

Vision for a conceptual model for the European Gas Market Workshop to discuss with academics

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5 studies in a nutshell - 1

	LECG	FSR MECO-S	Frontier	FSR American Model	CIEP
2014 target	no	yes	no	no	no
Recommendations for FGs	no – study lists different options	yes	no	no	no
In line with EU legislation	yes	yes	yes	no	yes
Integration of renewables	Has to be considered	-	Must be taken into account	-	Has to be considered
Definition of functioning market	-	<ul style="list-style-type: none"> •HHI < 2000 •At least 3 different gas sources •Demand at least 20 bcm 	Effectively functioning markets, where different sources of gas can compete freely	-	Any party can trade at any moment with any other party on terms and conditions which are mutually agreeable
Size of zones	<ul style="list-style-type: none"> •Regional approach •Reduce number of zones in Europe •Merger of zones if contractual congestion 	<ul style="list-style-type: none"> •Subject to CBA •National market areas if able to create a functioning market •Cross-border market areas •Trading regions 	<ul style="list-style-type: none"> •Subject to CBA •Bigger zones are not necessarily good for customers •Source competition in one zone not a goal in itself 	<ul style="list-style-type: none"> •Cross-border market trading may be suitable •Few hubs in Europe 	<ul style="list-style-type: none"> •Regional differences •National or sub-national zones

5 studies in a nutshell - 2

	LECG	FSR MECO-S	Frontier	FSR American Model	CIEP
Connection of markets	<ul style="list-style-type: none"> •Efficient use of cross-border capacities •Explicit and implicit auctions 	<ul style="list-style-type: none"> •Implicit auctions for day-ahead markets •Enhanced trading arrangements 	<ul style="list-style-type: none"> •No implicit auctions •Secondary markets 	<ul style="list-style-type: none"> •EU platform for long-term capacities •Secondary markets •Limited role for auctions •Harmonised trading conditions 	<ul style="list-style-type: none"> •Freedom of transactions •2nd markets and interruptible capacities •No general, ex-ante rules for wholesale •Continuous market coupling pilots
How to ensure that investments take place?	Long-term contracts (to a certain extent)	Integrated Open Season (OS) Process (similar to UK example)	<ul style="list-style-type: none"> •Long-term contracts •No over-regulation of assets 	<ul style="list-style-type: none"> •Development of ample supply and transportation capacities •Regulation of OS 	<ul style="list-style-type: none"> •Long-term contracts •infrastructure should be exempted (always) •OS •Reduction of lead times
Securing supply	Long-term contracts (to a certain extent)	<ul style="list-style-type: none"> •Long-term bookings •Link-chain products 	Long-term capacity contracts	<ul style="list-style-type: none"> •Development of ample supply capacities •Long-term and long-distance bookings 	<ul style="list-style-type: none"> •Ensure ample and competitive supplies •Long-term supply and capacity contracts (similar duration)
DSO relevance	-	Cooperation needed	-	-	-

Questions to lead discussion

- How does your model ensure that we meet the 2014 target of a fully integrated EU energy market?
- Compared to today, what are the most relevant changes to the market environment, that your model would bring about?
- What are the main barriers for your model to fulfil the 2014 target? From where would you expect resistance to implement the model?
- What are the weaknesses of your model? Who would be mostly affected?
- What is the main differences between your proposal and CEER's?