

EUROGAS RESPONSE TO CEER VISION PAPER FOR A CONCEPTUAL MODEL FOR THE EUROPEAN GAS MARKET - CALL FOR EVIDENCE

Response by the Distribution System Operators Committee of Eurogas

The Distribution Committee of Eurogas welcomes the opportunity to comment on this initiative by CEER, which can contribute to the integration of national markets into an internal European Gas Market as required by the gas directive and which will have an important impact on the various stakeholders involved like Suppliers, Shippers and network operators.

The Eurogas Distribution Committee would like to highlight in the following comments some specific issues to be considered concerning the activity of DSOs.

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General remark:

Usually a distribution system is connected with the transmission system. A distribution system operator (DSO) cannot be regarded as a "standard" transmission system user. The role, tasks and responsibilities of DSOs are regulated and can differ in member states. They depend on the market model of the member state. The model for the European Gas Market should take into account the different roles, tasks and responsibilities of the DSOs in the different member states. This however does not mean that on a TSO level cross-border cooperation, harmonization or integration is not possible.

1. What are in your view the main goals to be aimed at by the gas target model beneath the high-level policy goals set out by the 3rd Package?

An important goal is to clearly define the market roles with its tasks and responsibilities. For a well functioning gas market each market role must be clearly defined. In our view the special role of the DSO should be taken into account (see general remark).

2. What are in your view the major developments and anticipated changes in the European gas market (on national and international level) and where would a target model bring added value? Including:

- a. the role of long term capacity contracts in the future European gas markets;**
- b. the role of hubs / gas exchanges.**

No comments

3. What are in your view the key elements of a conceptual model for the European gas market to contribute to non-discrimination, effective competition, and the efficient functioning of the internal gas market? Please include views on the key aspects of market design such as, capacity allocation and congestion management procedures, network tariff arrangements, wholesale market pricing, balancing arrangements and, gas quality specifications? Please consider the interaction of these arrangements.

- An important element for a well functioning European gas market is that it should be relatively easy to buy or sell gas across Europe. The selling party and the buying party can be in different member states. The buying party of the gas can be a transmission

system user or a distribution system user. This means that the market role of the shipper/supplier on the transmission system should be compatible with the market role of the shipper/supplier on the distribution system. Therefore the wholesale gas market model has implications on the retail market model. The impact or effect will differ in different member states.

- An important aspect of the target model is the balancing of the system. In situations where the distribution system is connected to the transmission system this is primarily a task of the TSO. In our view the DSO is not responsible for the off-takes of the users on the distribution system therefore a DSO has no (financial) position in maintaining the transmission system balance. In general buying and selling of gas is not a DSO task.

4. What level of detail, e.g. level of harmonization, do you expect from the CEER vision paper on a conceptual model for the European gas market? For example:

- a. Do we need a definition of an EU-wide gas day? If yes, what should this definition be?**
- b. How deep should the "reach" of the EU gas market model be, i.e. should it encompass DSOs? Is there a trade-off between vertical depth (i.e. including all levels of national gas markets) and horizontal depth (i.e. integrating balancing zones cross border)?**

(a) In our view, the problem of an EU-wide gas day is primarily a trading problem.

(b) In our view, the EU gas market model should only encompass parts of the market facilitation task of the DSO. As a general rule only those aspects of the gas market should be dealt with, which are absolutely necessary to guarantee a smooth functioning of the settlement processes between TSOs and DSOs. However, in our view the market model should not micromanage other functionalities such as e.g. switching, metering, customer movements, new connections etc. which are better covered by national regulation.

The gas market model can also include rules to deal with extreme climate conditions. Under these extreme climate conditions normal market rules do not apply.

In principal the DSO is not responsible for non technical losses. Unaccounted for gas due to supplier's administrative inaccuracies should be the responsibility of the supplier. This can also be included into the EU gas market model.

5. Which areas or aspects of the gas market should be affected by the target model and what are the constraints for such a model?

As mentioned above. From a DSO point of perspective some aspects of the market facilitation task of the DSO could be affected by the target model.

The role, tasks and responsibilities of DSOs are regulated and can differ in member states. They depend on the market model of the member state. The target model should take that into account.

6. Which areas or aspects of the gas market should be excluded from the target model description and left to national/regional decision making

From a DSO point of perspective the non settlement market facilitation processes should be excluded from the target model. Processes like switching, metering, customer movements, new connections etc. are non settlement market facilitation processes.

Also the IT specifics about information exchanges, safety rules, physical connection specifications, smart metering and smart grids specifications should be excluded from the EU gas target model because of the differences in the structure of the gas industry, regulation, climate and environmental drivers between countries

- 7. What are the options for integrating the currently fragmented European markets? Are there any existing models you would like to recommend? In case your answer is yes, we would be interested to learn about the features of this model and if there are also any draw-backs in this model in your view.**
- a. Should we merge balancing zones to create cross border or regional balancing zones or market areas? How many balancing zones does Europe need and how big should they be?**
- b. Is the coupling of market areas as it is being developed in European electricity markets appropriate for gas?**

No comments.