Achieving results together

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Contents:

- Priorities for the GRI Process
- What can be achieved by the N/NW GRI?
- Commitment and value
Priorities for the GRI Process
Gas trading is developing across Europe

Virtual hub (in-grid balancing point)
Physical hub (e.g. border point)
Less liquid gas trading locations

NB. Not all trading locations are shown
Priorities for the GRI Process
A European perspective

- **lead to convergence** on a consistent market approach, not a series of incompatible geographic markets within the EU

- be structured in a **completely transparent** manner with information accessible to all stakeholders on an equal basis

- have **ambitious and achievable targets** that build on lessons both from the electricity market and from the experience at gas hubs

- have a clear **timetable and commitment** to implement improvements
Priorities for the GRI Process
The N/NW region can lead by example

- Providing **information transparency** and offering the **maximum capacity to the market** for the use of all main infrastructure, particularly storage and necessary services.

- Achieving fully effective unbundling of all main infrastructure operators so that there is **non-discriminatory access to all services** needed to enable trading at and between hubs.

- Addressing barriers resulting from historical agreements (e.g. for long distance transportation) through capacity release, re-negotiation and/or other stimuli to **capacity trading**.

- Aiming for large **market-based (daily) balancing** zones throughout Europe, and the provision of within-day information by the TSOs.

**progress on these issues will benefit the whole of Europe.**
N/NW Europe Gas Regional Initiative - Achieving results together

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What can be achieved by the N/NW GRI?

Workstreams:

- Regulation
- Transportation
- Operability
- Markets
What can be achieved by the N/NW GRI? Regulatory Coordination and Investment

- **Quick win** – Agree consistent obligations and incentives on TSOs.
  - E.g. “provide capacity to deliver gas to meet all reasonable demands for firm gas supplies”

- **Quick win** – Ensure full and consistent compliance with the Gas Transmission Regulation EC/1775/2005

- **Longer term deliverable** – Evaluate and present findings for improved Cross-Border Regulation

- **Quick win** and **Longer term deliverable** – a consistent regional supply/demand outlook report in compliance with national requirements in EU Directives
What can be achieved by the N/NW GRI?

Workstreams:

- Regulation
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What can be achieved by the N/NW GRI? Primary and secondary capacity markets

Source: Eurogas Infrastructure map

Improved access to Europe’s gas routes remains essential for market integration
At the May 2006 Madrid forum, EFET set out a 10 point plan for the fair allocation of x-border capacity.

This included…

- Greater transparency
- Market based allocation mechanism
- Correct treatment of existing capacity
- Variety of contracts
What can be achieved by the N/NW GRI? 
Primary and secondary capacity markets

Trial daily capacity auctions to improve liquidity and connection in the Northern region

Cross Border Capacity

Co-ordinated auctions at:
- Bunde-Oude Statenzijl
- Emden
- Ellund

GTS  ERG  BEB  EnergiNet  TTF  VP-North  VEP  GTF  Gassco
What can be achieved by the N/NW GRI?
Primary and secondary capacity markets

- **Quick win** – Implement co-ordinated capacity auctions on a trial basis
  - E.g. Daily capacity auctions implemented early 2007 at specific cross border points to complement trading.

- **Longer term deliverable** – Compatible and consistent capacity products for all TSOs
What can be achieved by the N/NW GRI?

Workstreams:
- Regulation
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A shared (H gas) quality specification setting out clearly defined parameters will help to facilitate greater cross-border trade.

Gas meeting this quality specification that is delivered at any cross-border or inter-TSO point within the EU must not be refused on grounds of quality.

The responsibility for investment to ensure that this can be achieved lies clearly with the TSOs overseen by their national regulators.

Source www.EFET.org September 2006
What can be achieved by the N/NW GRI?
Gas quality uncertainties must be resolved.

- Richer Norwegian gas
- Rich LNG
- Capacity to move lean gas to IZT?
- Enough lean gas to blend?
- Can IUK accept the gas?
- Can Bacton blend?

Source: GIE website for map www.gte.be
Primary interventions by shippers and traders, residual interventions by the TSO, cash-out at market price.
What can be achieved by the N/NW GRI?
Gas quality and interaction of balancing regimes

- **Quick win** – Full acceptance that gas quality is the responsibility of the TSO once gas is in a transmission system
  - E.g. Regulators bring TSOs/others together to implement optimum gas quality solution for transport of (comingled) gas between Belgium and UK and publication of information affecting capacity.

- **Longer term deliverable** – Consistent regional implementation of market-based daily balancing with intraday trading and cash-out at the market price.
What can be achieved by the N/NW GRI?

Workstreams:
- Regulation
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What can be achieved by the N/NW GRI? Information transparency and gas hubs

ERGEG assess there to be congestion in EU pipelines - but limited TSO plans for expansion. Is congestion physical or contractual?
What can be achieved by the N/NW GRI?
Information transparency and gas hubs

- **Quick win** – improve our standards of information provision to match ‘best in class’ (see August 2006 paper on gas information transparency)
  - Including full compliance with EC/1775/2005 and the GGPSSO before the next Madrid Forum.

- **Quick win** – Participation of each network operator and the biggest local supplier at each hub, as set out in September 2006 paper on liquidity providers.
  - Agree an action plan and start implementation early 2007

- **Longer term deliverable** – Larger and better connected hubs throughout the region.
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N/NW Europe Gas Regional Initiative – Commitment and value - recent publications

August 2006
- Gas Information position paper

September 2006
- Note on liquidity providers
- Letter on N/NW Regional Initiative
- Gas Quality position paper

October 2006
- Gas capacity auction proposal

All available at www.EFET.org
N/NW Europe Gas Regional Initiative – Commitment and value – timing and focus

- Quick wins – complete in less than 6 months
- Longer term deliverables – up to 2 years
- Less questionnaires
  ... more action