

EFET welcomes the review and update of the Gas Target Model

The European Federation of Energy Traders (EFET)¹ welcomes the publication and launch of the review and update of the Gas Target Model (GTM2) by the Agency for Cooperation of Energy Regulators (ACER). Although it looks towards a more distant future for gas, the report contains some far-reaching proposals for progress in the shorter term.

“The review builds strongly on the previous work and includes a number of very positive suggestions for development. It also recognises some of the real uncertainties facing gas. In particular, we welcome the introduction of a framework whereby individual National Regulatory Authorities (NRAs) should review the potential to establish a fully functioning gas wholesale market, to consult on options, and to publish a plan on what they will do about it,” says Doug Wood, Chair of the EFET Gas Committee.

ACER proposes an extended set of metrics to establish the maturity of individual markets, which goes beyond those proposed in the first Gas Target Model. These go some way towards the measures of liquidity we proposed in our paper [EFET Guide on the Features of a Successful Virtual Trading Point](#) from 30 Oct 2013, and which are already being published by some hub operators.

Proposals to work on Guidelines for Good Practice for Hub Operators could also be an important help to Transmission System Operators (TSOs) and NRAs in less mature markets who are looking to kick-start trading in physical products at a local virtual trading point. Implementation of the EU Network Code on Balancing forms an integral part of developing a new hub, and EFET is working on a recommended guide from the viewpoint of traders with experience of successful markets.

The inclusion of a new structure of “satellite market”, in addition to market merger and trading region, is also a welcome addition. EFET has previously counselled that the imposition of unwelcome market structures may frustrate liquidity by introducing additional regulatory uncertainty. However, if NRAs can help promote local markets, then the markets themselves will demonstrate where price convergence and regionalisation may occur.

Nevertheless, the review of the GTM2 should allow for keeping the effective implementation of existing network codes high on the ACER’s agenda. These were designed to solve more pressing and fundamental concerns, and sit more directly under ACER’s duties and obligations as defined by its establishing regulation [EU Regulation 715/2009].

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¹ The European Federation of Energy Traders (EFET) promotes and facilitates European energy trading in open, transparent and liquid wholesale markets, unhindered by national borders or other undue obstacles. EFET currently represents more than 100 energy trading companies, active in over 27 European countries. For more information: www.efet.org