

Introduction – Why we do this

NMA-CREG-Ofgem workshop on cross-
border flows

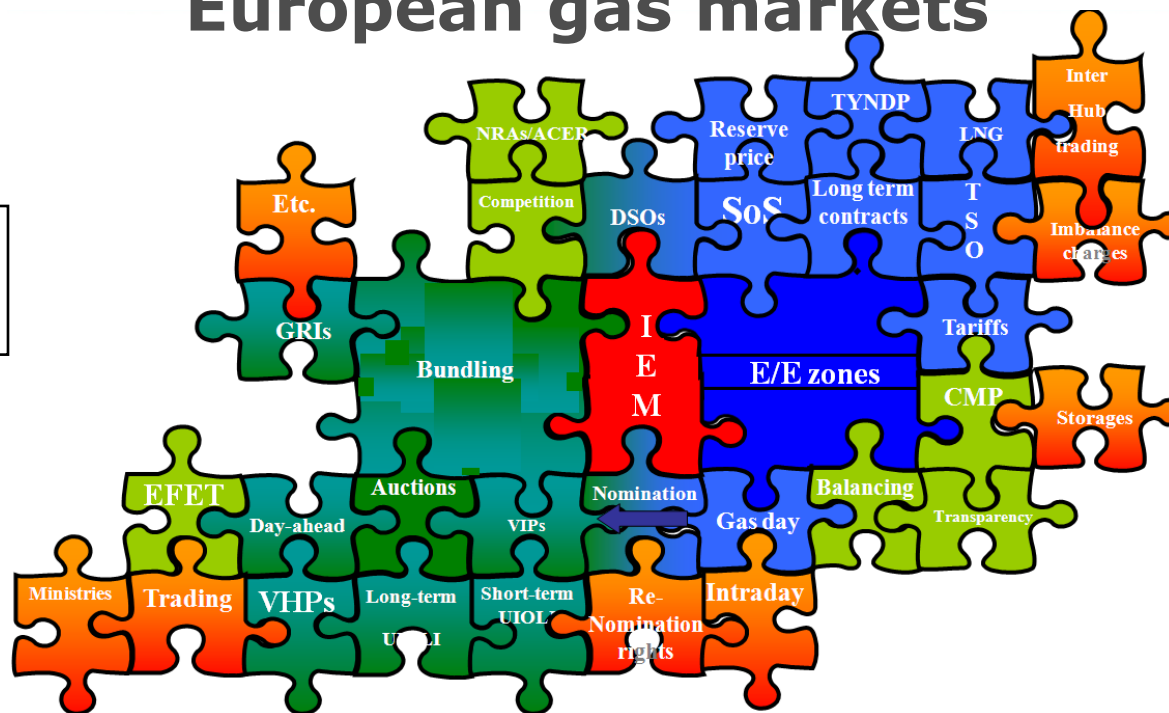
Konrad Keyserlingk, 21 November 2012

Cross-border flows are important to our objectives

- Efficient interconnector flows are important for security of supply and economic efficiency
- Regulators have a role in overseeing licence compliance, including interconnector licences
- Regulators have a new statutory duty to promote a competitive internal market, eliminating restrictions on cross-border trade in gas and enhancing the integration of national markets
- Regulators have formulated a European gas target model to achieve this

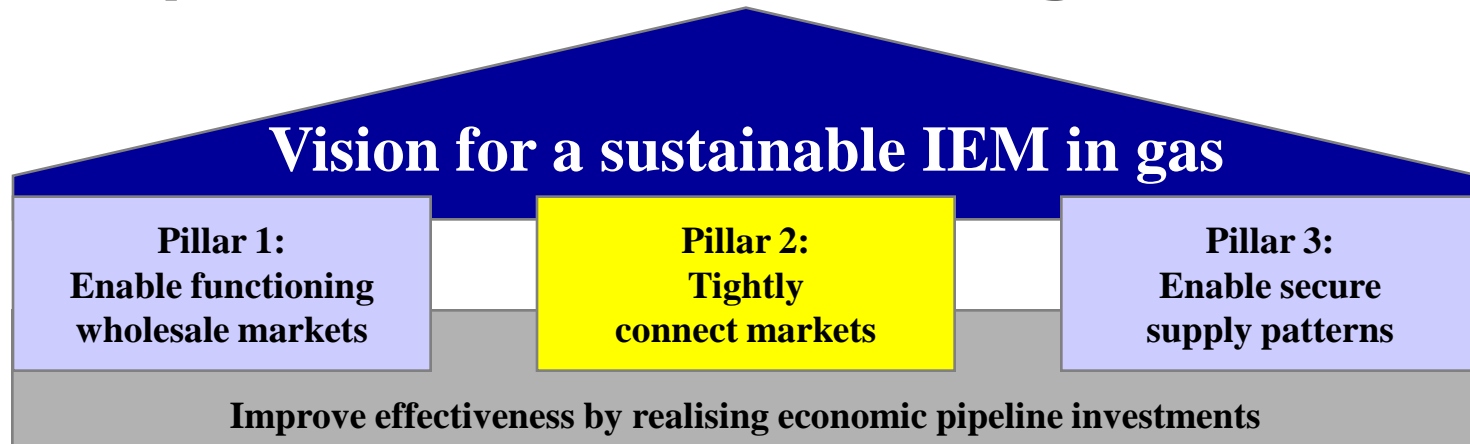
CEER's project on a conceptual model for European gas markets

CEER = Council of European Energy Regulators



- Builds on the Third Energy Package
- A general vision for the development of a European gas market by 2014
- It is not legally binding, however should be perceived as the overarching strategy behind the legally-binding Framework Guidelines/ Network Codes
- Significant stakeholder input
- CEER project started in December 2010, concluded in December 2011

3 pillars of CEER's Gas Target Model



Pillar 1: Structuring network access to the European gas grid in a way that enables functioning wholesale markets, implementing entry exit systems, change shapes of balancing zones ("market areas").

Pillar 2: Implement efficient cross-border capacity allocation mechanisms, congestion management rules, potentially market coupling, fostering short and mid-term price convergence between the functioning wholesale markets.

Pillar 3: Enabling the establishment of secure supply patterns, facilitating efficient cross-border investment.

Today we are focusing on pillar 2.

Pillar 2: connecting wholesale markets

“Gas needs to flow to where it is valued most”

European rules

Capacity Allocation Network Code (currently being finalised)

- Allocate interconnection capacity by auctioning bundled products on a central booking platform

Congestion Management Procedures (to be implemented by October 2013)

- Undermine capacity hoarding through overselling and buyback and/or effective use-it-or-lose-it provisions, possibility to surrender capacity

Network Transparency Rules (already legally binding)

- Network users need to know what capacity available, how much it is worth and how they can get it

Non-discriminatory tariff rules (currently being developed)

- Cross-border flows should not subsidise domestic demand or vice versa

Unbundling rules (already legally binding)

- To ensure that network companies face the right incentives

Interoperability and Data Exchange Network Code (currently being developed):

- Deals with operational interactions between TSOs that are causing barriers to trade

Gas balancing network code (recently submitted to ACER)

- Balancing rules that help the development of liquid markets and reduce barriers to cross-border trade

These will be implemented – but does more need to be done?

Commitments from the CEER gas target model conclusions document (2011)

Excerpts from recommendation 1:

- *Regulators shall assess the degree of market integration in close cooperation with each other and stakeholders*
- *Where necessary, NRAs shall explore measures to improve the degree of market integration.*
- *These measures could also include joint actions with neighbouring markets, for example improving the efficiency of interconnection arrangements*

Excerpts from recommendation 2:

- *NRAs shall consider whether measures, such as implicit auctions, would improve the efficiency in the use of interconnection capacity*
- *Regulators and stakeholders should cooperate to conduct pilot projects that design and trial an implicit capacity allocation mechanism*
- *The assessment of the degree of market integration should also address the question whether more measures need to be taken to ensure a more efficient use of interconnection capacity*

The background of the slide is a composite image. On the left, there are rows of solar panels under a bright sun. On the right, a hand is shown holding a white document. In the bottom left corner, a blue gas burner is visible. The overall theme is energy and customer service.

ofgem

Promoting choice and value
for all gas and electricity customers