

ELECTRICITY AND GAS

PROPOSALS

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OUTLINE

- Electricity
- Gas

DELIVER THE ELECTRICITY TARGET MODEL

ADOPTION



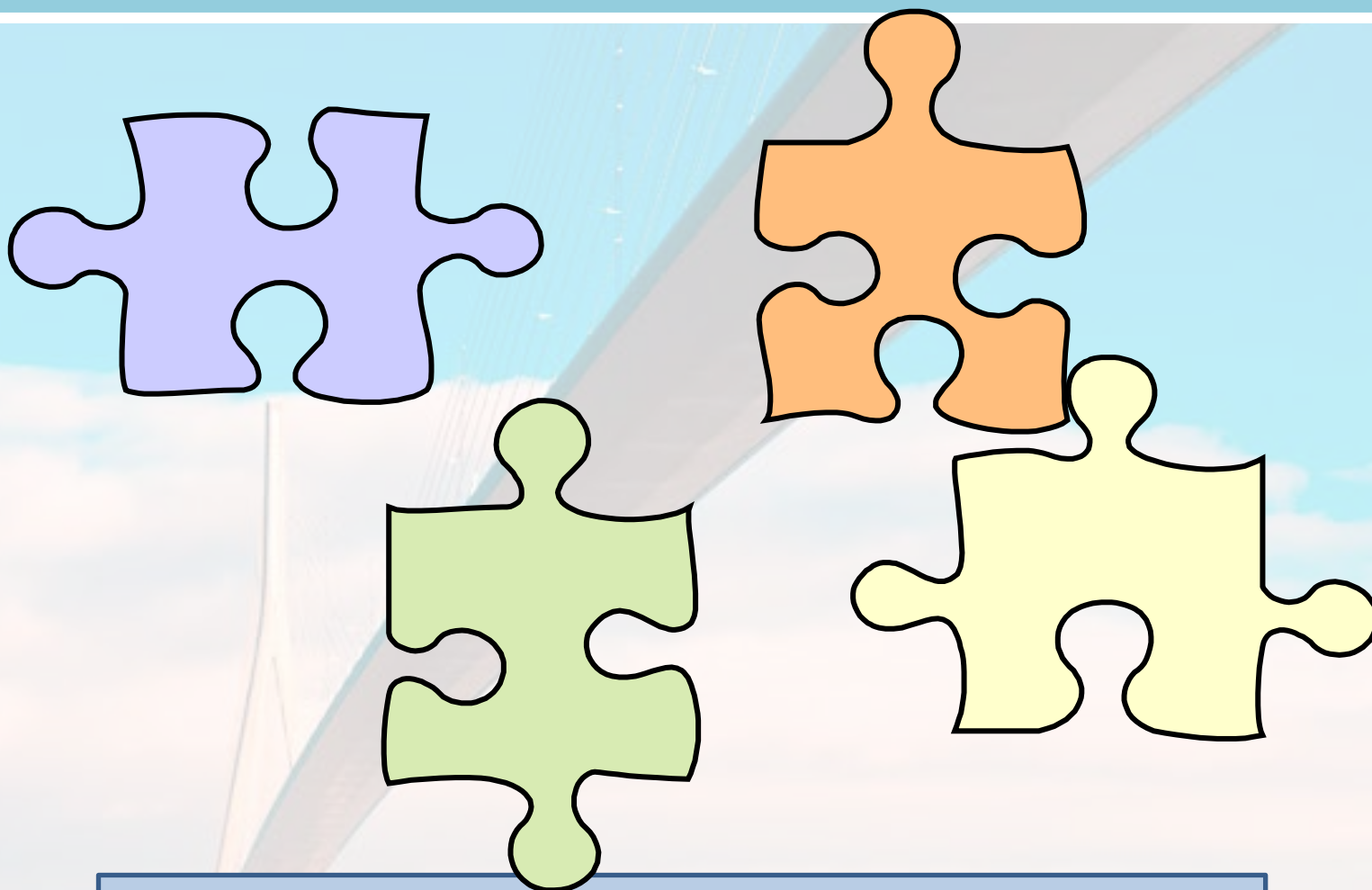
IMPLEMENTATION



MONITOR AND REVIEW
(IF NECESSARY)



ENHANCE SECURITY OF SUPPLY



From fragmented (national) approaches to a more coordinated
(and efficient) EU-wide approach

INTEGRATE RES INTO THE MARKET



Design Policy intervention such that it does not distort too much the Market

PROMOTE ENERGY EFFICIENCY

The regulatory tool box could contribute to energy savings

Network
Losses



Incentives

Network Tariffs

Others?

GIVE THE RIGHT VALUE TO FLEXIBILITY

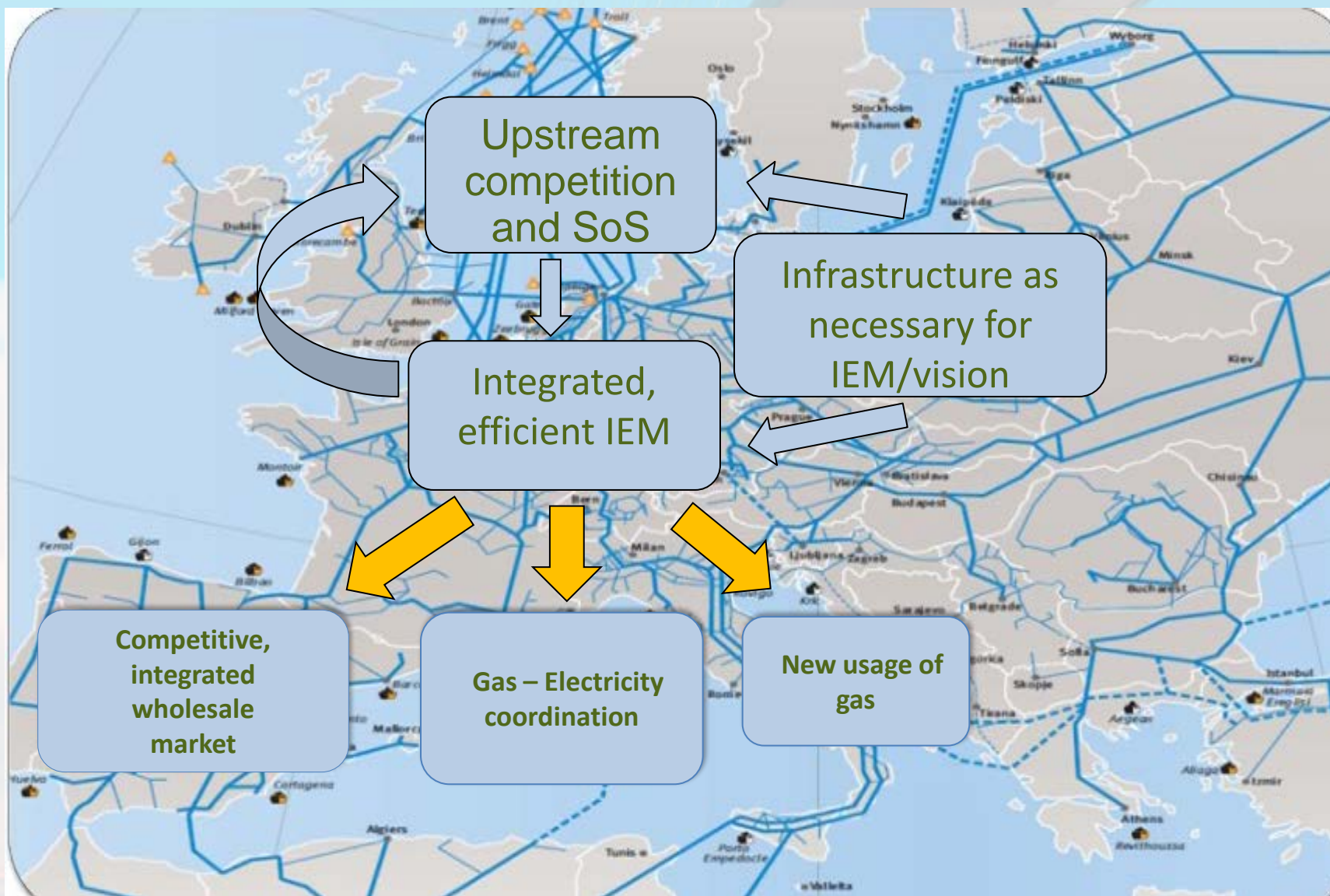


Remove all the constraints undermining its value!

OUTLINE

- Electricity
- Gas

GOAL FOR 2025 GAS MARKET



NETWORK CODES IMPLEMENTATION REMAINS PRIORITY

[Year of Network Code Application]

[2013]

Congestion Management

- Release of unused capacity by oversubscription & buy-back, UIOLI mechanisms

[2015]

Capacity allocation

- Auctions of bundled standard capacity products at IPs

[2015]

Gas Balancing

- Switch from TSO to market-based balancing
- Daily cash-out

[2015]

Interoperability

- Removing bottlenecks for free gas flows: e.g. addressing common unit issue, odourisation, gas quality, interconnection agreements, data exchange

[2017?]

Gas tariff structures

- Non-discriminatory, stimulus to x-border trade
- Harmonizing cost allocation in e/e zones
- Enabling auctions introduction inter alia via harmonized revenue recovery
- harmonizing setting of reserve prices

ENHANCING SECURITY OF SUPPLY

MS assess

- against relevant criteria (e.g. GTM1*, SoS Regulation standards)
- taking into account recent developments (e.g. EC EESS, stress test)

Evaluation

Feasible for MS to meet objective by itself



Not feasible for MS to meet objective by itself

National measures to enhance upstream competition and SoS, e.g.

- efficient storage usage
- develop storage products
- honour contractual obligations also in emergencies
- additional LNG
- infrastructure enhancement
- virtual pipes (LNG by trucks)

Regional and/or EU level measures to enhance competition and SoS, e.g.

- remove barriers to integration unconventional gas
- increase reverse flows
- regional storage capacity
- regional emergency plans
- supply diversification
- route diversification

Note the different time horizons

ASSESS WHOLESALE MARKET FUNCTIONING

**NRA assess
expectation**

*Not feasible for
hub to meet
objectives
by itself*

Market integration

- **Market merger:** full merger with neighbouring markets (balancing zone)
- **Trading region:** partial merger with neighbouring wholesale markets
- **Satellite market:** "attaching" to neighbouring functioning spot + forward market (provided sufficient pipeline capacity)

*Feasible
for hub to
meet
objectives
by itself*

Market enhancement

- **Plan** how to meet objectives (for instance through improved hub design and governance)
- Periodically **report** on progress of implementation

BETTER COORDINATION BETWEEN GAS AND ELECTRICITY MARKETS

GAS

Review national gas tariff structures with view to efficient operation gas fired power plants

Review industry timelines

Improvements to information flows

Improved coordination TYNDP

ELECTRICITY

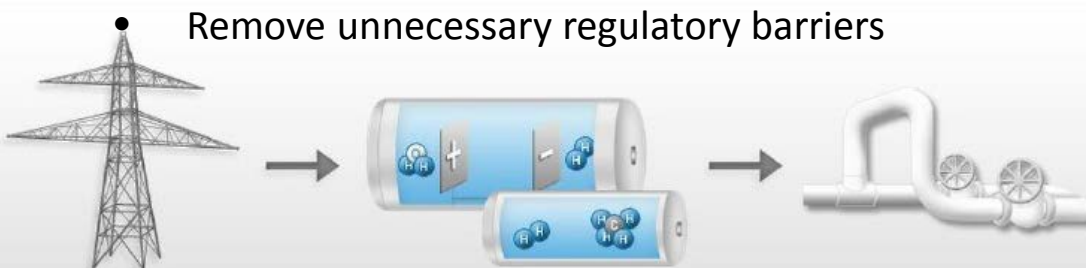
NEW USE OF GAS

Expected increase of non-traditional use of gas in the EU

- gas as a transportation fuel
 - LNG and/or CNG
 - on land and/or on water
 - in heavy duty vehicles and/or lighter ones
- gas as a storage medium, in particular for electricity from intermittent generation (power to gas)
- need for connections to the (distribution) grid (fuelling stations)

Regulators will

- Monitor developments
- Remove unnecessary regulatory barriers





BACK UP

RECOMMENDATIONS - WHOLESALE MARKET FUNCTIONING

Metrics

- Defining new criteria to assess the functioning of wholesale market criteria (building on the GTM 2011 criteria) – indicative criteria, „holistic“ use
- Separate annex contains a detailed calculation specification
- Final refinement of thresholds in last TF meeting (18 Sept.)


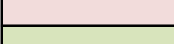
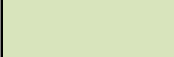
Market Participant Needs - wholesale market requirements for order book depth and liquidity

	General	Day ahead	Month ahead	Front Season (FS)	FS +3	FS +5
<u>Forward market liquidity</u> : Time horizon during which contracts for delivery are bid and ask in a minimum of 120MW.	24- 36 months (120MW)					
<u>Maximum bid-offer spread</u> : set as % of bid price		0.50%	0.50%	0.50%	0.50%	0.50%
<u>Market depth close to fair value</u> : ‘Weighted bid/ask spread’. The difference between the weighted average of the best 120MW bid and the best 120MW offered. This should be a maximum 0.75% of the best bid (over time).		0.75%	0.75%	0.75%	0.75%	0.75%
<u>Minimum number of trades</u> : how many transactions a day are needed for participants to confidence in a contracts ‘fairness’.		15	15	15	15	15

Market Health - Competition, Security of Supply

A Herfindahl-Hirshmann Index	< 2000
Different supply sources	3
RSI	> 110% (>95% of days/year)
Concentration of trading:	
i) % of best 120MW bid and offered from a single (group of) company/ies	30- 40%
ii) % of traded volume from a single (group of) company/ies	30- 40%

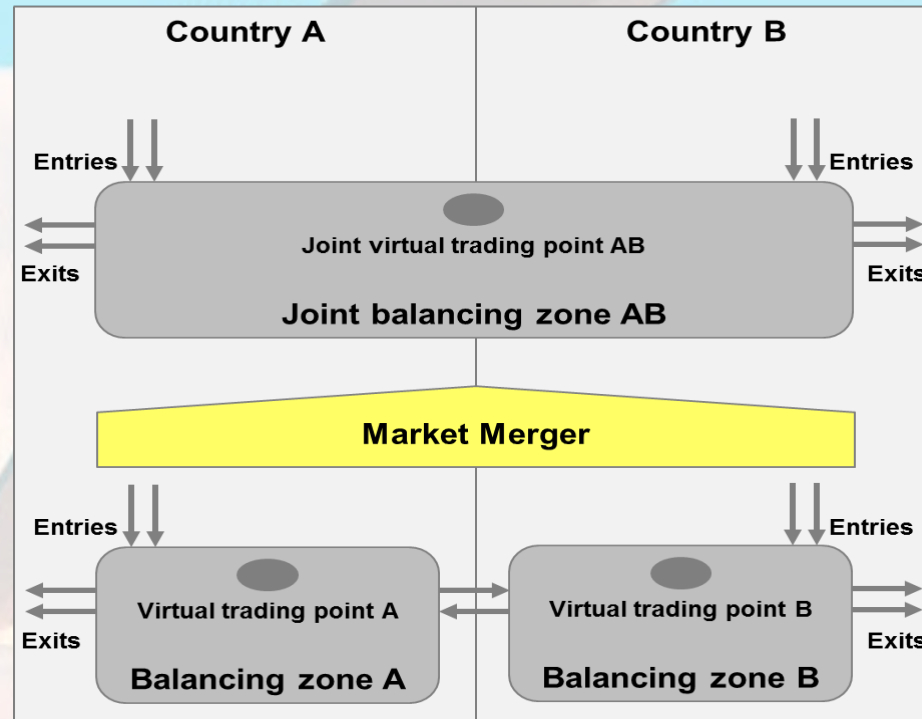
Key:

	Value from forward market questionnaire
	ACER estimate
	Original GTM criteria

RECOMMENDATIONS - WHOLESALE MARKET FUNCTIONING

Market merger

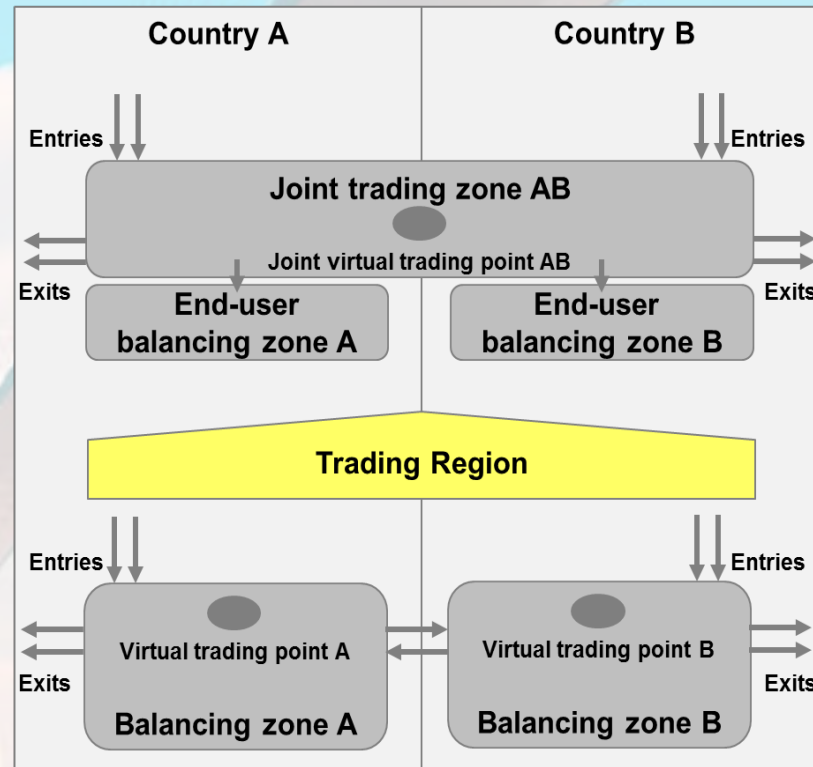
- Full merger of two or more adjacent markets by merging their VTPs + balancing zones
- Creating one unified (cross-border) balancing zone, underpinned by an integrated (cross-border) entry/exit system



RECOMMENDATIONS - WHOLESALE MARKET FUNCTIONING

Trading Region

- Partial merger of two or more adjacent markets on the wholesale level by merging their VTPs + establishing a cross-border trading balancing zones
- underpinned by an integrated (cross-border) entry/exit system
- End-user balancing remains apart in individual end-user balancing zones per participating market.





**THANK YOU
FOR YOUR ATTENTION**