

## **ENAGÁS comments on ERGEG’s “Roadmap for a competitive single market in Europe”**

Enagás welcomes the publication of ERGEG’s discussion paper on “Roadmap for a competitive single market in Europe” and fully supports the comments submitted by GIE in response to ERGEG’s questions.

ERGEG’s Roadmap proposes the development of regional initiatives that will concentrate on two aspects of market development: trading at Hubs within the regional market, and hub-to-hub trading within and between regional markets. ERGEG’s initial views is that they should take place in the following regions:

- **Spain/Portugal/southern France**
- Italy (PSV)
- Zeebrugge, Eurohub, TTF, NBP (as a North Sea region, Norway, Netherlands, Germany, Belgium, northern France –which will build on published research)
- Baumgarten (Austria, Hungary, Slovakia)
- At least one region with no currently operating hubs, probably to the east.

Enagás considers that the proposed South-western region is not appropriate and that Spain and Portugal should be regarded as a single region, not including southern France.

GIE has expressed the following position on the definition of regional initiatives:

“However we believe that it is extremely important that the regions are appropriately defined in-line with this stated objective. We consider that the larger the region, the greater the difficulty to make tangible progress. Also combining countries that have very different structures, for example a mature market with a fast growing market is likely to lead to sub-optimal results. We believe that by defining regions that are relatively homogenous and manageable in size the quickest progress would be made. Potential regions could be for example a fast growing region, a mature region or a region with significant transit flows.”

In line with GIE’s position, there is a number of reasons why Enagás regards as inappropriate the integration of southern France within an European South-western region:

- The increasing interactions between the electricity and gas markets worldwide means that coherence between the formation of an Iberian electricity market (MIBEL) and the Iberian gas market must be pursued.
- Enagás and Transgás high-pressure transmission networks are integrated and could be considered as a single network from a technical point of view.
- This physical integration will make it easier to develop similar pricing mechanisms.
- Moreover, Enagás and Transgás have a long-established relationship of mutually beneficial collaboration.
- CNE and ERSE have closely collaborated on the development of the MIBEL and could also capitalise on this experience.

- There are significant capacity constraints between Spain and southern France (probably much more relevant than between southern and northern France).
- Governments in Spain and Portugal have already expressed their political willing to integrate both gas markets.
- As stated by GIE in its response to ERGEG, “Also combining countries that have very different structures, for example a mature market with a fast growing market is likely to lead to sub-optimal results.” Spain and Portugal are both fast growing markets which face common problems, while France is a mature market with very different needs.
- Under ERGEG’s initial proposal, France is the only country that would be split in two parts. This would mean that the French regulator would have to accommodate its regulatory developments to two different regional initiatives with very different needs, what would require a higher degree of coordination and could easily result in the slower development of regions.
- Some balancing charges in southern France (TIGF network) are already referred to the Zeebrugge Hub prices.

In summary, Enagás believes that the integration of southern France in the South-western region could prevent the quick integration of the Iberian market and would not serve ERGEG’s stated objective. Therefore, Enagás considers that ERGEG’s initial definition of regions/regional initiatives should be reconsidered.