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European Federation of Energy Traders

EFET's view on regional
gas markets

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The North Sea Region: creating a regional market



A regional market: what is it?

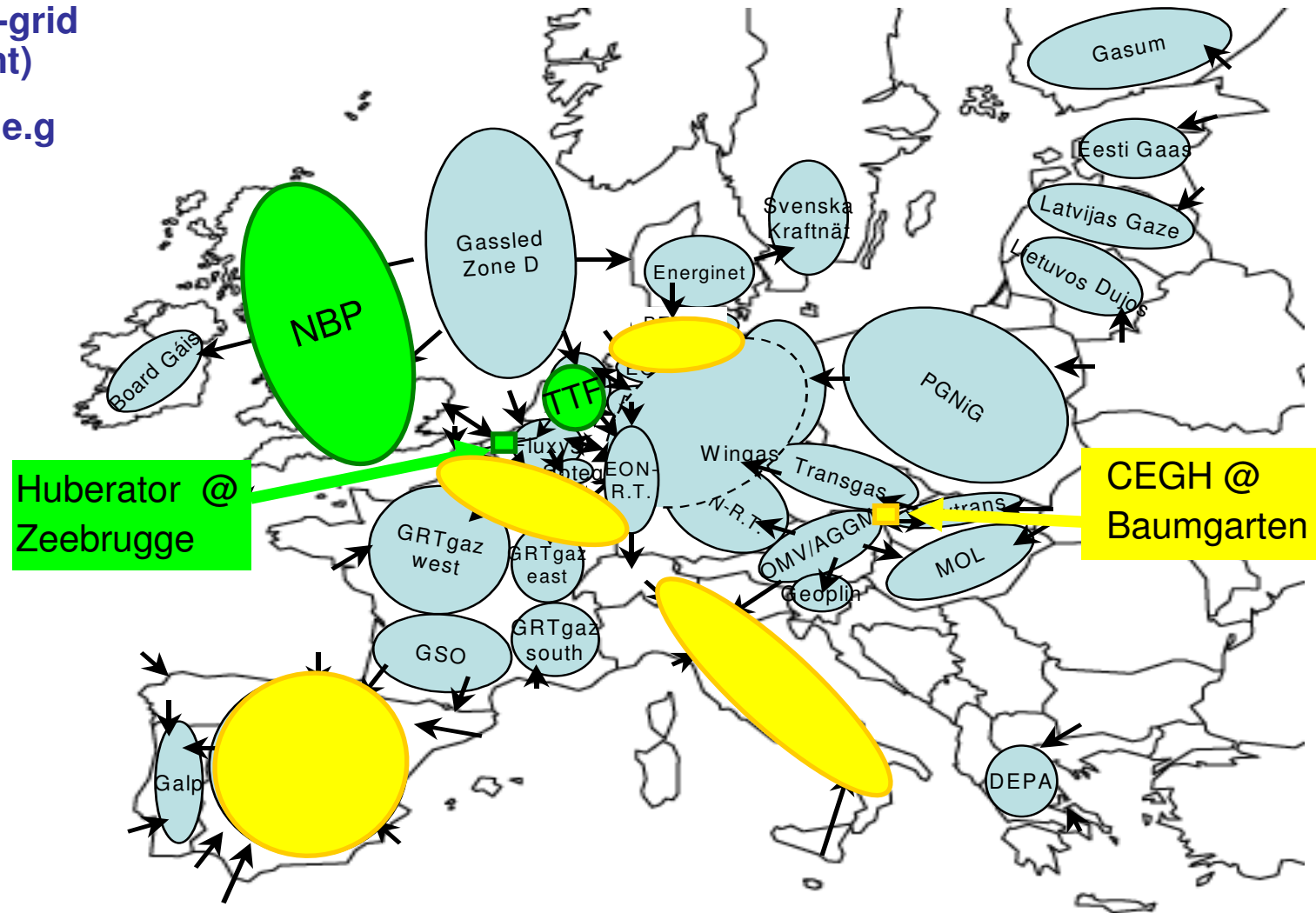
- Regional or national gas grid or balancing zone?
- (Virtual) trading zone?
- 4 markets as defined by Gas Regional Initiatives?

Regional markets are a powerful tool in order to develop an open, transparent internal European market, but are 'just' a stop-over on the road to an European market!

REGIONAL HUBS AS TRADING ZONES?



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



NB. Not all trading locations are shown

Regional markets according to ERGEG (Gas Regional Initiative)



What should the GRI process achieve according to EFET:

1. Convergence on a consistent EU internal market approach
2. Transparency with information accessible to all stakeholders on an equal basis
3. Ambitious, but realistic targets, with lessons from the electricity markets and successful gas hubs

EFET looks forward to discuss with all stakeholders the GRI
in The Hague on October 9!

GRI N/NW: some of EFET's concerns (1)



- ✓ Gas Hub Development
 - Virtual trading points
 - Focus on existing trading points with their specific problems

- ✓ Primary and Secondary Capacity
 - No undue delay for implementation!

- ✓ Transparency
 - Safeguard the interest of all new entrants
 - See EFET's paper on market information transparency

GRI N/NW: some of EFET's concerns (2)



✓ Gas Balancing

- Closely related to hub development
- Market-based balancing (i.e. on a daily basis)

✓ Gas Quality

- Should be a 'non-issue' on wholesale level!

✓ Regulatory Co-ordination and Investments

- Adequate investments in infrastructure: essential!
- Consistency of regulation, incl. application of article 22

'My ideal regional gas market!!!'



Transport:

- No physical constraints (bi-directional!)
- No quality issues
- Consistent balancing principles

Contractual:

- Third Party Access to pipeline capacity
- Market-based capacity allocation and management procedures

Liquidity:

- Plentiful commodity
- Plentiful flexibility

How 'ideal' is the North Sea Region?



N/NW Europe is a region with privileges:

- Indigenous production
- Some flexibility
- Infrastructure
- Some trading, some (virtual) hubs

Conclusion: not ideal (yet)

From EFET's perspective:

- Regional markets essential: **Yes!**
- Regional markets end-stage: **No!**
- North Sea Regional Market ideal: **No!**
- Worthwhile to develop North Sea Regional Market: **Yes!**

ALL Regional Markets are (equally) important!