

Eurogas Views on a Conceptual European Gas Market Model

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***Presentation by Ralf Presse
Chairman of the System Users' Committee***



THE EUROPEAN UNION OF THE NATURAL GAS INDUSTRY

Eurogas welcomes and will support the initiative to develop a European gas market model

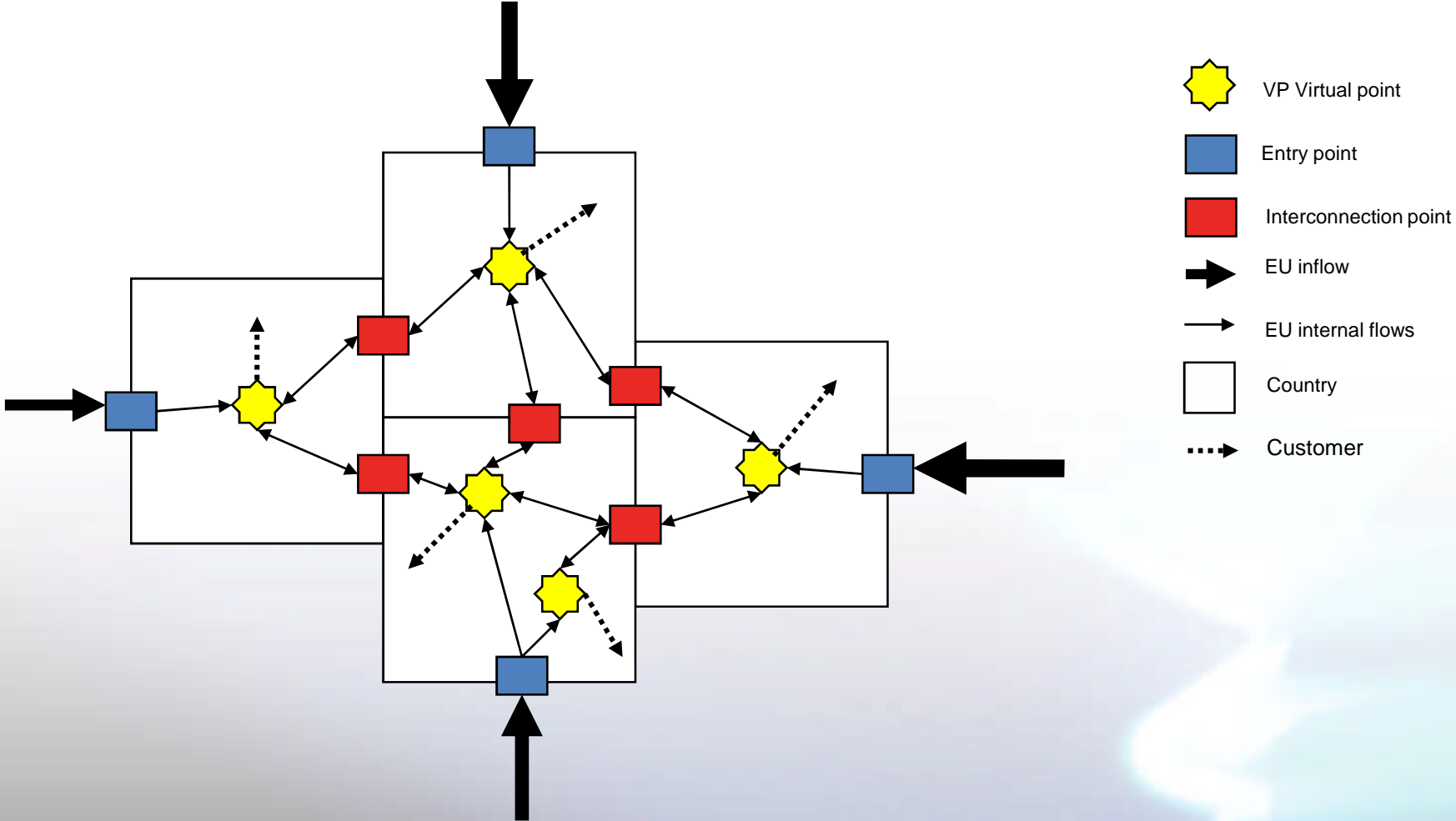
The current situation was, is and will be mainly influenced by:

- That a lot of activities were initiated to solve single problems
- That the implementation of the 2nd package was imperfectly implemented in some Member States
- That the implementation of the 3rd package will be finalized next year
- That new requirements regarding Security of Supply have to be implemented into the system
- That the future role of gas in the European energy mix is unclear

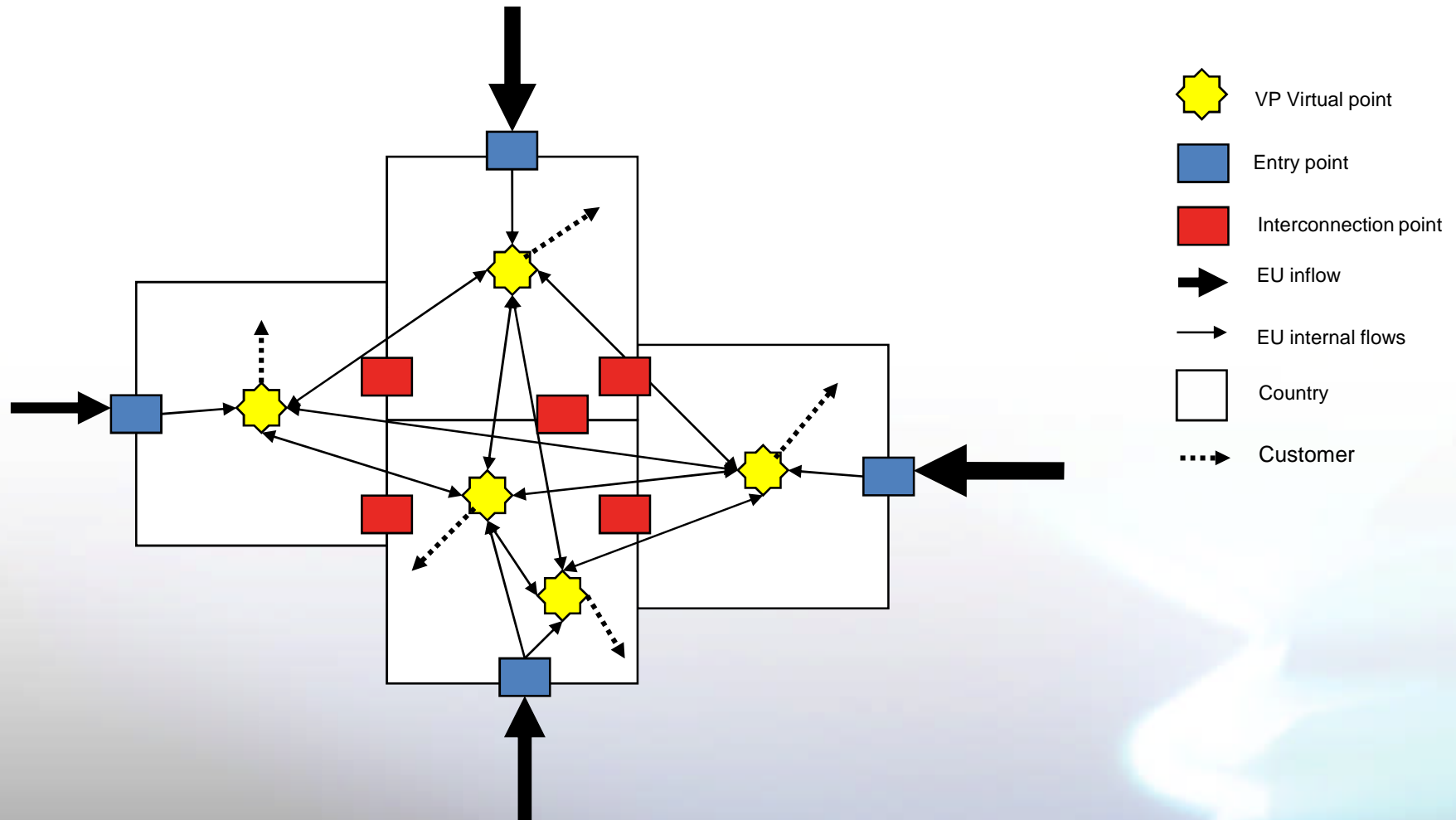
There are a range of political and regulatory requirements the industry should meet

- End customer competition and customer protection
 - Competitive, transparent and liquid wholesale markets
 - Efficient price formation reflecting real supply/demand fundamentals
 - More market participants
 - Diversification of sources and transport routes
 - Flexible back up solution for renewable electricity production
 - Upstream, midstream and downstream investments
 - Decarbonising the energy system
 - Security of supply etc.
- **Therefore it is necessary that the model should be coherent with these considerations**

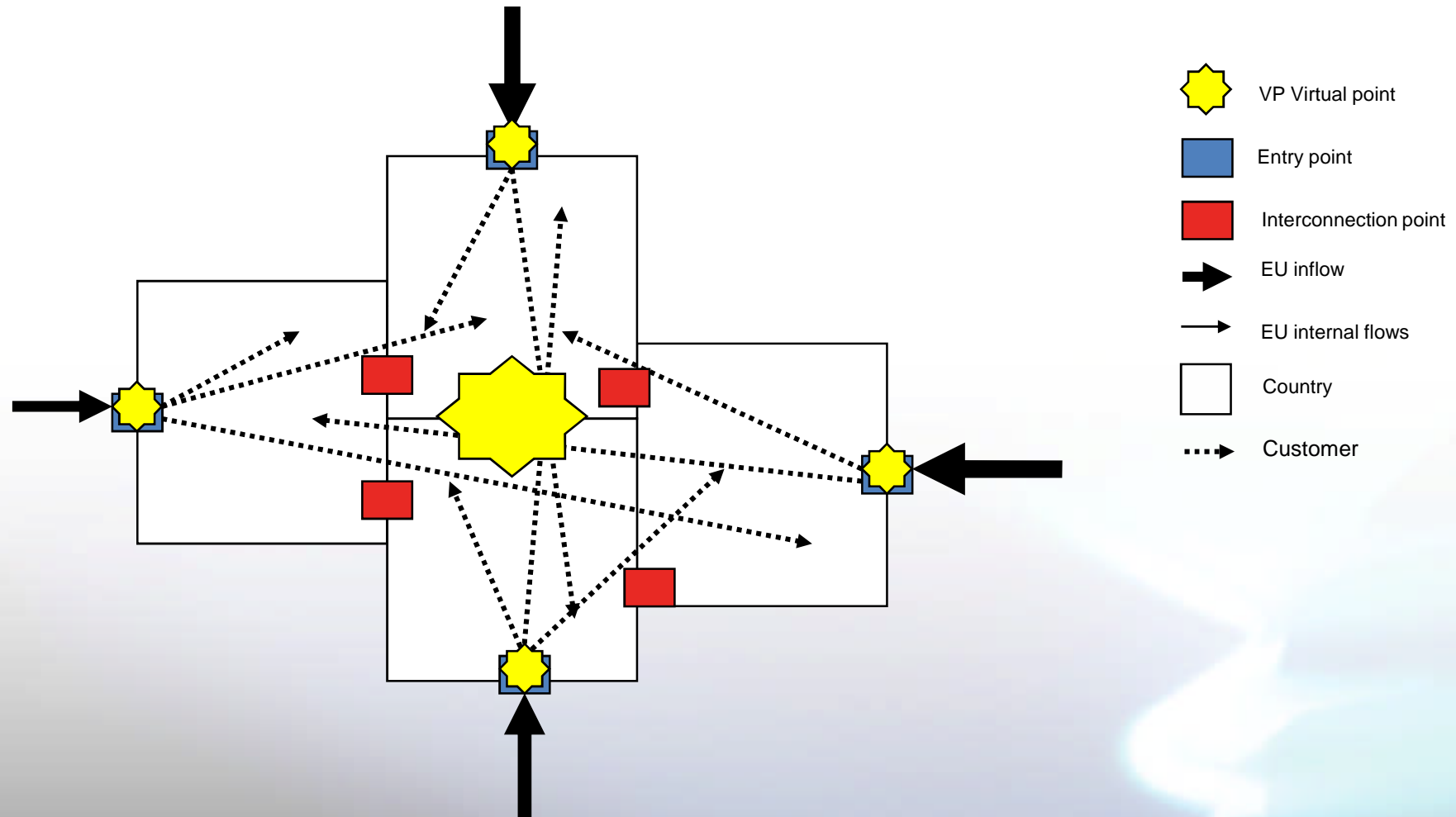
The current model should be an entry/exit system with virtual points and reverse flows



Is the Hub-To-Hub model the right solution and how many hubs would make sense?



Or is the “pool/lake” model the right solution with VP at the border points or only one single VP?



Focus the current discussion regarding a conceptual model and clarify what is a model

- Stay with the current “should” model and harmonize the basic rules in detail incl. reduction of market areas/balancing zones
- Market-driven evolution towards a Hub-to-Hub model or is this only a discussion about an additional capacity product
- Market coupling - is this a model or a solution to solve congestion in the electricity market
- Rethink the GRI process? Can progress be achieved at the same speed across Europe?

The conceptual model should fulfil all the pre discussed requirements

Therefore the following basic questions have to be analyzed:

- What is necessary to create liquidity?
- What model will create a stable and robust competitive environment?
- Is it necessary to decouple the physical from the commercial world?
- Which of the models will fit best to the overall requirements?
- What changes – legal and operational - will be necessary to implement?

Eurogas looks forward to engaging in future discussions on these important issues

A reply to the CEER Call for Evidence is in preparation