

Minetad consultation on the introduction of market making obligations in the Spanish Organised Gas Market



EFET response – 29 November 2017

The European Federation of Energy Traders (EFET¹) welcomes the opportunity to provide its views on the Minetad proposal for the introduction of market-making obligations for dominant players in the Spanish organised gas market.

As a general note, the main EFET purpose is to promote and facilitate European energy trading in open and liquid wholesale markets, always advocating the use of market based mechanisms. Proposals aimed at increasing liquidity on the Spanish gas market generally get a positive feedback from EFET. However, we would like to enumerate a number of actions and conditions which, in our view, should be performed and considered before launching the market-making service:

1. In the first place, we notice that an assessment of market liquidity was performed only for the year 2016 and taking into consideration only the liquidity at the MIBGAS, omitting the OTC market. The evolution of the market during 2017 has not been taken into account, nor the contribution to the liquidity of the voluntary market makers operating this year in MIBGAS. We would expect Minetad, together with CNMC, to carry out instead a more comprehensive analysis: in fact, prior to setting the parameters linked to the market making service, it is crucial that Spanish Authorities clarify and set their ambitions in terms of their desired market development. This involves setting a clear picture of the current status, a sound diagnosis on the structural reasons behind the present level of liquidity and a realistic path in terms of the aimed increased liquidity for next years.
2. As a second step, Spanish Authorities should hence establish their targeted market liquidity for the coming years: only after having 'set in stone' the objectives, the market making activities, if required, can be set in motion, with the according parameters in terms of maximum spread, volumes etc.
3. Third, after the analysis has revealed the extent to which market making activities are necessary to increase liquidity, Minetad should first seek to appoint market makers on a voluntary basis through market mechanisms. The competitive tenders launched by MIBGAS since last quarter of 2016 proved that there are a number of players interested in acting as market makers. Hence, as a first step Minetad could request MIBGAS to ask increasing volumes and/or number of voluntary market makers.

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

4. Last and only in case no market participants are found to perform the service, obligations on so called 'dominant players' could be established, to help boosting market-making activities. However, this mandatory service should be defined in time in order not to impose unnecessary ties to selected market participants; also, service conditions in terms of remuneration, maximum allowed spread, volumes, products, service hours and other operating requirements should be fair and in no case worse than those imposed to voluntary market makers, while reflecting the ambition of the Ministry, as identified in the above-mentioned analysis.