

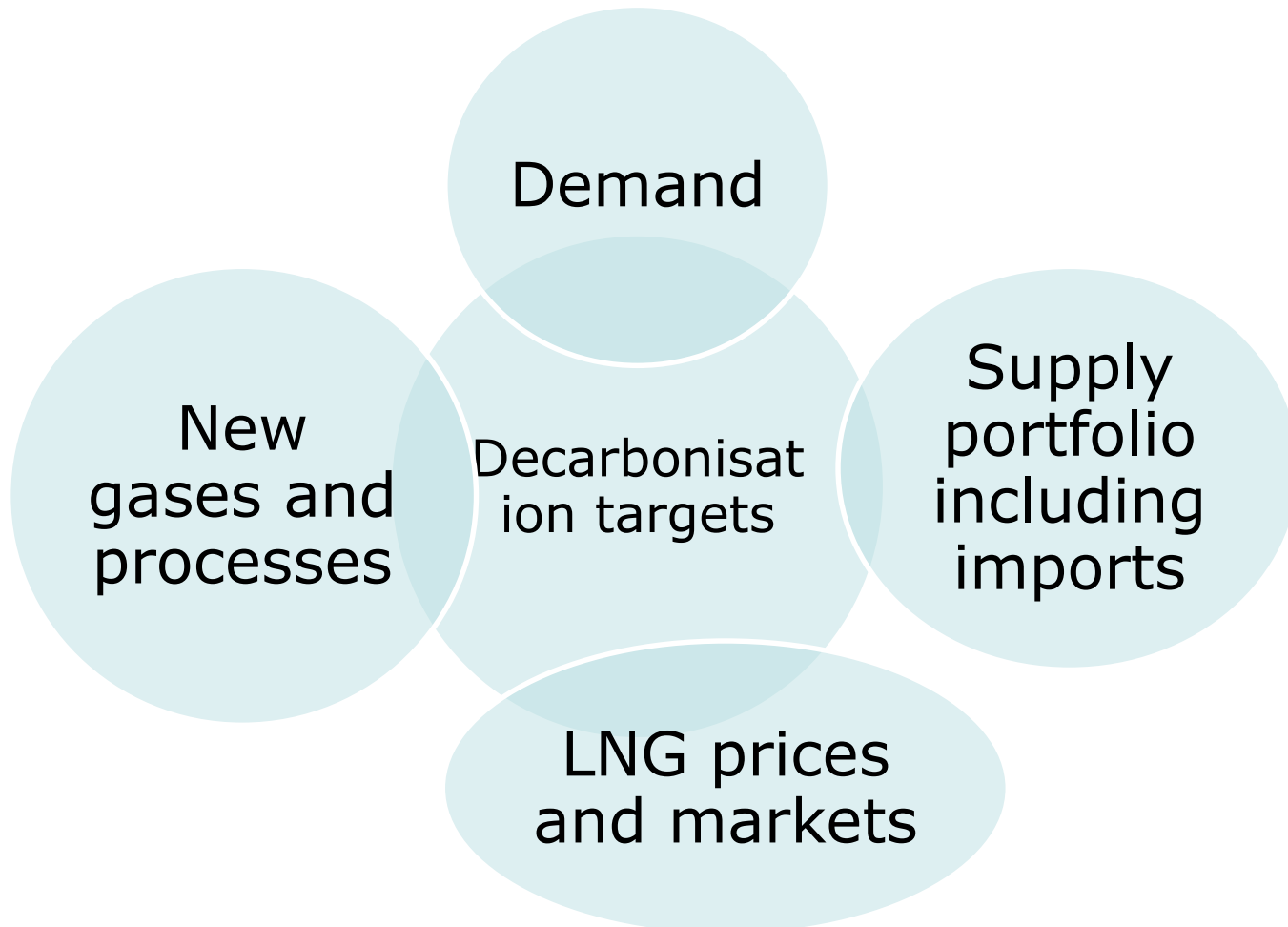


Potential measures for upgrading the EU internal gas market

**European Commission,
DG Energy, B.2**

31st Madrid Forum, 16-17 October 2018

Overall context



Gas Market upgrading and modernisation

Upgrading the regulatory framework

Implementation of basic market rules and principles

Implementation of Network Codes

STUDY I-IV, VII

Regulatory framework fit for decarbonisation

New products and services of TSOs

Technology innovation/new gases in supply

STUDY V, (VI)

Alignment of the gas legislation

Institutional framework – electricity market design

Streamlining the legislation

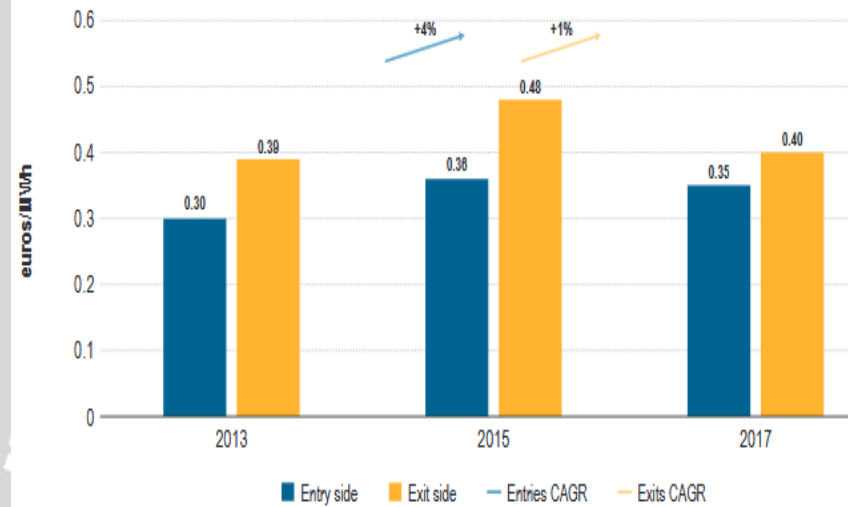
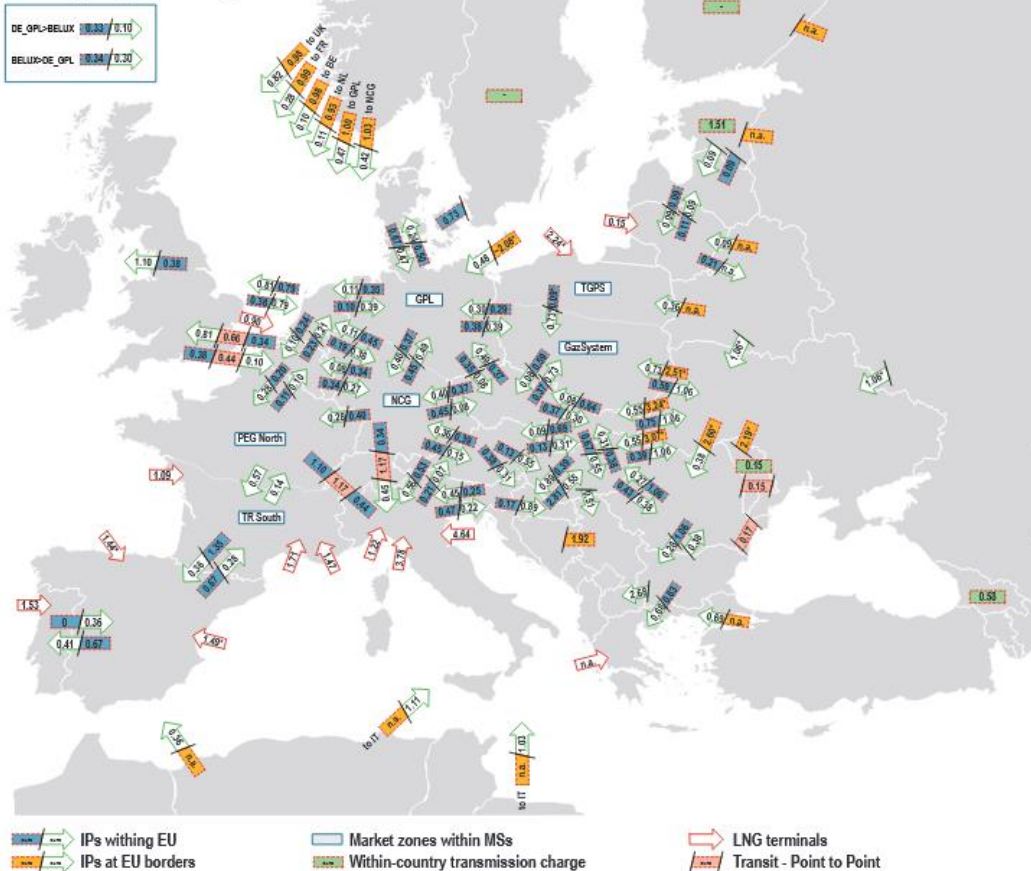
Legislative process (evaluation, impact assessment,...



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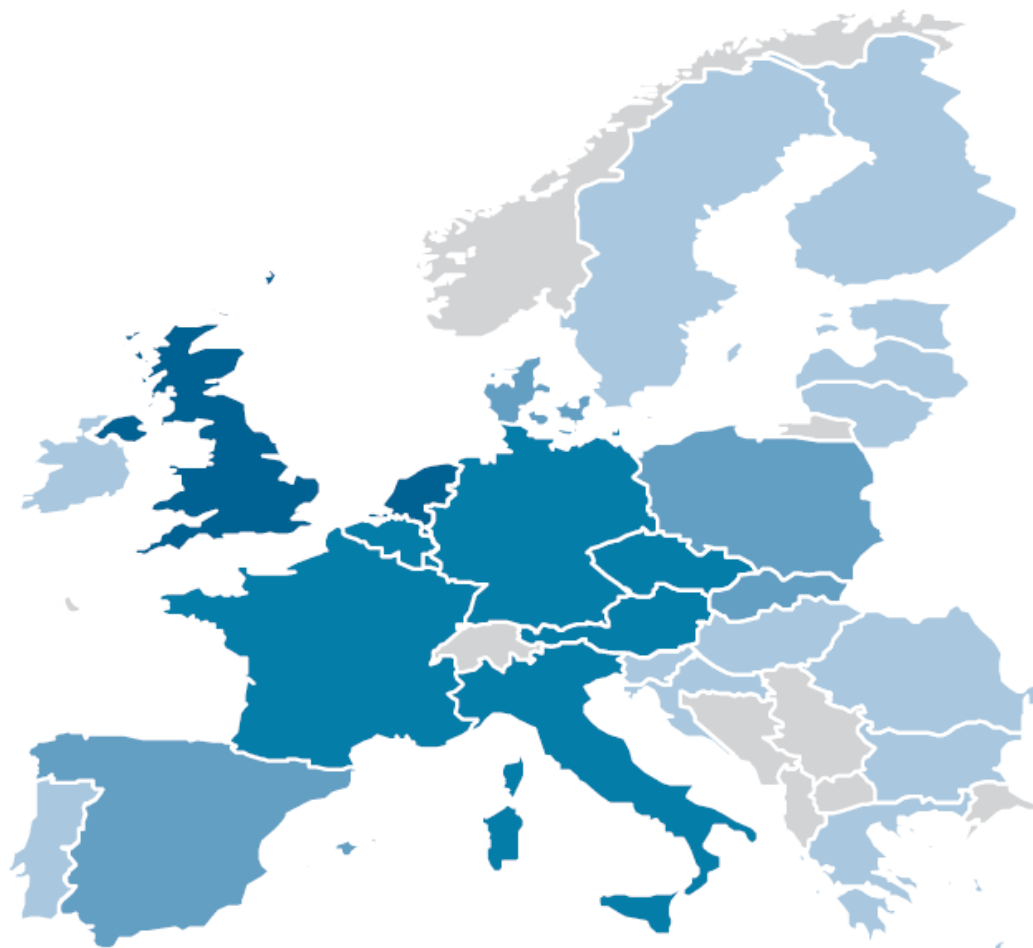
Comparison of average access cost

Exit/Entry charges for flowing 1 MWh in euros



Source: ACER MMR 2017, p. 45-46

Ranking of EU hubs based on monitoring results - 2017



■ Established hubs

- Broad liquidity
- Sizeable forward markets which contribute to supply hedging
- Price reference for other EU hubs and for long-term contracts indexation

■ Advanced hubs

- High liquidity
- More reliant comparatively on spot products
- Progress on supply hedging role but relatively lower liquidity levels of longer-term products

■ Emerging hubs

- Improving liquidity from a lower base taking advantage of enhanced interconnectivity and regulatory interventions
- High reliance on long-term contracts and bilateral deals

■ Liquid-incipient hubs

- Embryonic liquidity at a low level and mainly focused on spot
- Core reliance on long-term contracts and bilateral deals
- Diverse group with some jurisdictions having
 - organised markets in early stage
 - to develop entry-exit systems

STUDY I: *Enhancing liquidity by combined gas and capacity release programmes*

ISSUE:

Illiquid hubs and market power

OBJECTIVES:

Elaborate and assess measures to reduce entrenched market power

by increasing the share of short-term capacity

by releasing gas at the virtual trading points within Europe

STUDY II: *Distortive effects of non-harmonised tariffs*

ISSUE:

Sub-optimal network usage and market integration

skewed investment incentives,

tariff pancaking effects

preferential routing

OBJECTIVES:

Can harmonised tariffs framework and allowed revenues incentivise efficient network planning and operation?

STUDY III: *Licensing and regulatory requirements*

ISSUE:

Need for stable and harmonised legal and regulatory framework open to cross-border trade and new entrants

OBJECTIVES:

- Provide an inventory of licensing and regulatory requirements, including for actors active only on wholesale markets
- Identify common principles underlying various regulatory regimes, and the rationale and scope for further harmonisation

STUDY VII: *Tailor made regulation*

ISSUE:

In number of Member States or on number of interconnection points market performance is unsatisfactory

OBJECTIVES:

Develop assessment tools and measures which would enable to target underperforming markets/IPs.

STUDY IV: *Regulatory framework for LNG terminals*

ISSUE:

- *Diversity of regulatory regimes applying to LNG terminals in Europe*
- *Increasing competition between LNG terminals*

OBJECTIVES:

- Develop an assessment of regulatory regimes applicable to LNG terminals in MS
- Recommend concrete measures to upgrade them where necessary

Alignment and streamlining of the gas legislation

Institutional framework – alignment to the electricity market design (previous "mirroring")

Streamlining the legislation

Delegation/transfer of TSO tasks, question of oversight of 3rd parties taking up TSO tasks (capacity booking platforms, balancing responsible entities, etc.).

Promotion of regional cooperation: need to strengthen regional cooperation and in what areas (network operation, oversight of regional entities)?

Regulatory regime after exemptions expire (depreciation, transfer of assets into RAB)?

Gas quality harmonisation review

Any other issues?



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Thank you for your attention!
<http://ec.europa.eu/energy/>



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BACKGROUND SLIDE

Overview of market health metrics – 2017

