



Amstelveenseweg 998

1081 JS Amsterdam

Phone: + 31 20 520 7970

Fax: + 31 346 283 258

Email: [secretariat@efet.org](mailto:secretariat@efet.org)

Website: [www.efet.org](http://www.efet.org)

To the attention of: Mr. Dominique RISTORI  
Director General for Energy  
European Commission  
1049 Brussels, Belgium  
Office DM24 08/084  
[ENER-ENERGY-STRESS-TEST@ec.europa.eu](mailto:ENER-ENERGY-STRESS-TEST@ec.europa.eu)

20 August 2014

Via Electronic Mail

Dear Mr. Ristori,

***Re: Energy Security stress tests***

Thank you for seeking our views on measures to strengthen Europe's resilience in the event of a short-term disruption to Russian gas supplies (letter to Paul Dawson, EFET Chairman, dated 24th July, 2014).

Whilst the energy security stress tests themselves are the responsibility of the Member States, we are closely following the analysis at the European level. Overall it is clear that the more liberalised markets are, the more responsive and resilient to supply disruptions from the East they will be. In this sense, a well designed gas trading system could help to better cope with supply disruptions.

From a pure gas market perspective, the broad analysis already presented by ENTSOG at the Madrid Gas Forum in May 2014 showed that the EU could cope well with a disruption of the Ukrainian route. A complete cessation of all Russian energy supplies to Europe would however be far more challenging.

Through our participation in the EU Gas Coordination Group, the European Federation of Energy Traders' (EFET<sup>1</sup>) representatives will be available to assist and cooperate with your staff in the EU-wide analysis of the stress tests and the

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<sup>1</sup> The European Federation of Energy Traders (EFET) promotes and facilitates European energy trading in open, transparent, sustainable and liquid wholesale markets, unhindered by national borders or other undue obstacles. We currently represent more than 100 energy trading companies, active in over 27 European countries. For more information, visit our website at [www.efet.org](http://www.efet.org).

emergency responses that might be required. Prevention is better than cure. We would therefore like to draw your attention to a few measures which, if implemented without delay, could still help to mitigate the risks of supply disruption for the coming winter.

### **1. Provision of near real-time gas flow data by the TSOs**

Amongst other benefits, the provision of near real-time gas flow information allows market participants to respond rapidly to changes, so that supplies can be redirected to where they are most needed. The current best practice in Europe is for actual gas flows to be updated every 2 minutes. TSOs who delay data publication for one or two days allow problems to build up without informing the market or allowing efficient preventative action by market participants.

### **2. Removal of administrative and economic barriers to the efficient use of gas storage**

Since 2005, EU gas demand has been on a downward trend. At the same time, gas storage capacity has expanded and, throughout much of Europe, competitive forces have improved access to and efficient use of gas storage. Administrative and economic barriers, however, continue to limit the efficient filling and use of some storage facilities. It is evident, for example, that storage operators whose pricing structures respond to market conditions are more readily able to sell their storage capacities, whereas other storage offerings are less attractive to market participants. Placing obligations on market participants to effectively subsidise storage operators is not the correct approach to solving this problem. Rather, the emphasis should be on removing economic barriers and other constraints to ensure that all market participants are allowed to book and fill storage capacity on an equal and efficient basis.

Perversely, market participants wishing to fill storage facilities also face additional charges levied by TSOs as well as the storage operator. Gas entering a storage site will have already paid to enter the TSO system and will later pay to exit the TSO system. There is no economic rationale for paying the TSO again to put gas into and take gas out of storage. There is no additional transmission cost associated with using storage and this double payment of transmission charges can only result in inefficient underutilisation of storage. The vast majority of stakeholders have highlighted this issue in the course of the development of the EU Network Code on Tariff Structures (TAR NC), and we hope that this anomaly will be resolved when the TAR NC is

finalised. This change could be implemented immediately (from September 2014) on an EU-wide basis to encourage additional marginal filling of gas storage for the coming winter (even if only for a trial period initially).

### **3. Filling gas storage in Ukraine**

As pointed out at the Madrid Gas Forum in May, the single most effective physical measure for the coming winter would be to ensure that the large gas storage capacities in Western Ukraine are full. This, however, is probably unnecessary from an EU consumer perspective unless the purpose is to insure against a complete (political) cessation of Russian gas supplies (i.e. not just Ukraine transit).

Additional filling of Ukraine storage, albeit difficult late in the season, would require funding to buy the gas volumes needed, the rerouting of gas supplies, transport to the storage sites, and the necessary storage capacity.

In summary, the EU is well placed to deal with “normal” gas supply disruptions, including disruption of some Ukrainian transit flows. The Commission should, however, act now to improve information provision and to facilitate access to storage. This will both further the integration of the internal energy market and allow security of supply to be delivered more effectively in the coming winter.

To cover “political” risks that are beyond market expectations, EU funding would be required. It would be wise to assess not only the national stress tests for gas but also the interaction with the power market and the integrated EU energy market response.

Yours sincerely



Jan van Aken  
Secretary General,  
European Federation of Energy Traders