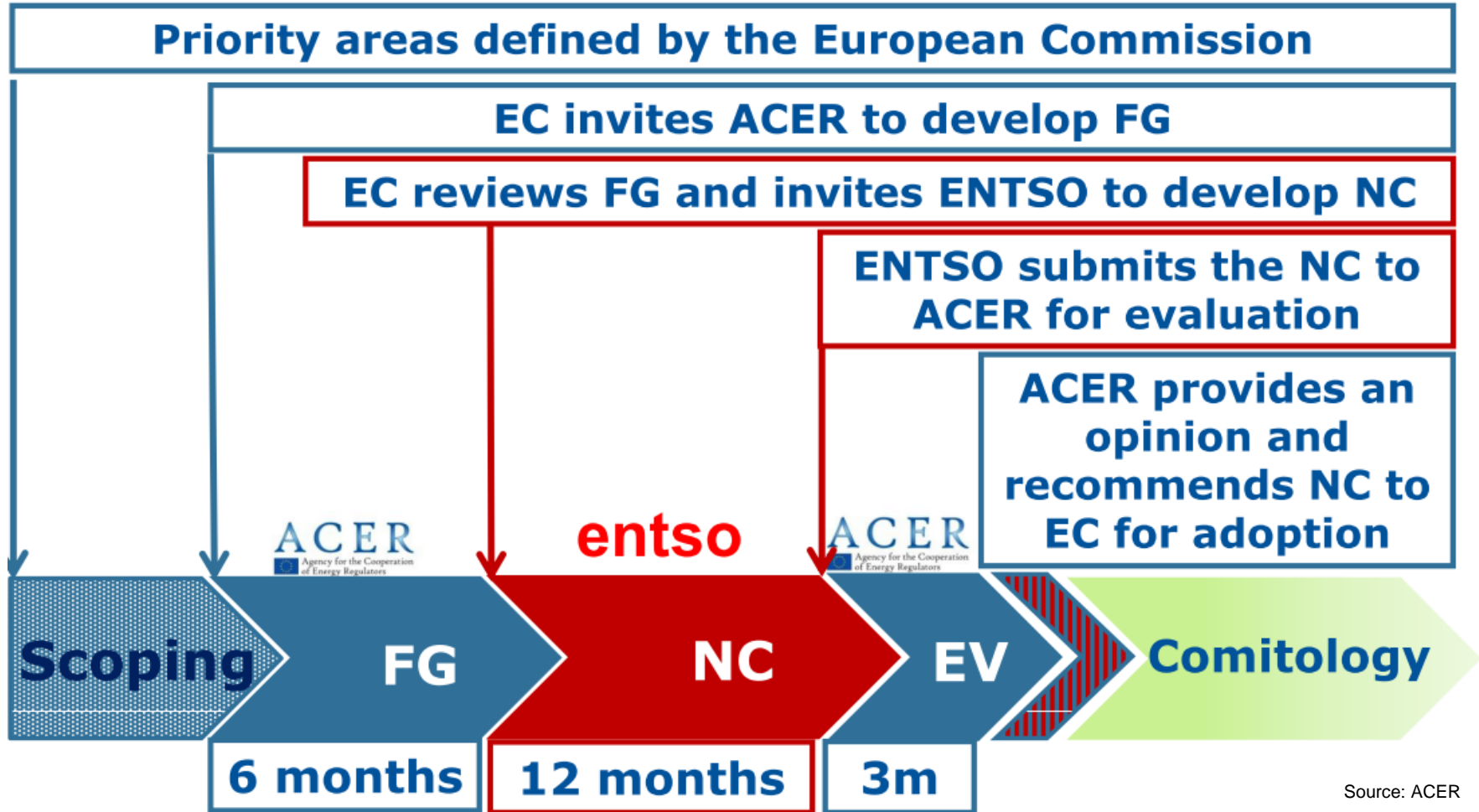


A competitive gas market delivering security of supply

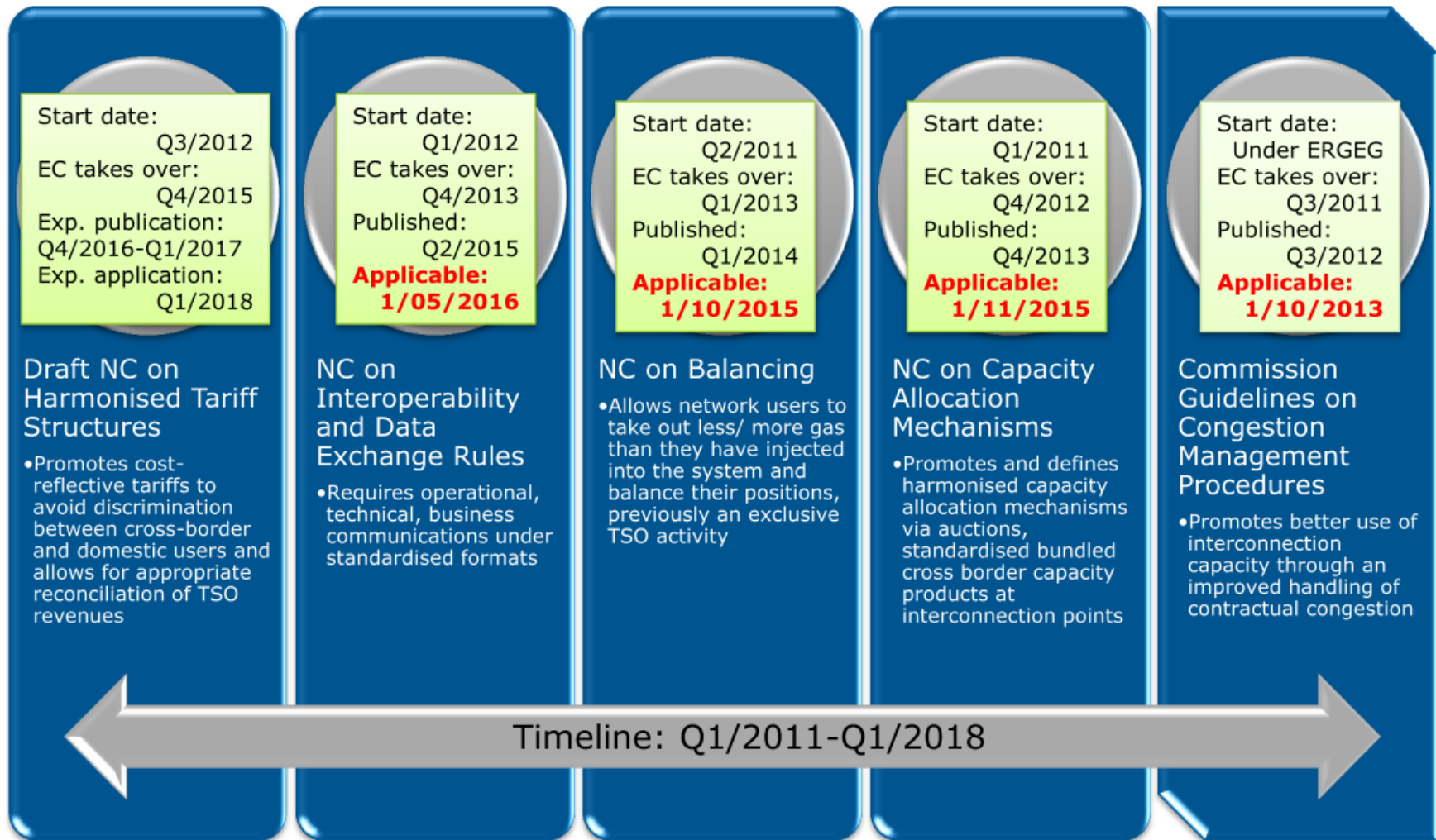
Brussels, 16th May 2018

Valentin Höhn

3rd Energy Package: Network Code Process



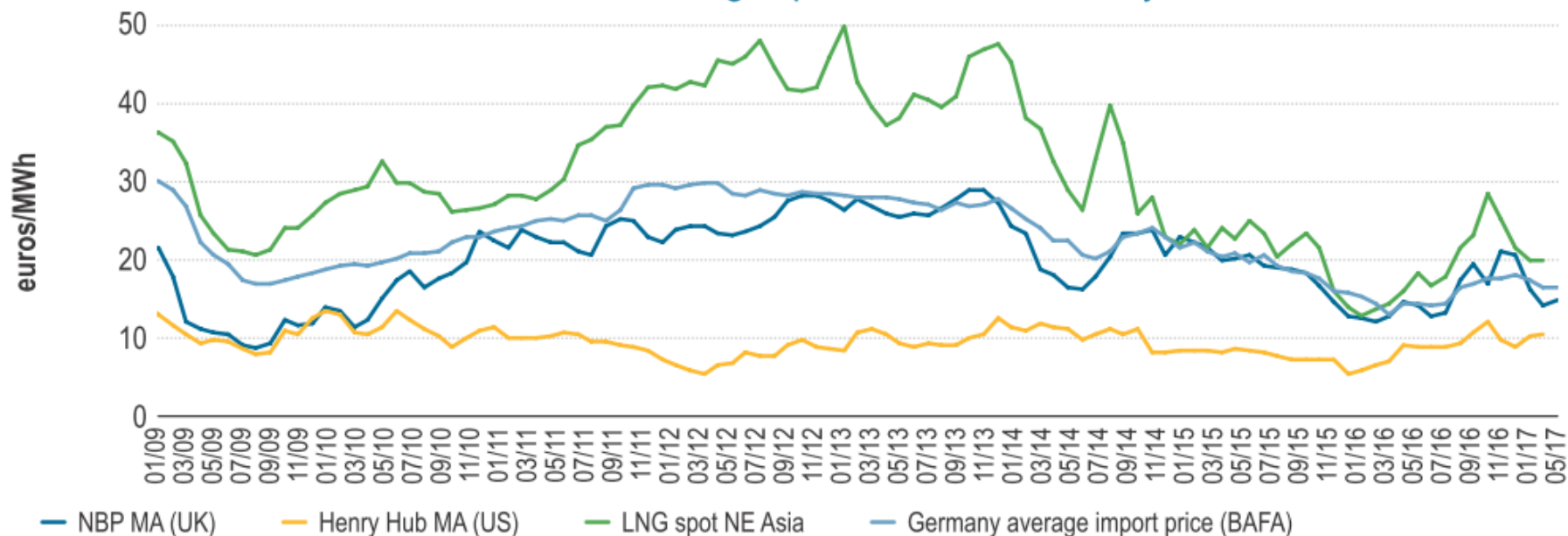
Network Codes



Source: ACER

Network Codes: Effects on Gas prices

Figure 3: Evolution of international wholesale gas prices, Jan 2009 – May 2017

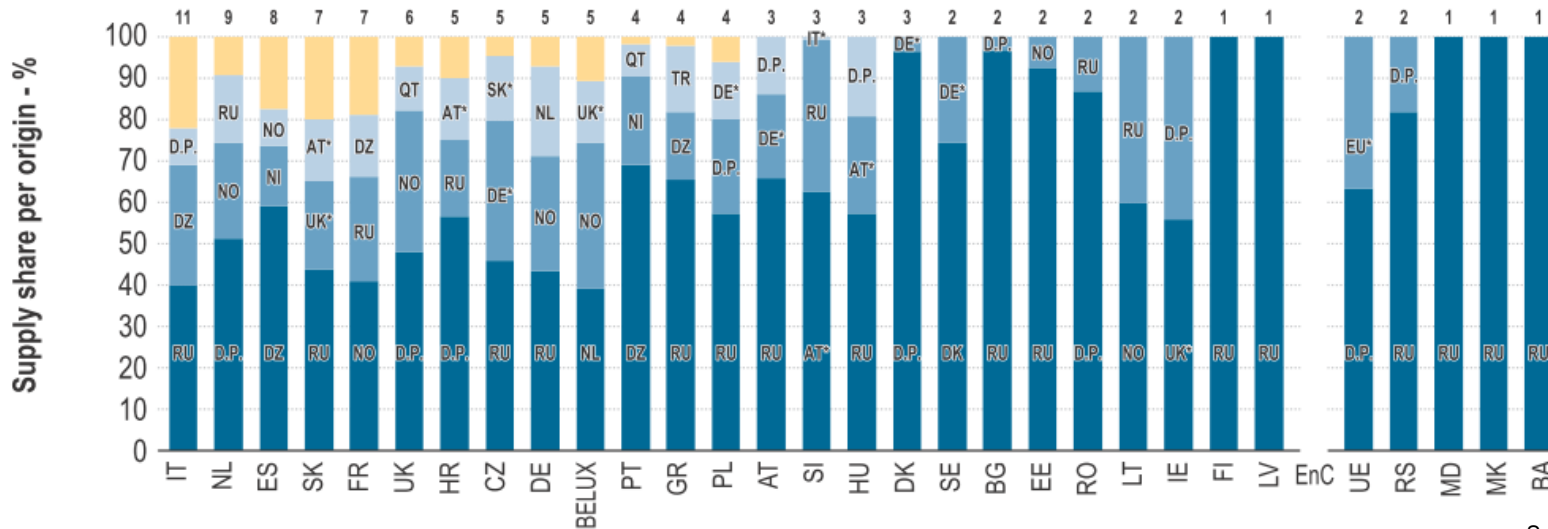


Source: ACER based on ICIS Heren and BAFA²⁷.

“A huge amount has been achieved, particularly in North West Europe, and to a lesser extent in Central Europe and Italy,” said Jonathan Stern, head of gas programme at the Oxford Institute for Energy Studies. “Essentially, the further south and east you go, the less the integration of markets, but in general I would say there has been a huge amount of progress,” Stern told EURACTIV in an interview.

Diversity of supply

Figure 7: Estimated number and diversity of supply sources in terms of the geographical origin of the gas – 2016 EU 28 and selected EnC Contracting Parties



Source: ACER

The liberalisation of European gas markets is widely recognised as a major success by industry analysts. But EU politicians are reluctant to celebrate it because liberalisation on its own has failed to deliver on another key objective – supply diversification. Ironically, Europe is now more dependent on Russian gas than ever.

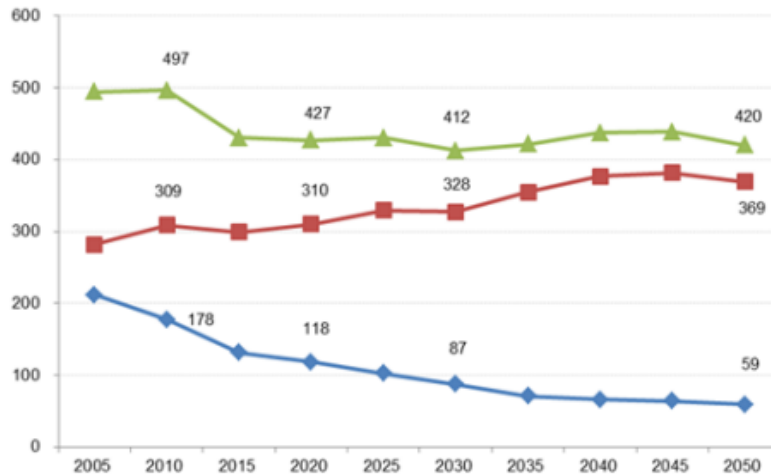
Source: EURACTIV

Future demand for gas



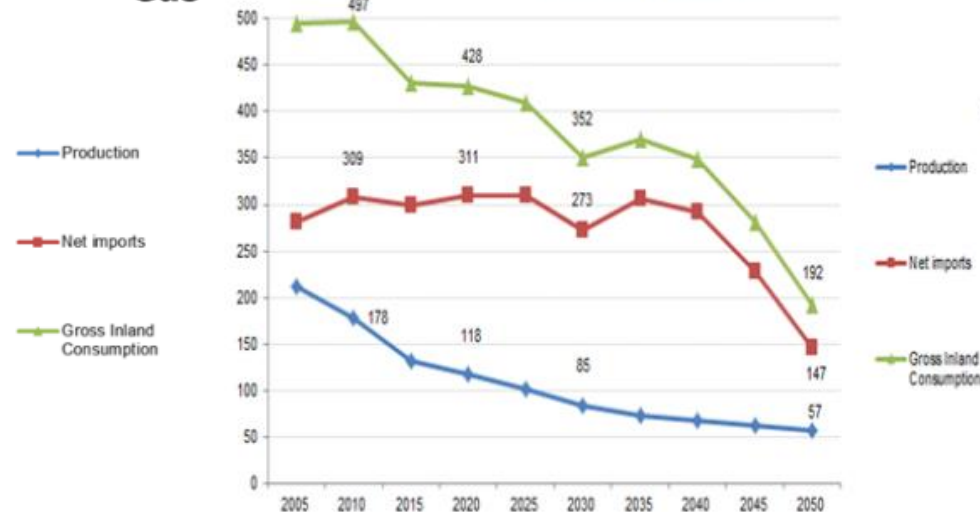
Projected evolution for natural gas

EU reference scenario 2016



Gas

EUCO30 scenario



NRAs request

- Before stranding emerges:
 - adjustments to their depreciation
 - adjustment to the cost of capital
- When stranding has emerged
 - re-assessment of their value in the RAB
 - adjustment to the cost of capital
 - explicit compensation to transmission system operators for their decommissioning



Benchmarking in REGULATION (EC) No 715/2009

Article 13

Tariffs for access to networks

for system integrity and its improvement and reflect the actual costs incurred, insofar as such costs correspond to those of an efficient and structurally comparable network operator and are transparent, whilst including an appropriate return on investments, and, where appropriate, taking account of the benchmarking of tariffs by the regulatory authorities. Tariffs, or the methodologies used to calculate them, shall be applied in a non-discriminatory manner.

- Benchmark will provide incentives to enhance the efficiency of gas TSOs

Dutch benchmark by ACM of Gasunie Transport Services showed a yearly tariff reduction of approximately 20%

Germany Efficiency benchmark: All TSOs had 100% except one with 95%

Network Code Tariffs: ACER report

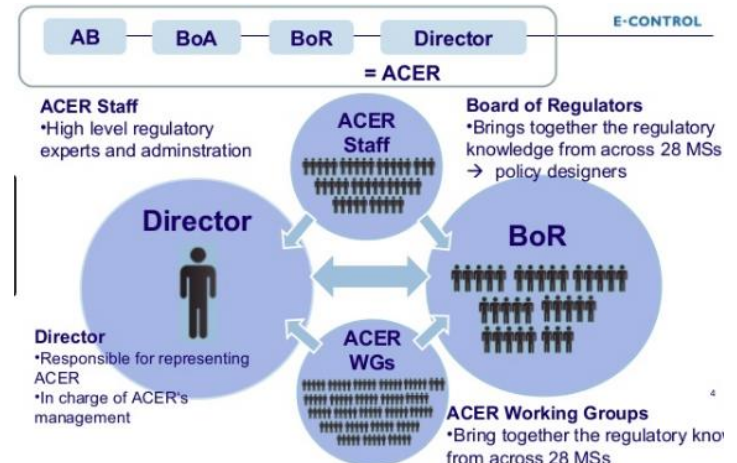
2. Article 34: ACER needs to publish a report on the methodologies and parameters used to determine the allowed/target revenue of gas TSOs

- » Refers to [Article 30](#);
 - » Focusses on description;
 - » ACER contracted ECA.
- ACER aims to provide an overview of the methodologies currently in place,
 - and make an intelligent analysis, providing more insight into the setting of the revenues.
 - So, that the report provides learnings to stakeholders.
 - ACER also aims to harmonise terminology.

Source: ACER

The report will not:

- Point at winners and losers or
- Provide a (cost) benchmark



Role of ACER

The Energy Union Communication

“A framework strategy for a resilient energy union with a forward-looking climate change policy”

Brussels, 25.2.2015
COM(2015) 80 final

- ❖ *ACER currently acts primarily through recommendations and opinions. **It has very limited decision-making rights.....***
- ❖ *EU-wide regulation of the single market should be strengthened, through **a significant reinforcement of the powers and independence of ACER to carry out regulatory functions at the European level** in order to enable it to effectively oversee the development of the internal energy market and the related market rules as well as to deal with all cross-border issues*

Source: ACER



Explicit mechanism for solidarity from 1 December 2018 (Article 13)

Priority of supplies to solidarity protected customers (households, essential social services) in a Member State A under emergency over non-solidarity protected customers in a (directly/indirectly connected) Member State B

- **New definition: solidarity protected customers**
- **Measure of last resort, only comes after:**
 - Increased supply standard moved to normal levels
 - Market based measures for as long as possible
 - Non-market measures are exhausted
- **In exchange of fair and prompt compensation**
- **Bilateral arrangements between MSs (by December 2018)**
- **Self-executing – does not depend on existing bilateral arrangements**
- **Burden-sharing based on 'most advantageous offer'**
 - When more than one MS can provide help

Requests for the future gas market

- Security of demand: Gas can play a significant role for the transition of the energy system
- Effective tariff regulation based on European benchmarks of TSOs leading to efficient costs
- Stronger role for ACER
 - Increased cooperation between TSOs - Regional Operation Centres (ROCs) also for gas?
 - Increased cooperation between NRAs

Valentin Höhn
Chairman Working Party Gas

Tel + 49 201 810 84 18
Mobile + 49 160 99 33 22 42
hoehn@ifieceurope.org

