

Commission for Regulation of Electricity and Gas



Areas of potential inefficiencies

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Possible causes

To explore the possible causes, for possible inefficiencies, we have not identified one individual reason.

Further examination is needed, based on two categories:

- market arrangements (or market development) on either side of the interconnectors;
- arrangements on the interconnectors themselves (network related issues).

The areas can be similar, but relevance can differ, to explain the economic efficiency of interconnector flows.

Potential inefficiencies

- **Lack of stable and robust price signals**, caused by a lack of liquidity or a lack of transparency;
- **Long-term contracts**, as shipped gas may not be priced according spot markets, not flow due to short-term signals;
- **Balancing rules** – differ in each of the three markets and on the interconnectors themselves;
- **Security of supply rules**, set differently by Member States;
- **Barriers to obtaining short-term capacity**, due to inefficient, not transparent and discriminatory allocation rules for day-ahead/within-day capacity or in-effective CMP;

Potential inefficiencies (continued)

- **Nomination rules**, to the extent these restrict shippers' flexibility during the day;
- **Technical issues**, e.g. planned and unplanned outages;
- **Charging arrangements either on the interconnectors or the adjacent TSOs' systems**, where the aggregate charges of shipping gas across borders outweighs the price differential;
- **Other costs faced by network users**, such as fees for trading platforms, or costs of operating a trading floor;
- **Lack of coordination** between market arrangements

Thank you for your attention



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