



Promoting choice and value
for all gas and electricity customers

DECC / OFGEM Gas Stakeholder Meeting

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Purpose of the stakeholder group

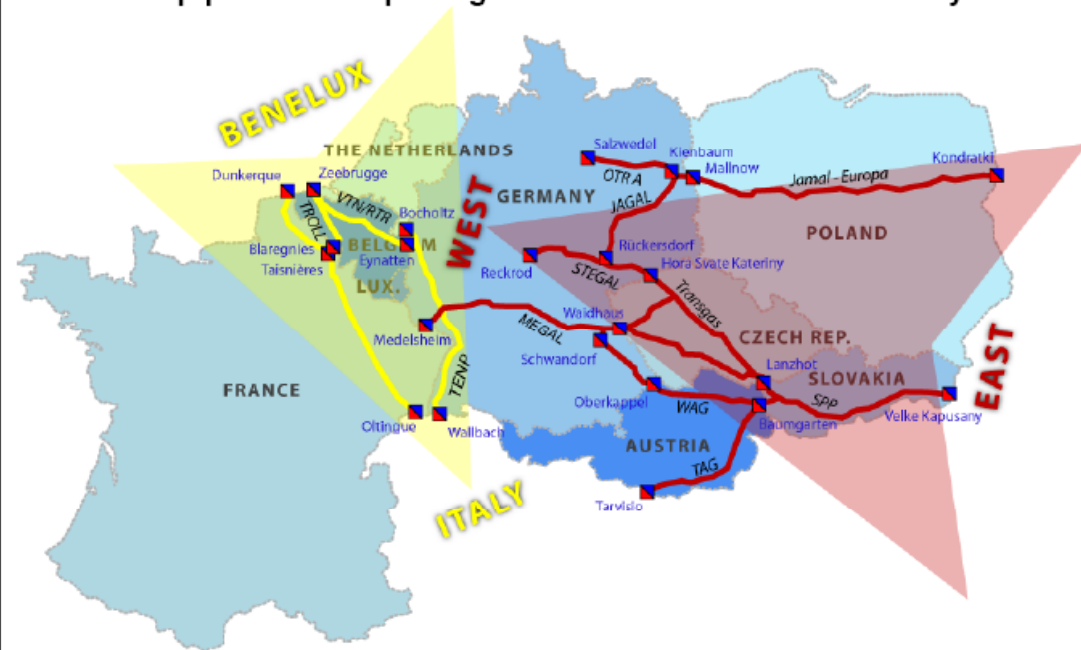
- **Update stakeholders of latest developments**
- **Give GB market participants an overview of Network Codes and other developments of the single European gas market**
- **Provide a platform for input to ACER, comitology and ENTSOG discussions and allow for parties to influence European associations (EFET, Eurogas etc.)**
- **Provide a forum for discussion of how GB can prepare itself for changes**

Barriers to single European gas market

Key problems identified in Commission's "Sector Enquiry" (2007)

- Large **vertically integrated** incumbents
- **Public service obligations** & strategic reserves
- Long term **take-or-pay contracts** with producers & importers
- Limited access to gas networks & **contractual congestion**
- **No flexibility** left for new entrants
- **Lack of transparency**

Transit pipelines comprising the East-West and Benelux-Italy axes

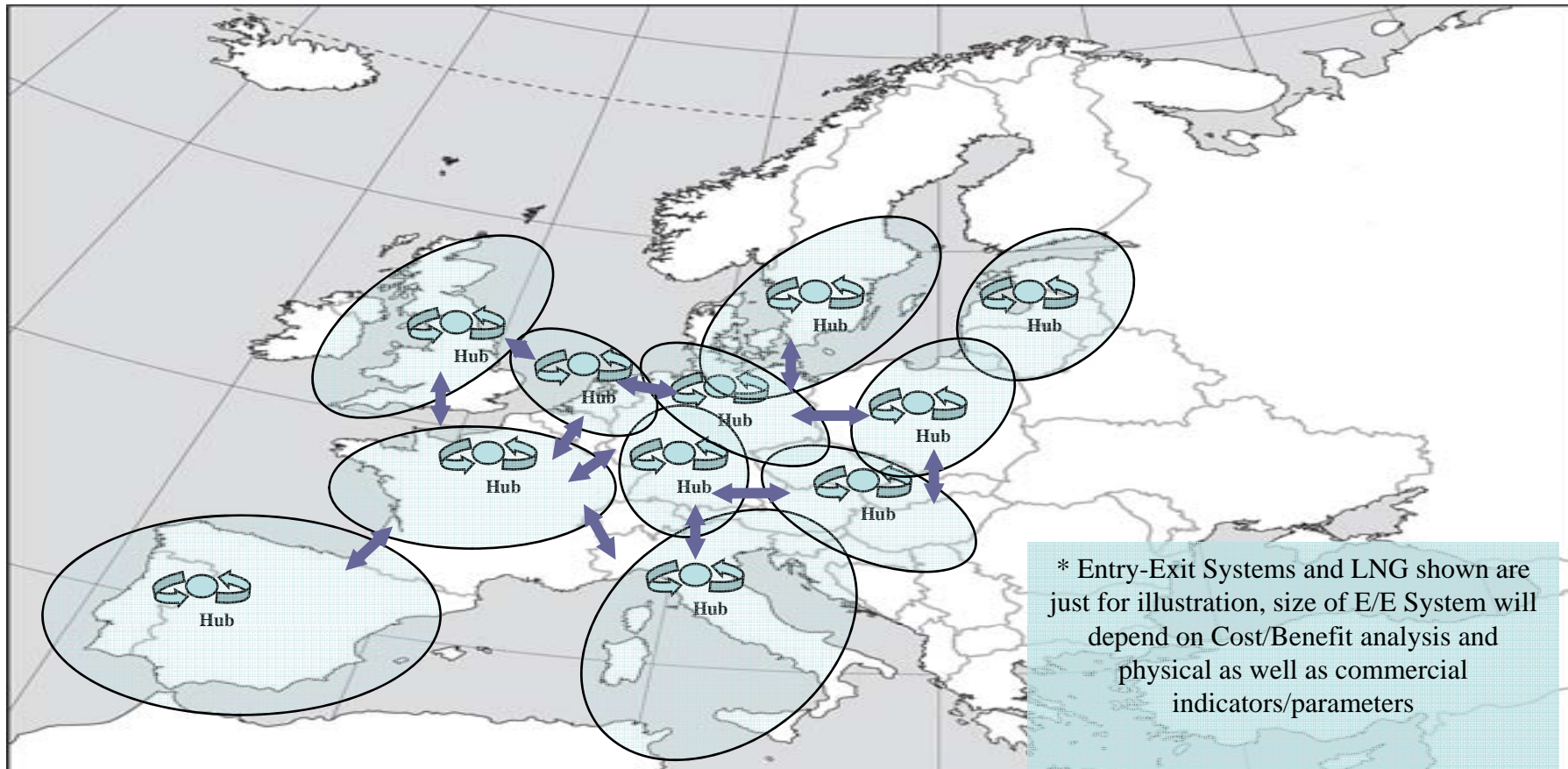


Source: Energy Sector Inquiry 2005/2006

Recent achievements: Increased transparency; consolidation of German network zones; entry/exit becoming the norm; hubs emerging

Continental market is (still) far from being liberalised; however, momentum for change is growing (driven by new & binding provisions in the Third Package)

Vision for a single European gas market



Liquid hubs with sufficient and efficiently used infrastructure

Work in progress

Interoperability Framework Guideline

To be published
early next year

Gas Balancing (BAL) Framework Guideline

Published. Network
Code expected
delivery 5 November
2012

Transmission Tariff Structures

To be published
early next year

Capacity Allocation Mechanism (CAM) Framework Guideline

Published.
Network Code
expected delivery 9
March 2012

Congestion *Management Procedure* (CMP) guideline

Legislative proposal and
impact assessment to be
published early next year

Key issues

Influencing European Developments

- Capacity auctions at cross-border points (quarterly vs. annual products)
- Tariffs (short-term revenue prices)
- Incremental capacity (CEER work)
- CMPs – input to comitology

What might it mean for GB?

- Implementation of provisions at cross-border points – auctions, bundling, CMPs etc. what else may increase efficiency? What else needs tackling?
- Gas quality
- Interactions with further interventions work. Investment in storage? “use it or lose it” LNG?