

**ACER**



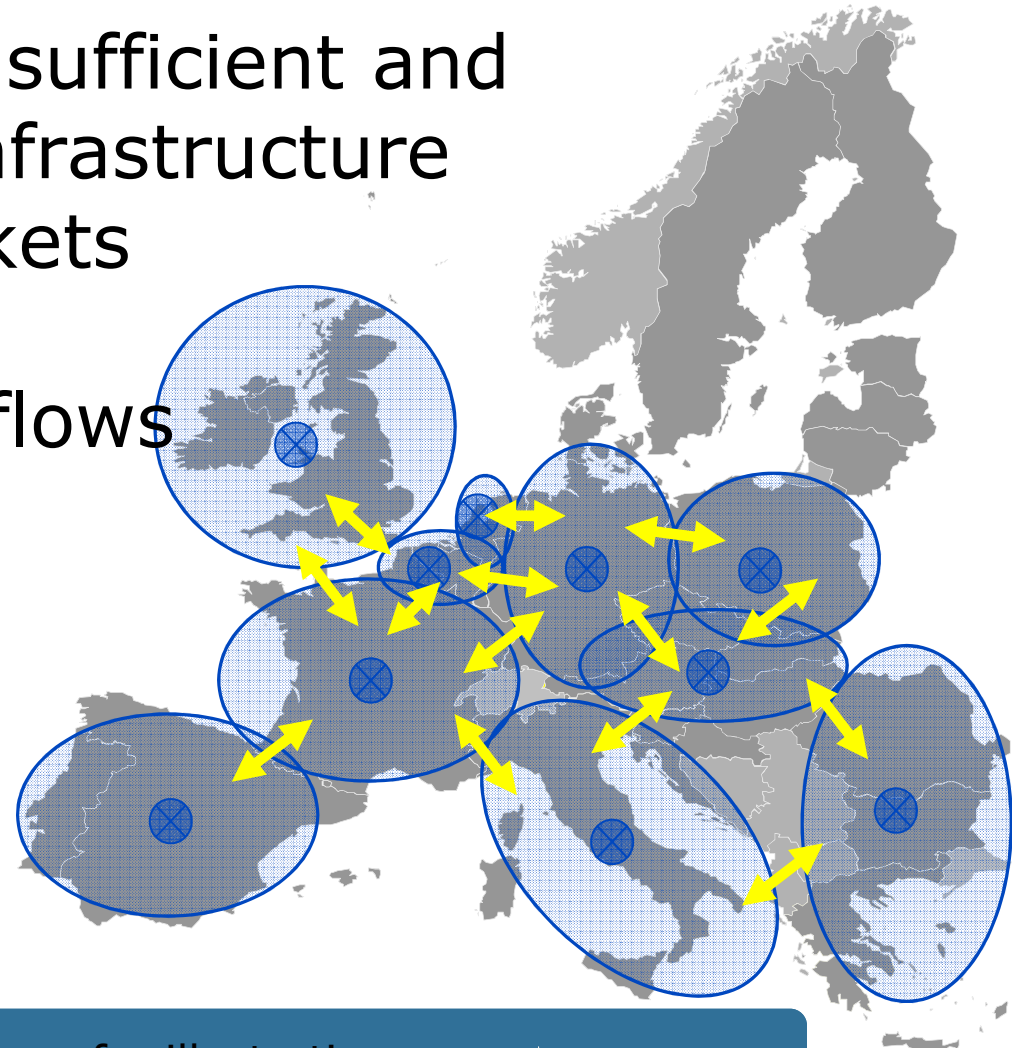
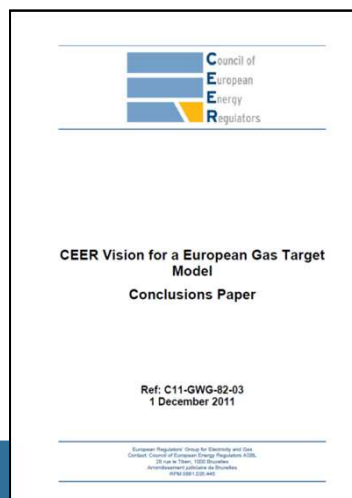
Agency for the Cooperation  
of Energy Regulators

# **CEETR – CEE Trading Region Results of the Study on Basic Principles**

SG GRI SSE, 5<sup>th</sup> Dec 2012

# Trigger for a CEE Trading Region

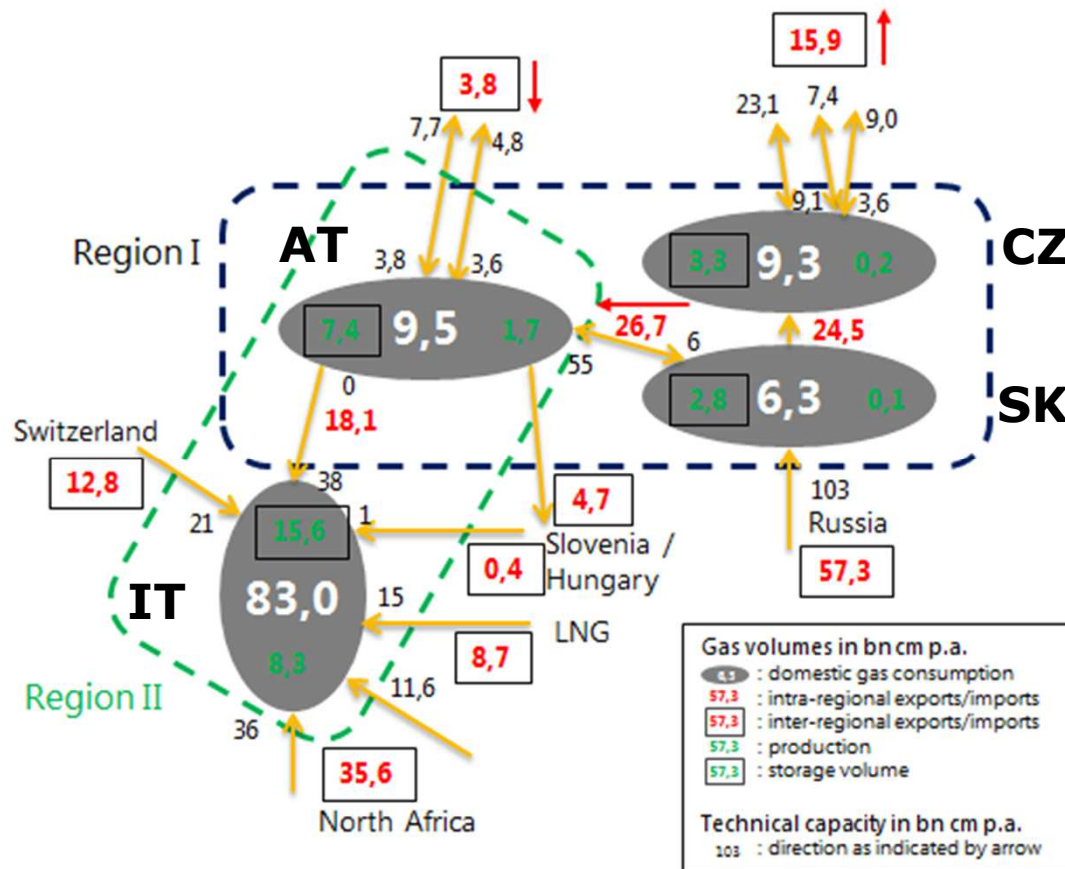
- Liquid hubs with sufficient and efficiently used infrastructure
- Functioning markets in all of Europe
- Ensure that gas flows to Europe



⊗ Hub

\* Zones drawn for illustration

# Prerequisites for a liquid Trading Region



[Source: UK Department of Energy and Climate Change, IEA, ENTSOG, E-Bridge analysis]

## Region I:

- Consumption: 25,1 bcm
- Imports: 61,1 bcm
- Exports: 38,7 bcm
- Production: 2,0 bcm
- Storage capacity: 54 % of total consumption
  - 29,5% (A)
  - 11,1% (SK)
  - 13,2%(CZ)
- Imports mainly from Russia
- Gas exchanges exist in Austria and the Czech Republic
- In the Slovak Republic, no VTP has been set up

## Region II

- Consumption: 92,5 bcm
- Imports: 87,6 bcm
- Exports: 5,1 bcm
- Production: 10,0 bcm
- Storage capacity: 24,8 % of total consumption
  - 8%(A)
  - 16,9% (I)
- Diversified imports
- VTPs exist in Austria and Italy

# Macroeconomic effects of market integration calculated for CEE

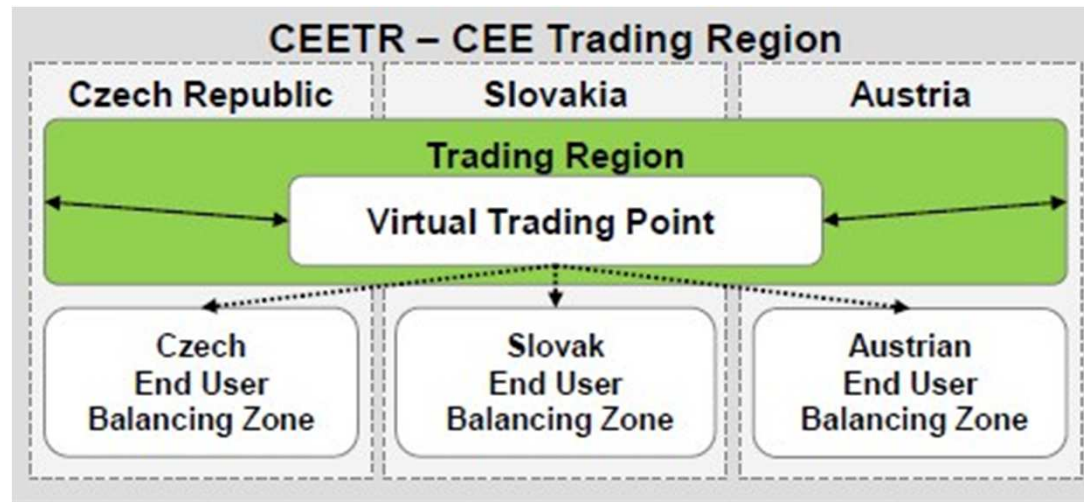
- Region CZ/SK/AT positive effects to be expected
- Expected social welfare gain (> € 15 Mio.) justifies establishment of an integrated market
- Capacities seem sufficient to allow for price convergence during most of the time
- Region could be expanded by Italy after promising experience has been gained

# Origins of the Trading Region Model

- ECA initiated 2 studies on
  - » A macroeconomic study on the welfare benefits of such a trading region
  - » A study to outline a basic operative model of the trading region. Co-sponsors were:
    - CEGH Central European Gas Hub AG;
    - Energie-Control Austria;
    - Eustream, A.S.; and
    - NET4GAS, s.r.o.
  
- Both studies were finalized in 2012

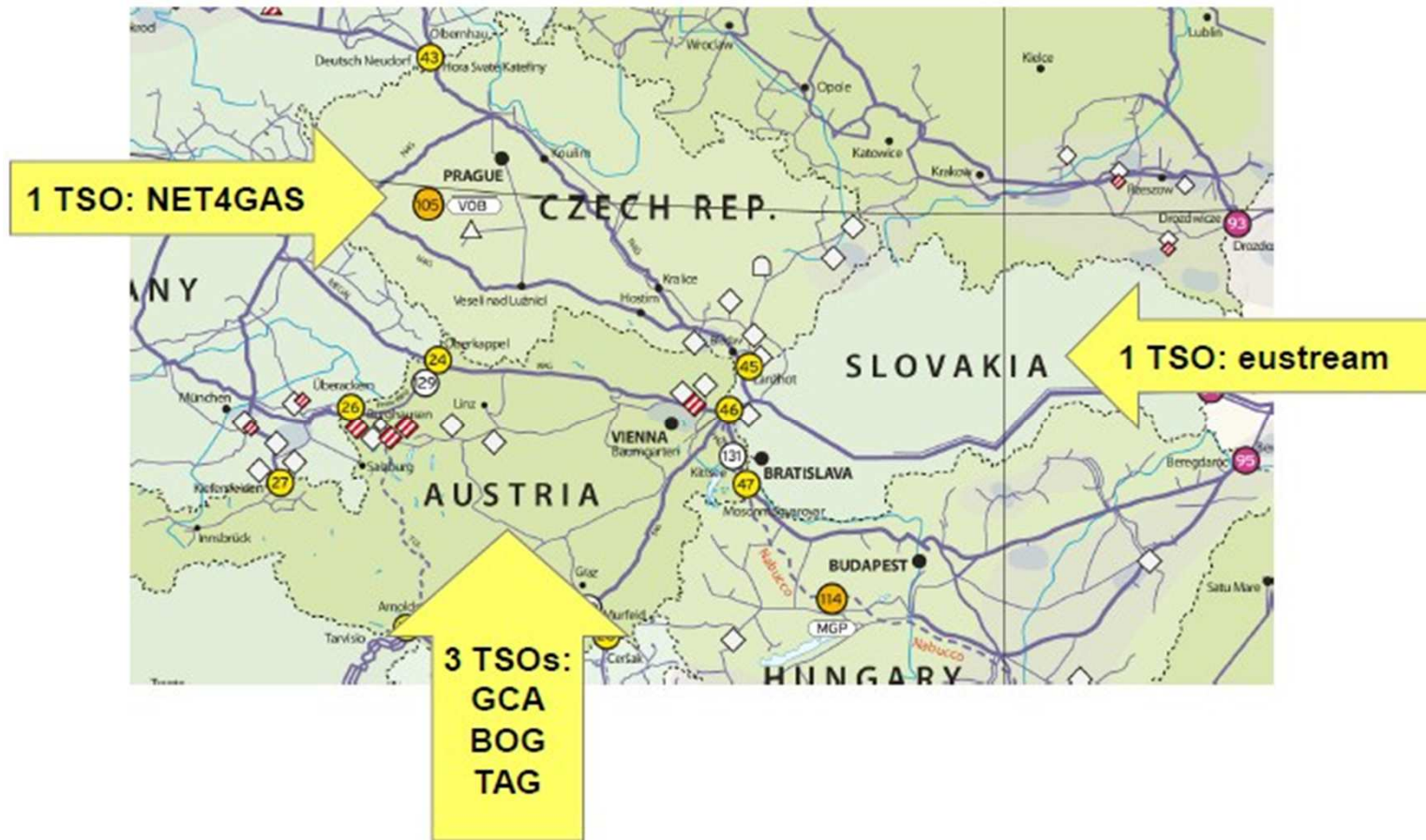


# Basic Model of CEETR - 1

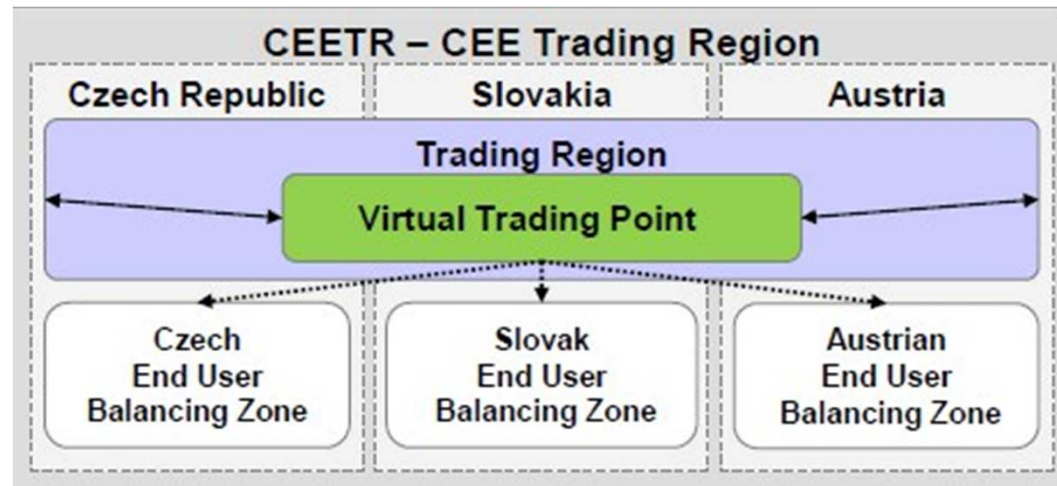


- Trading Region includes TSO systems of all three countries
- Network access to the Trading Region is organized as an integrated entry/exit network spanning all three countries
- Within the Trading Region, national borders are irrelevant for shippers (Interconnection points need not be booked by shippers anymore)
- The Trading Region is a single, integrated balancing zone
- The Trading Region enables a single wholesale market across countries

# Transmission Systems in the CEE Trading Region



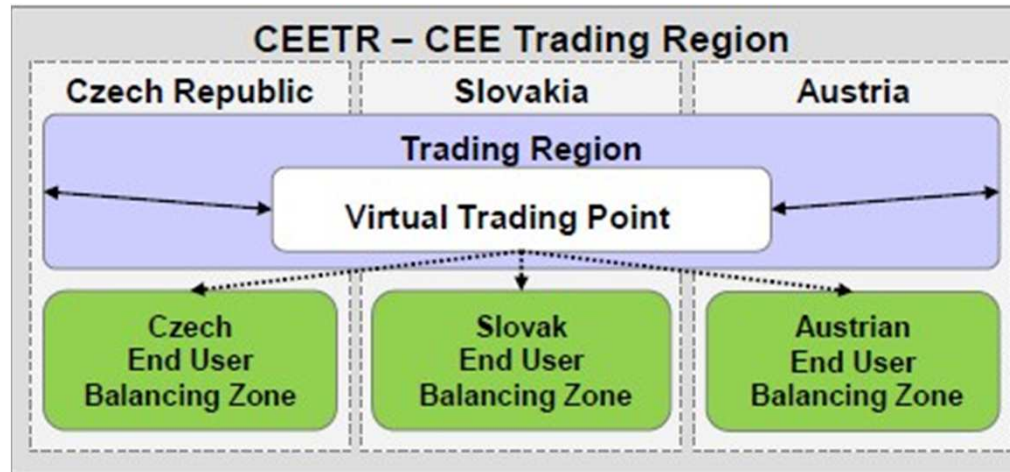
## Basic Model of CEETR - 2



- The Virtual Trading Point is located within the Trading Region
- The Virtual Trading Point is the only point within CEETR where a handover of gas between shippers can be performed
- The Virtual Trading Point is the delivery point for any hub services and gas exchanges operating within CEETR



## Basic Model of CEETR - 3



- Each End User Balancing Zone includes all gas distribution systems of the corresponding participating country
- Each End User Balancing Zone includes all end users of a member state, i.e. even those, which are physically connected to a gas transmission system.
- Each End User Balancing Zone is a separate balancing zone
- Shippers can move gas from the balancing system of the Trading Region to a specific End User Balancing Zone based on nominations
- Access to each End User Balancing Zone shall be commercially enabled at the Virtual Trading Point.

# CEETR impact on TSO's tariff models

- International border points between CEETR countries cannot be booked by shippers anymore
- This potentially leads to a loss of tariff income by TSOs
- **Goals for CEETR tariff principles**
  - CEETR TSOs' financial position must not be adversely affected by the implementation of CEETR.
  - Inter-TSO Compensation means a scheme of adjustment payments between CEETR TSOs for capacity at intra-CEETR border points where the cost of capacity "flows" with the gas flow
  - Downstream TSOs at intra- CEETR border points book capacity with their respective upstream TSO to the extent required for accommodating peak flow from the upstream network
  - CEETR shall not interfere with national regulation model (revenue cap, tariff cap)
  - Distribution system tariffs shall remain unaffected

## Status after First Project Phase

- Basic principles of CEE Trading Region ("CEETR") are defined
- The immediate main challenges are:
  - Creation of legal/contractual certainty around the financial backup obligation of existing long-term shippers
  - Integration of an hourly ex-ante balancing scheme into the FWG Balancing (if legally required).
- Precondition for next implementation steps of CEETR: Slovak and Czech Regulators as well as Austrian TSOs join CEETR interest group
- Next implementation step: Develop the "basic model" to a detailed "implementation model". Based on the "implementation model", a final implementation decision can be made.