European Federation of Energy Traders

General Meeting
08 November 2005, Nice

EFET Gas Campaign

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Gas Committee Chairman
EFET Board Brainstorm, Sept 2005

Need a renewed push to establish gas trading

Initial ideas for targets:

• Short-term
  • Improve liquidity at virtual trading points (e.g. TTF)
• Long-term
  • Independent System Operators for groups of TSOs
Gas Committee approach

1. Build on **priorities** and suggestions to establish **targets for 2006**

2. Plan and implement EFET input relevant to the **timeline of events**

3. Identify who we should be influencing and agree a **communication strategy**

   Increase **EFET influence** as an effective catalyst for change in the gas market
Current Gas Committee priority areas

- **Gas Hub Development Group** *(led by Doug Wood)*
  - To improve trading services and convergence of trading terms

- **Project Group Balancing** *(led by Eric Bensaude)*
  - To reduce risk by encouraging a transition to market-based balancing

- **Project Group Capacity Markets** *(led by Adam Cooper)*
  - To improve access by the establishment of capacity trading

- **Project Group Entry-Exit** *(led by Petter Amundsen)*
  - To make entry-exit implementation more helpful to traders
Together, our Goal is to improve liquidity

Gas Hub Development
Balancing
Entry-Exit
Capacity Markets

Liquidity

“Information transparency and effective unbundling remain important issues that affect risk in all these areas”
EFET gas priorities, given to DG Tren

- Ensure **long-term contracts** do not distort the market
- Implement **firm use-it-or-lose-it** on legacy arrangements
- Improve **information provision** by System Operators
- Design **entry-exit** access regimes to facilitate trade
- Make **unbundling** effective
- Oblige **TSOs to co-operate** across borders
- Establish consistent powers/duties for **independent regulators**
- Require full implementation of **storage access** guidelines
- Encourage or **obligations on incumbents** to make the market
- Establish **market-based balancing**
ERGEG/CEER’s gas issues for 2006

- Interoperability
- Gas Hub Development
- Maximising Capacity
- Transmission (& Transit) Charges
- Storage and Balancing
- ERGEG Road Map

We can expect the regulators to take a regional approach to gas market development
EU Commission’s Gas issues for 2006

• Continuation of the DG Comp Sector Inquiry
• Matters arising from the DG Tren Market Review
  • Ensuring unbundling fully complies with the Directive
  • Checking that there are ex-ante cost-reflective tariffs
• Guidelines for the gas transmission regulation
  • Capacity allocation, congestion management transparency requirements
• Interoperability study
• Security of supply

“the current EU legislative framework should be sufficient, but we will bring forward a 3rd package if necessary”.

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12 month EU regulatory gas timeline

- **Nov 2005** - DG Comp & DG Tren preliminary reports
- **Dec** - Council of Ministers & Presidency conclusions
- **Dec** - Publication of regulators‘ proposed road map
- **Jan 2006** - Final responses to regulators‘ road map
- **Jan/Feb** - EU Parliament consider DG Tren report
- **March** - DG Tren gas transmission regulation guidelines
- **April** - Storage access compliance
- **April/May** - Madrid Gas Forum
- **May** - Security of Supply Co-ordination Committee
- **June** - Council of Energy Ministers
- **July** - EU gas transmission regulation compliance
- **Oct/Nov** - Madrid Gas Forum
Using the press

Increase effectiveness of EFET Gas press releases

- improve **timing and content** *(e.g. For all 12 events on the timeline, plus be ready for new issues)*
- **inform all members** of EFET
- get additional good quality exposure in **trade magazines**
- **regular column** in an EU Institutional newspaper(?)
- **national coverage** on key issues
Improving liaison with local task forces

Can the Gas Committee give better support?

E.g. In Germany

• The requirement to implement the new Network Access regime on 1 February 2006
• The BNA‘s efforts to open up long-term gas supply contracts

Use gas committee influence at EU level and with international opinion formers
Sharing our long term vision of a European Gas Market

- Entry-exit systems are the norm
- Independent System Operators are established
- Long term contracts that foreclosed the market have been changed
- Each ISO‘s system has one balancing zone
- Bid and offer prices are used for cashing out daily imbalances
- Robust and liquid gas futures markets exist
- [Capacity rights for any individual transfer route are in the hands of many companies]
Who else do we need to persuade?

Not just associations, also individual companies:

- Hub Operators (via GHDG)
- TSOs (via PGCM, PGB, PGEE)
- Incumbent suppliers (via GHDG & PGB)
- SSOs (via Gas Committee)
- Producers (via Gas Committee)

Essential to establish bilateral contact with key people in companies that can influence change
Short-term Targets
(to complete and/or publicise)

- Transparency requirements for gas hubs
  => to improve information at existing hubs
- Benchmarking of TSO systems
  => to help entry/exit implementation for trading
- Ideal Balancing System
  => to reduce risk by market-based balancing
- Position on long term contracts and UIOLI
  => to make capacity more accessible to traders

application to be developed in the next Gas Committee meeting on 15 December 2005