

**CEER**

**Council of European  
Energy Regulators**



## **Discussion on quo vadis scenarios CEER intervention**

Tom Maes, Vice Chair, CEER/ACER Gas Working Group

**Madrid Forum, 19 October 2017**

# Madrid Forum

## Discussion on quo vadis scenarios

- **01.B Potential future development of the gas sector – Quo Vadis (EC) and future role of gas regulatory (CEER) studies 16.00 – 18.00**
  - ▶ 01.B.03 "Tariff reform" – kick-off intervention by CEFIC and open discussion
  - ▶ 01.B.04 "Market merger" – kick-off intervention by GIE and open discussion
  - ▶ 01.B.05 "Delivery at EU border" – kick-off intervention by IOGP and open discussion

## Tariff reform scenario

- Continuously improving gas wholesale markets are observed across the EU, what's the problem... with cost-reflective tariffs? There is no free lunch!
- Meanwhile, a strong regulatory framework has been adopted (3<sup>rd</sup> Package + all Network Codes), but it is not fully implemented yet
- Although transportation tariffs may limit arbitrage opportunities between hubs, hubs themselves may become more competitive following the Gas Target Model
- As such, EU welfare should not decrease, even without a 'gas copperplate'
- Furthermore, not only the benefits, but also the costs and the technical and political feasibility of any compensation mechanism - and its redistribution effects - will need to be properly assessed
- Finally, allowing TSOs to shift sunk costs to the compensation mechanism would increase the risk of undue socialisation and would encourage overinvestment

## Market merger scenario

- European Energy Regulators recommend to refrain from introducing new market model rules pending the ongoing implementation of the GTM
- Market integration projects are progressing:
  - ▶ Several projects are already achieved (DE, AT, BE + LUX, FR).
  - ▶ Some have been decided (FR North + South, DE NCG + Gaspool).
  - ▶ Others are under study (Baltic region Gas Market, Spain + Portugal, BELUX with one of their neighboring zones,...)
- NRAs consider it important to study on a case-by-case basis each of these merger projects and to base their decisions on strong cost-benefit analysis
  - ▶ Only beneficial projects shall be approved
  - ▶ The current regulation and these on-going projects should allow time to deliver their positive effect
- Realistic zones should be used when modelling the market merger scenario

## Delivery at EU border scenario

- Generally, gas should be delivered and traded at liquid hubs and not at borders
- Direct interventions affecting existing commodity contracts are not the focus of NRA actions
  - ▶ However, NRAs consider it important to study potential models for the future of long-term commodity contracts
  - ▶ Special attention should also be given to the situation at the end of the existing long-term capacity contracts

# Thank you for your attention!

**Council of European  
Energy Regulators**

**CEER**

