


**ACER**

 Agency for the Cooperation  
of Energy Regulators



## **Market Monitoring Report 2013: Main findings gas - confidential**

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**1<sup>st</sup> ACER GTM workshop, Vienna, 8 October 2013**

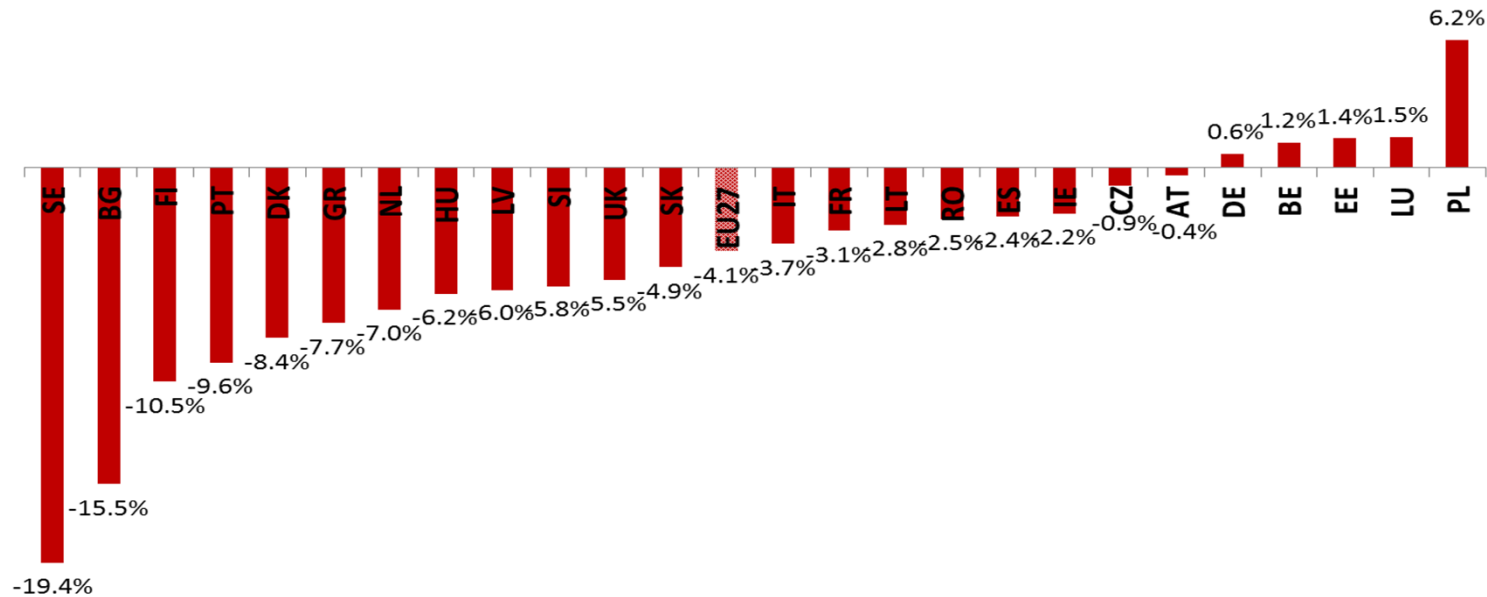
## Report scope and structure

- Second joint annual electricity and gas market monitoring report by ACER and CEER
- Based on Article 11 of Regulation (EC) No 713/2009
- Three main areas covered:
  - Electricity markets
  - Gas markets
  - Consumer protection and empowerment
- Electricity (E) and gas (G) chapters sub-divided into retail, wholesale and access to networks (including transportation tariffs)

## Outline of this presentation

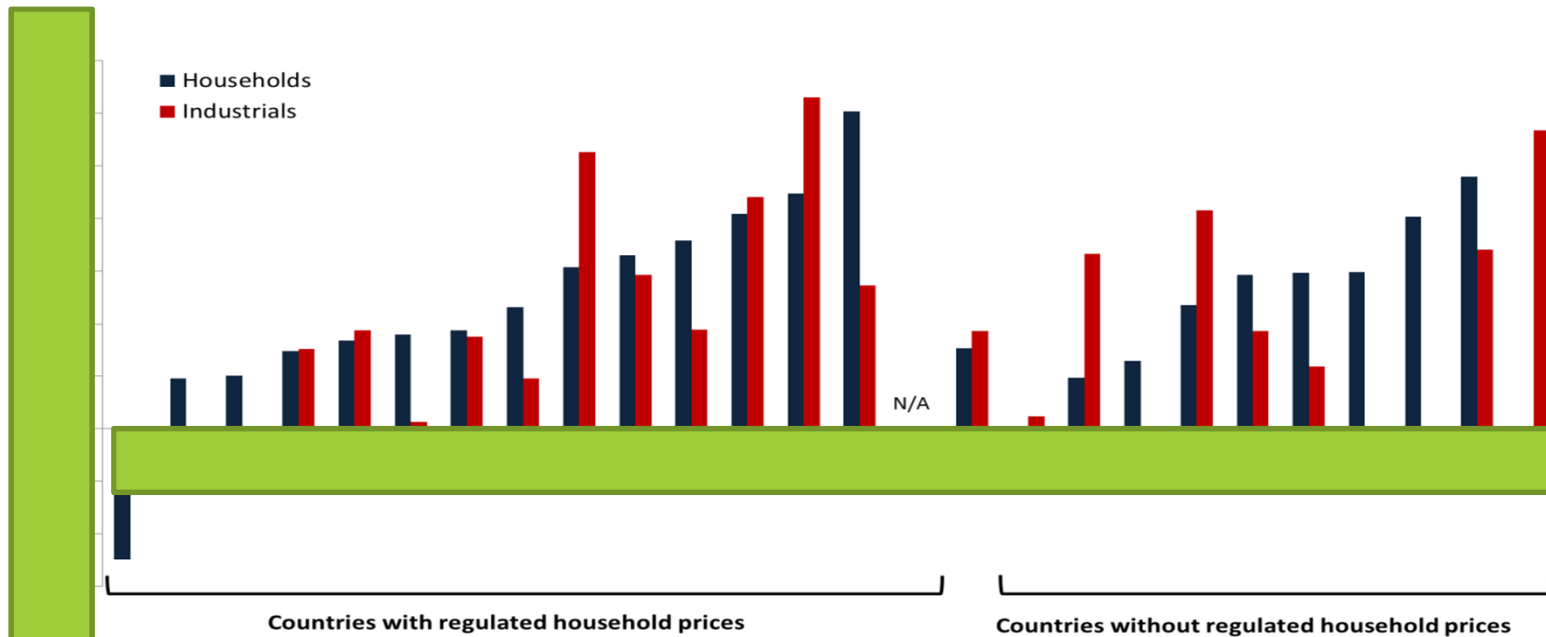
- Gas retail markets
- Gas wholesale markets / Access to networks

## Retail markets: declining consumption...



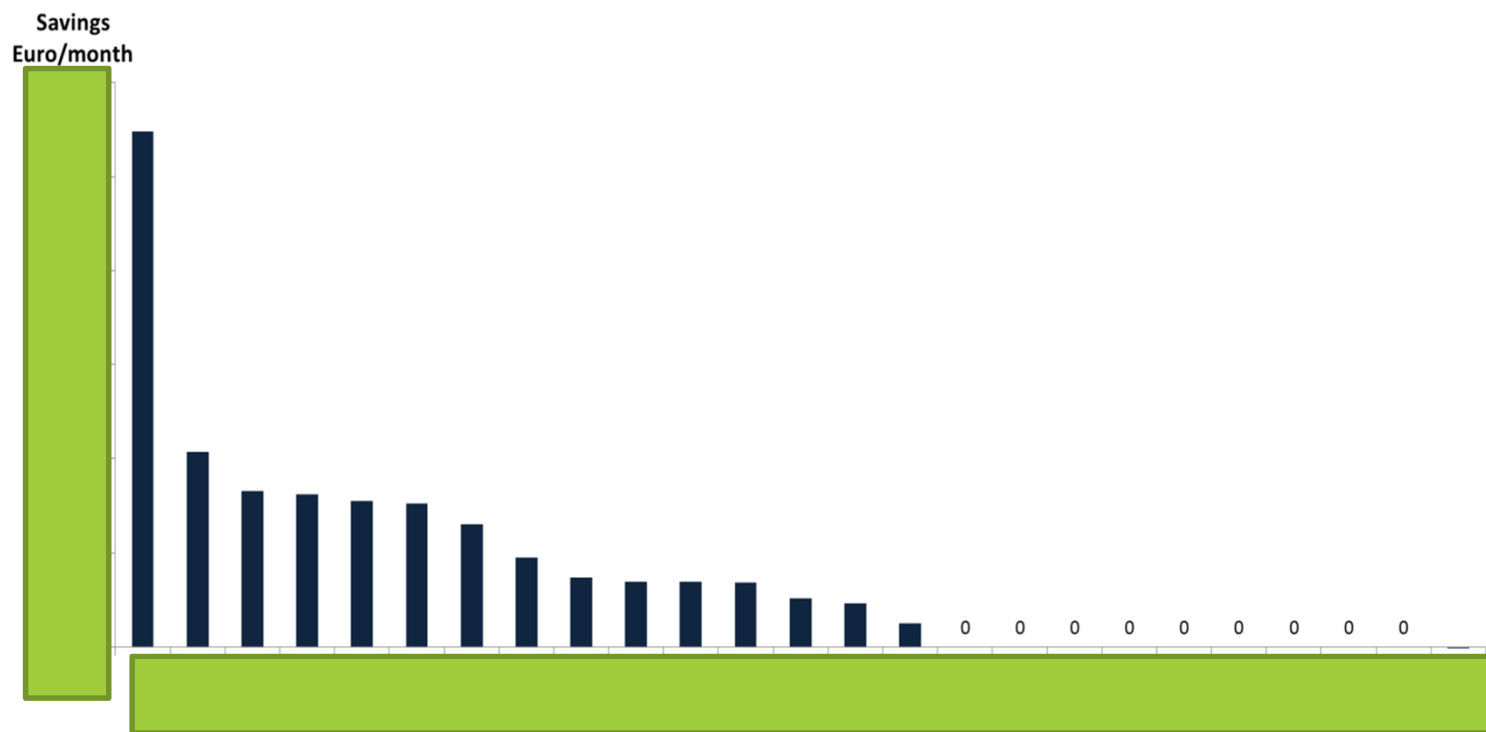
**Change in gross natural gas consumption in EU27 - 2011 to 2012 (%)  
Eurostat**

## ... and increasing prices

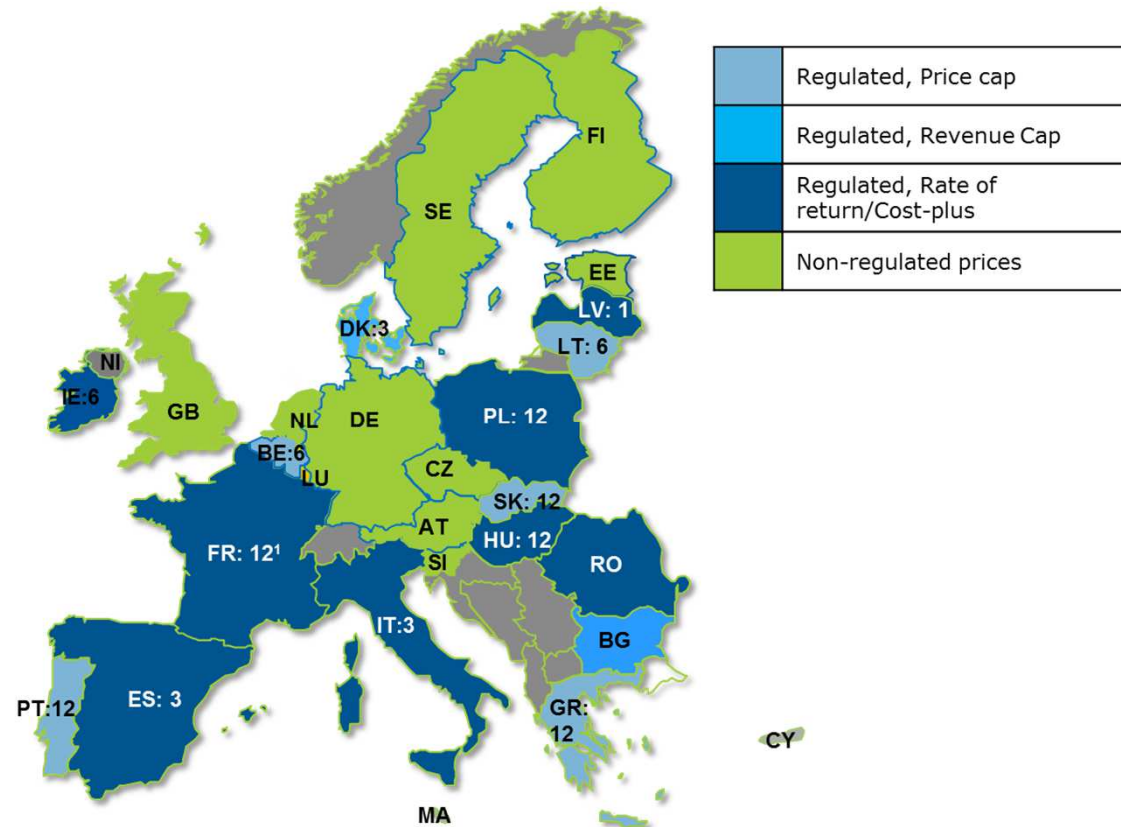


**Post tax retail prices (gas): compounded annual growth rate in EU27 from 2008 to 2012 (%)**

## Potential savings still to be had in a number of countries



# End-user price regulation still heavily present

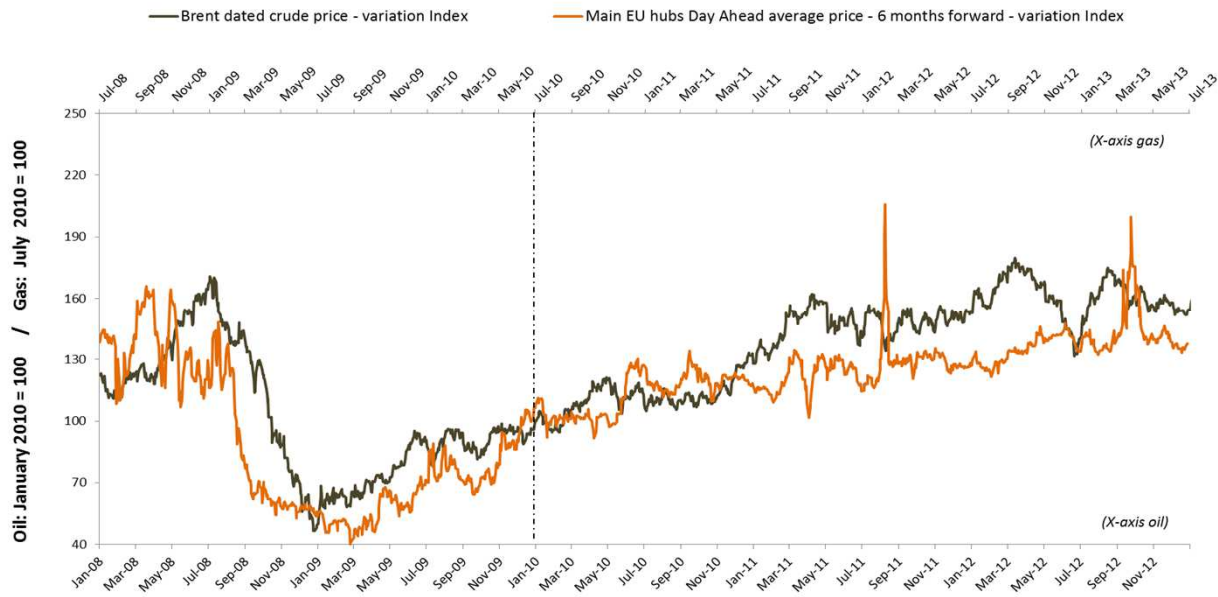


## Retail: main market barriers

- Wholesale illiquidity and wholesale market concentration
  - Only 2 liquid gas markets (NBP, TTF)
  - Main barrier to development of competition
- Price regulation
  - if set below costs they kill off competition
  - even if above cost, they harm competition by ‘focal points’
- Consumer behaviour
  - traditionalist customers fail to switch
  - dual fuel offer still under-represented
  - largest savings to be had online: digital divide?
- Offers in the market
  - Tariff proliferation: some regulators tackling it
  - Minimum contract durations should be watched
- Policy issues
  - Taxes limit contestability to up to 50% of end-user price
  - Social tariffs should be separate

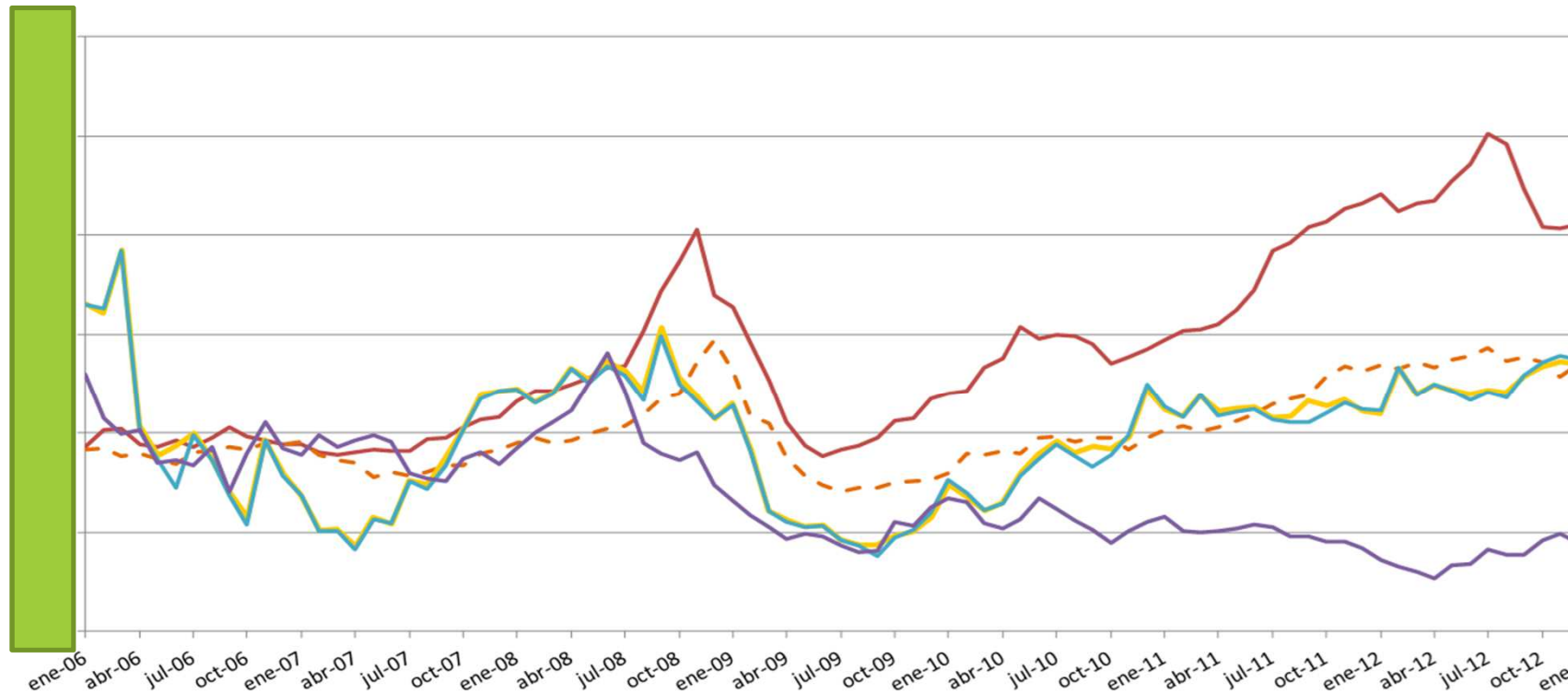


# Wholesale markets: EU gas prices still heavily correlated to oil (apart from cold spells, when hubs overshoot)

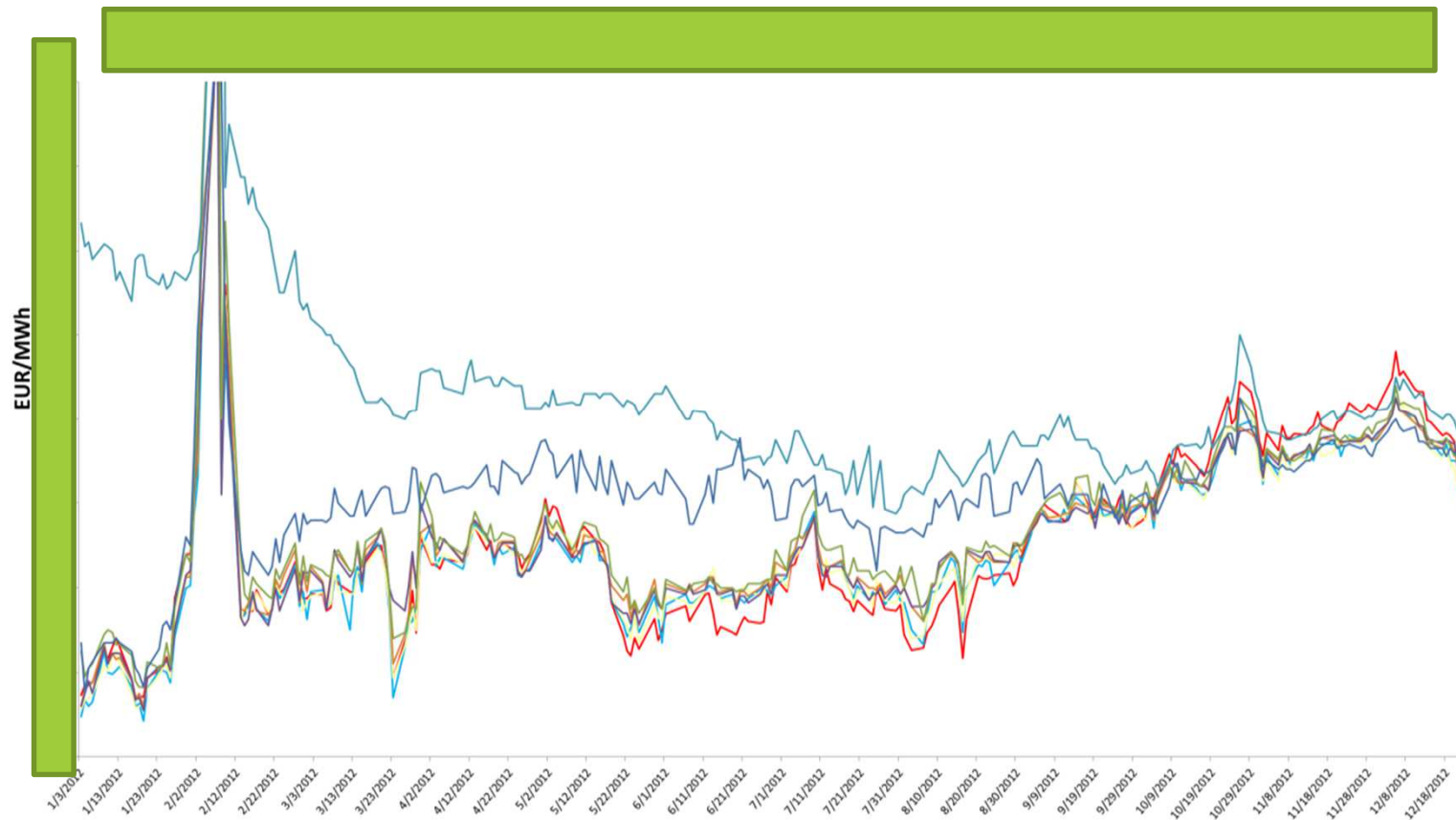


Brent crude v hub DA prices, 2008-2012 (Platts/ACER)

# Price-wise, Europe is de-linked from the rest of the world



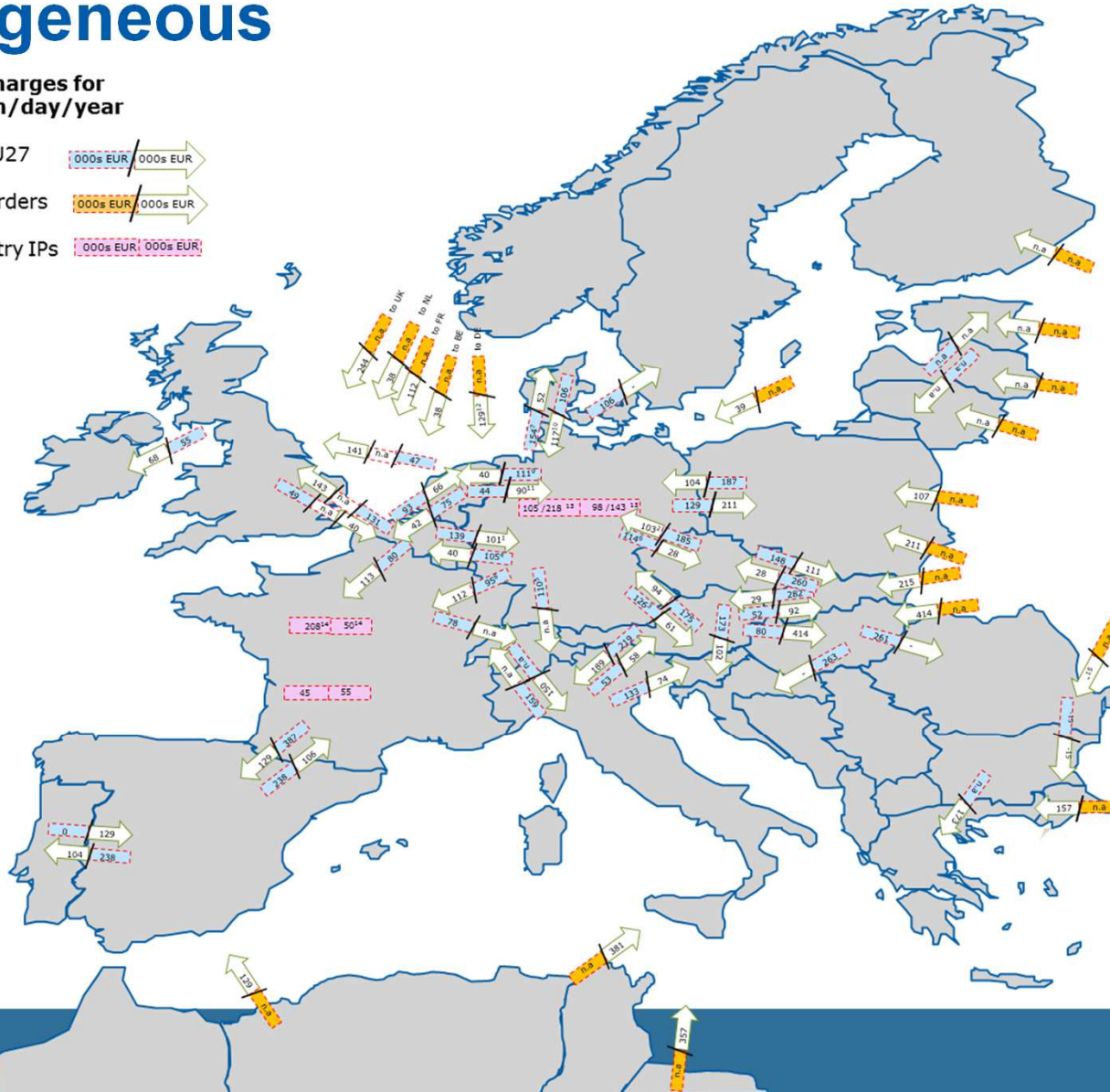
# EU hub prices are correlated, but not all the time



# What about transportation charges? Still very heterogeneous

## Exit / Entry charges for flowing 1 GWh/day/year

- IPs within EU27
- IPs at EU borders
- Within-country IPs



### Notes:

At those cross-border points featuring more than one IP - but with dissimilar tariffs - a single charge per border was estimated as the weighted average of charges according to offered capacity per IP and/or distinct TSO. More information can be found in the Annex on EU 27 IP tariffs.

For example, cross-border flows in Germany can attract different charges, depending on the IP and/or TSO at the same IP. In Germany, cross-border tariff ranges for the assumed 1GWh/day/year flow may vary as follows (min/max in thousand EUR):

- 1 SE to DE: 72/108
- 2 CZ to DE: 69/138
- 3 DE to AT: 86/161
- 4 DE to BE: 59/128
- 5 DE to CH: 68/151
- 6 DE to CZ: 105/128
- 7 DE to DK: 140/161
- 8 DE to FR: 87/128
- 9 DE to NL: 100/140
- 10 DK to DE: 109/182
- 11 NL to DE: 40/123
- 12 NW to DE: 108/141

\*DE\* above is used to refer to flows to/from Germany, although - more precisely - actual flows go to and from either German domestic zone (NCG or GASPOOL).

<sup>13</sup> Range of min/max E/E charges to flow gas between TSO zones in Germany.

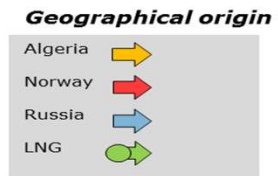
<sup>14</sup> North to South/South to North: single E/E payment.

Between TIGF / GRTgaz Sud zones. Entry and Exit payments.

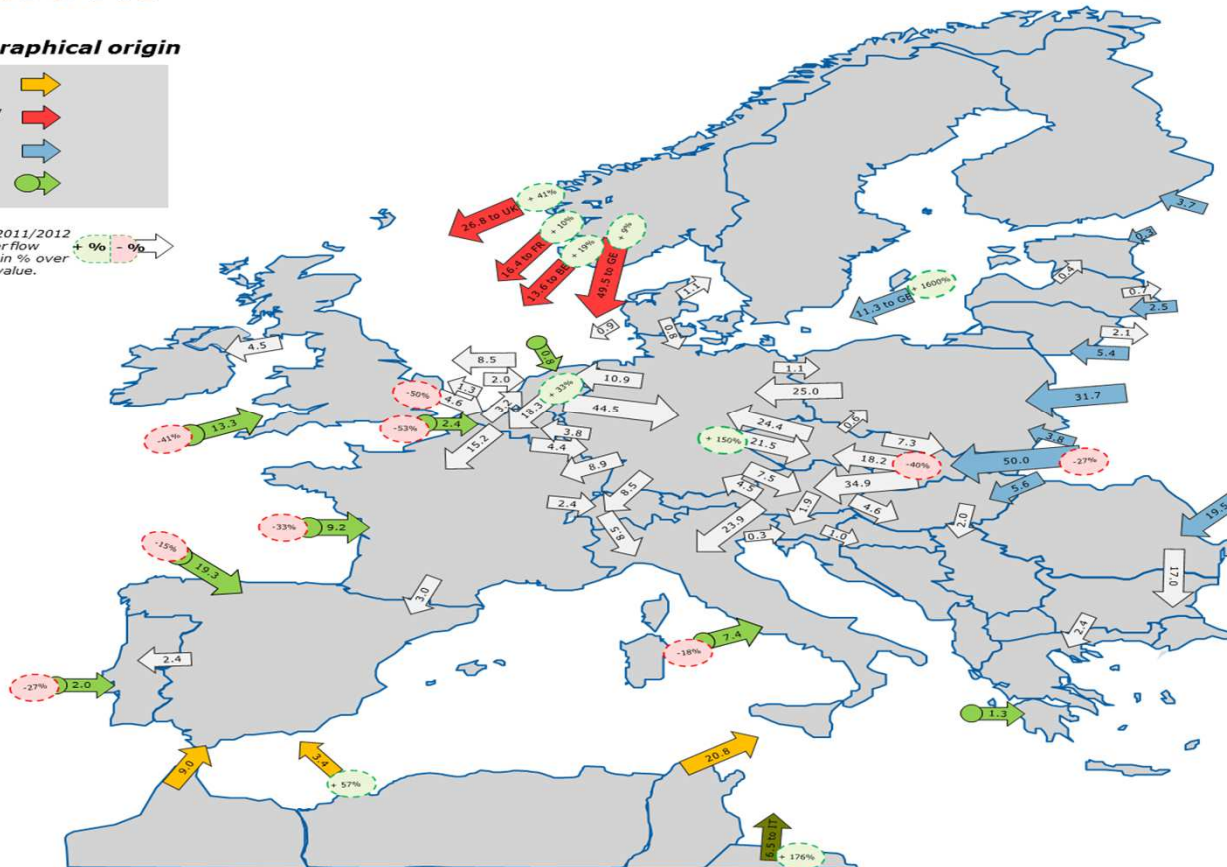
<sup>15</sup> Transit charges, independent of transmission charges.

Charges for simulated flows were estimated on the basis of yearly contract duration, using units of measurement published by TSOs. In those cases where tariff units of measurement were not published on a yearly basis, a direct conversion was performed. At some IPs, different tariffs could apply to different capacity contracting periods, but this was not considered in this year's exercise. More details can be found in the Annex on EU27 IP tariffs.

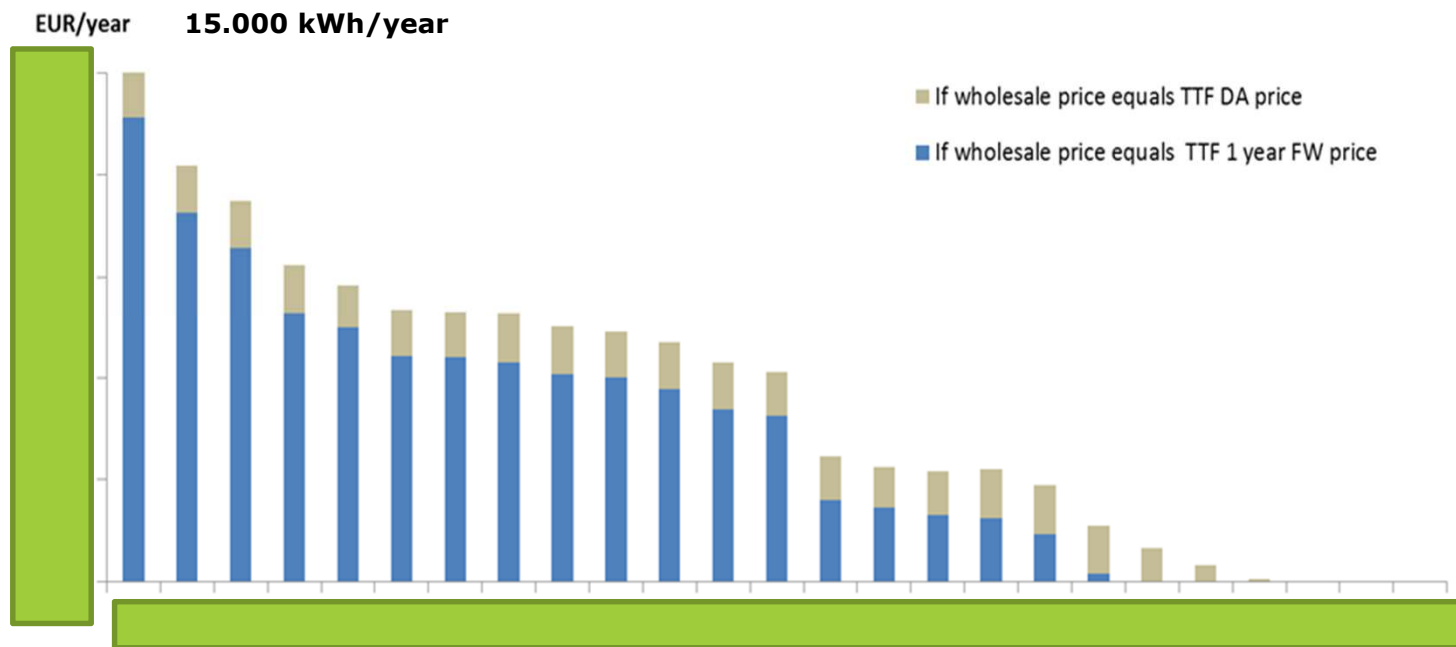
# Perhaps they should react to changing macro flows...



Significant 2011/2012 cross-border flow variations - in % over 2011 base value.



## Social welfare losses due to different wholesale prices and transmission conditions, especially in East and (landlocked) countries with no access to non-piped gas



# Recommendations for wholesale market

- Pricing
  - » Get out of LTCs
  - » Index to spot prices
  - » Encourage gas-on-gas competition
- Network codes
  - » Homogenise cross-border transmission tariff structures
  - » Develop rules for trading at hubs, especially hub-to-hub
  - » Encourage early CAM pilots (PRISMA), including bundled capacity products, forward trading, secondary and balancing markets
  - » Make sure CMPs are in place
- Make sure the new ENTSOG Transparency Platform is in place
- In other words, put the GTM in place

**Thank you for your kind attention**



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