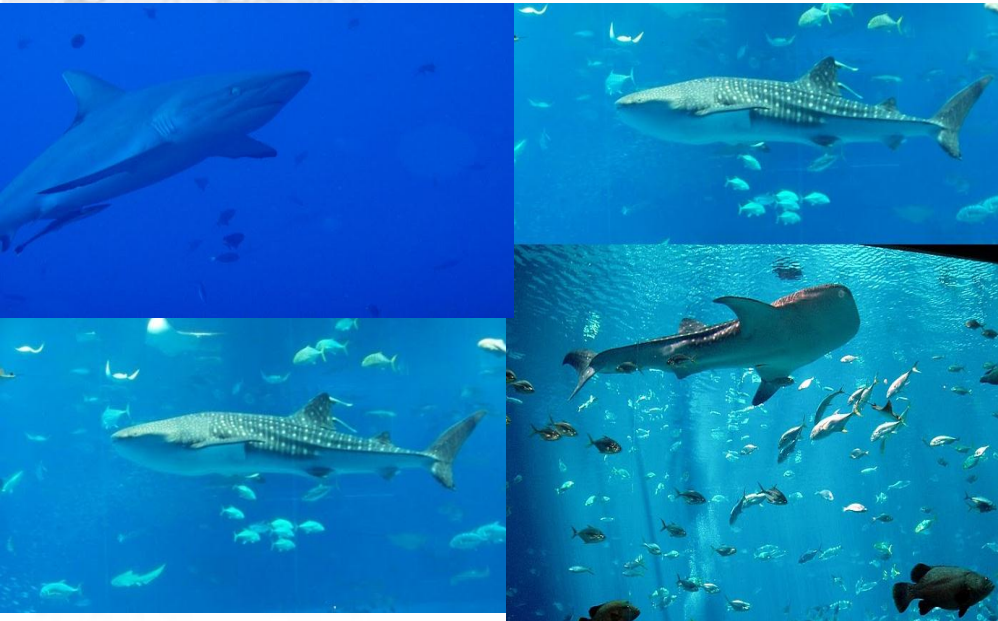
Diversification and reduction of market concentration

Pillar 1: Criteria for functioning market

- Access to liquid VP
- At least 3 different supply sources
- Low concentration ratio

Pillar 2

- Strong connection of (enlarged/functioning) markets



- **Difference between economic & SoS investments**
 - Economic investments → covered by market demand
 - SoS investments → no market demand but required by Reg. (EC) 994/2010 (N-1, reverse flow)
- **Who pays? Different options:**
 - The **benefiting** Member State **or** the Member State where the investment takes place?
 - **TSO(s)** in the benefiting Member State book capacity (on a long-term basis) from the investing TSO(s), and are allowed to socialise booking cost incurred via regulated grid tariffs (cf. Fall back option)?
- **10YNDP** as instrument for assessing necessary infrastructure investments based on scenarios

Conclusions

- GTM to ensure secure supply patterns
 - Long-term bookings possible
 - Long-distance via explicit auctions
- Enabled and connected markets should increase liquidity of wholesale markets
 - Secure supply patterns increased by larger and well connected entry-exit systems
 - (“internal”) Diversification of sources is improved

The background of the slide is a light blue gradient with a faint, semi-transparent image of a high-voltage electricity pylon on the left and a gas burner with blue flames on the right.

Thank you for your attention!

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Back-up



Integration of renewables & view beyond 2014

- GTM to develop a view also beyond 2014
- 20-20-20 Goals and role of gas in energy mix
 - Interrelation between gas and electricity markets
 - Storage of power in gas systems (?)
 - Shale gas exploration
 - Integrated network planning (access of gas-fired power plants)