GAS STORAGE – TRADERS’ PERSPECTIVES
Structure of presentation

Contents:

- About EFET
- Non-discriminatory access
- Information provision
- Optimising storage
- Conclusions
ABOUT EFET:
The voice of energy traders in Europe

The European Federation of Energy Traders (EFET)

- Represents over 80 trading companies operating in about 20 countries
- Promotes pan-European energy trading in open, transparent and liquid wholesale markets.
- Main activities include:
  - Advocacy for liberalised markets
  - Promotion of energy trading in Europe
  - Standardisation of contracts
ABOUT EFET: Improve conditions for energy trading in Europe

“...fostering the development of an open, liquid and transparent European wholesale energy market”.

Achieving our mission through better,...

- Information transparency
- Data exchange
- Products and procedures
- Laws
- Regulation
- Taxation
- European Contracts
- Organised market
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NON-DISCRIMINATORY ACCESS TO STORAGE
2003/55/EC sets out the EU Gas market structure

Regulated, Independent Network Operators

Trading Hubs set Market Prices

Competing Producers

Competing Suppliers

Industrial & Commercial

Customer Choice of Suppliers

Residential

LNG

Gas Interconnectors

HP Transmission

LP Distribution

Other services

Storage

Demand management

Trading Hubs set Market Prices
Article 25 of the Gas Directive differentiates between regulatory powers over storage and other infrastructure.

But it does require (article 1 & clause f) that:

“the regulatory authority … shall at least be responsible for … non-discrimination … in … the access conditions to storage … as provided for in article 19”
NON-DISCRIMINATORY ACCESS TO STORAGE
2003/54/EC is the starting point for defining TPA

Existing storage must provide TPA where necessary for efficient access for supply to customers.

Any linepack storage not essential for TSO operations should be available on a TPA basis.

Storage that is essential for production or LNG re-gas operations does not have to provide TPA.

New storage might have mandatory TPA but could be fully or partially exempt.

2003/54/EC is the starting point for defining TPA.
NON-DISCRIMINATORY ACCESS TO STORAGE
The EFET view can be summarised as follows

- Third party access to storage is an essential feature of gas market opening.
- Storage providers that have, or share, dominant positions must be regulated during the transition to fully competitive conditions.
- The Gas Market Directive 2003/55/EC requires regulators to ensure that there is fair and non-discriminatory access, both for regulated and negotiated storage access regimes.
- Guidelines are needed for all Storage Operators to ensure sufficient information transparency and their non-discriminatory commercial behaviour.
- All market participants must be allowed access to storage that is required by the Gas Market Directive to offer TPA services.
NON-DISCRIMINATORY ACCESS TO STORAGE
Where is EU energy policy leading to?

A Gas Storage Regulation?
About EFET

Non-discriminatory access

Information provision

Optimising storage

Conclusions
accessible on a non-discriminatory basis and at no additional cost
available from the internet in a raw data format that can be analysed
published in both the national language and English
detailed, without compromising individual market participants.
available as close to real time as possible.
harmonised across Europe, ultimately on one coordinated website
include historic data
validated and audited by regulatory authorities.
The Gas Directive 2003/55/EC Article 8.1 (d) requires storage operators to provide the information needed for efficient access to storage facilities.

Additionally, the Guidelines for Good Practice for System Storage Operators (GGPSSO) provide guidance on which information should be published in which format.

ERGEG monitoring report (Dec 2006) shows that Implementation of these non-binding guidelines is incomplete and needs to be improved.

EFET stresses non-discriminatory information provision.
Transparency in TSO and Storage Operator rights and processes

Storage system operators make, among other requirements, the following information available to market participants:

- the amount of available and sold storage capacity
- aggregate levels of gas in storage
- current daily aggregated in- and outflow plus historic utilisation rates
- information on any reduction in storage capacity
- the commercial conditions and charges for the offered service

The nature of storage facilities vary throughout Europe, the optimum aggregation of information may also vary. But the aim should be to publish in as much detail as possible.
GAS STORAGE INFORMATION PROVISION
Information consistency with TSO obligations

Internet printout at 14.15 hrs on 2 Feb 2007 for flows over last 24 hrs from the UK Rough Storage facility
GAS STORAGE INFORMATION PROVISION
Near realtime UK storage flows are available

Internet printout at 14.15 hrs on 2 Feb 2007 for flows over last 24 hrs from the UK LNG Storage facilities
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Markets are the most efficient way to allocate resources.

But markets need information if there is to be confidence to put capital at risk and establish meaningful prices.

Markets can then provide price signals for optimum use (and development) of storage facilities.
OPTIMISING STORAGE
Gas prices need to respond to supply & demand

Sources: ICE & Heren 2 Feb 2007
The difference between the market price for summer and winter allows an initial valuation seasonal storage.

But the forward curve changes from day to day.

The summer 2007 to Q1 2008 price difference has been 19-22 p/th in January.

Source: Platts
OPTIMISING STORAGE
Robust traded markets need many participants

Source: APX Group
Autumn 2006 UK NBP
OPTIMISING STORAGE
Traded markets aid market pricing for storage

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

NB. Not all trading locations are shown
OPTIMISING STORAGE
E.g. Price signals might develop at CEGH …

Source: gashub.at
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CONCLUSIONS: Trading benefits storage operators and users

Market pricing for storage has wide benefits

- ‘Regulated’ storage can use market prices (within an overall RoR if necessary)
- Operators of ‘exempt’ storage know the market value
- Users (upstream & downstream) access capacity at market prices
- Better economic signals for investment
- Better optimisation of assets
- More efficient market resulting in lower costs for consumers
EFET prefers competition in the provision of storage services: but competitive markets need competitors!

Most of Europe needs stronger regulatory involvement in storage to achieve non-discriminatory access.

Information transparency is paramount, and will enable traded markets to evolve and storage to be optimised.