



European Federation of Energy Traders

European Gas Hub Development



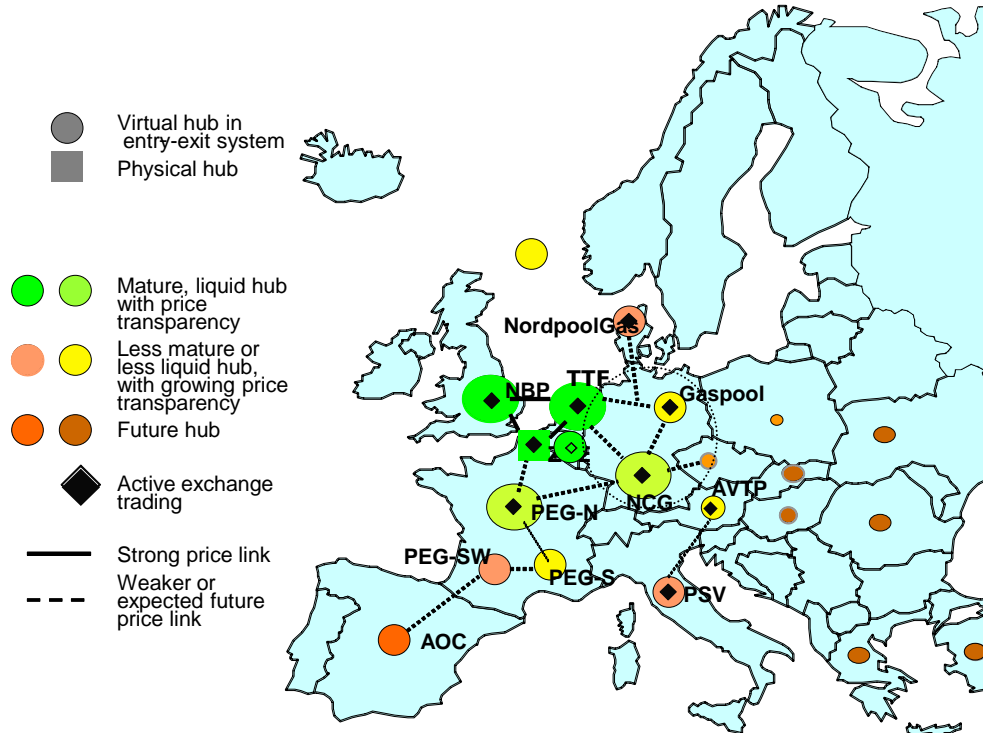
Part 1 – Summary of Results
Presented at 25th meeting of the European Gas Regulatory Forum,
Madrid, 6-7 May 2014

European Gas Hub Development

Rationale for study



EFET Hub Development Group Project



Local balancing markets also required but not shown

1. Develop best practice model for creating a successful virtual trading point

2. Benchmark Europe's existing hubs and recommend improvements

3. Work with local EFET Task Forces to apply best practice model at evolving VTPs

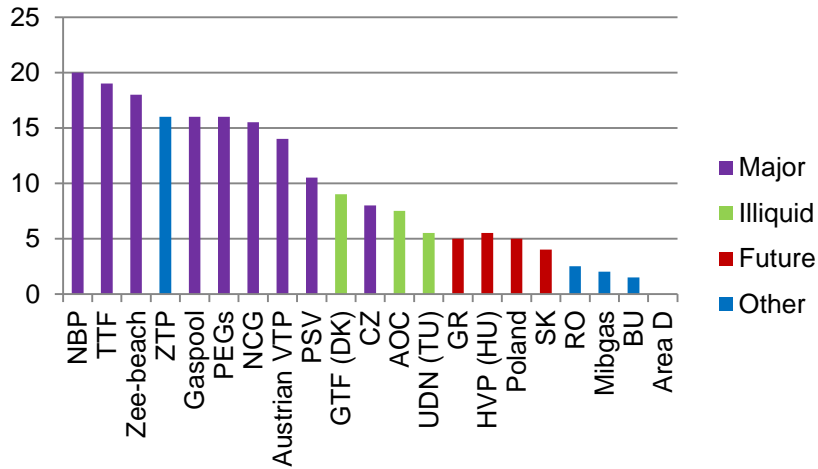
Each new hub tries to reinvent services to market, incurring unnecessary costs for them and for traders

Scoring mechanism

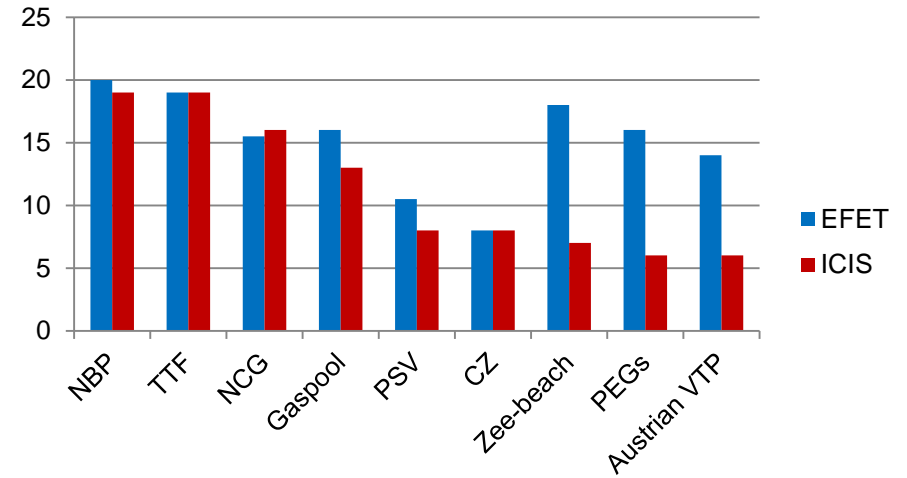


Responsible party	What should be done	Scoring mechanism
NRA	Establish a consultation mechanism	1 if group set up and English language
TSO	Entry-exit system established	½ for Entry Exit; 1 if a single VTP
TSO	Title Transfer	
TSO	Cashout rules	
TSO	Accessible to non-physical traders	1 if trade without sign up to physical rules
TSO	Firmness of hub	0 if not firm; ½ if firmness “managed” by TSO; 1 if BUBD; 2 if fully market-based
TSO	Credit arrangements non-punitive	
NRA	Resolve market structural issues (defined role for historical player)	½ for release etc; 1 if market maker
NRA	Role of Hub operator	1 – role defined; 2 – gov’nce addressed
NRA	Agree regulatory jurisdiction if cross border	0 if cross border and no agreement; 1 if not cross border or does have agreement
Market	Establish a reference price at the hub for contract settlement	1 if price always available; ½ if deemed
Market	Standardised contract	1 if specialised contract – EFET or equivalent (or standard is sufficient)
Market	Price Reporting Agencies at the hub	1 if several’ ½ if only one PRA
Market	Commercial / Voluntary market makers	
Market	Brokers	1 if voice or few ; 2 if systems and many
NRA	Establishment of exchange	1 if exchange appointed and hub is liquid; ½ if exchange appointed and hub illiquid
Market	Index becomes reliable and used as benchmark	1 if Market parties frequently requested

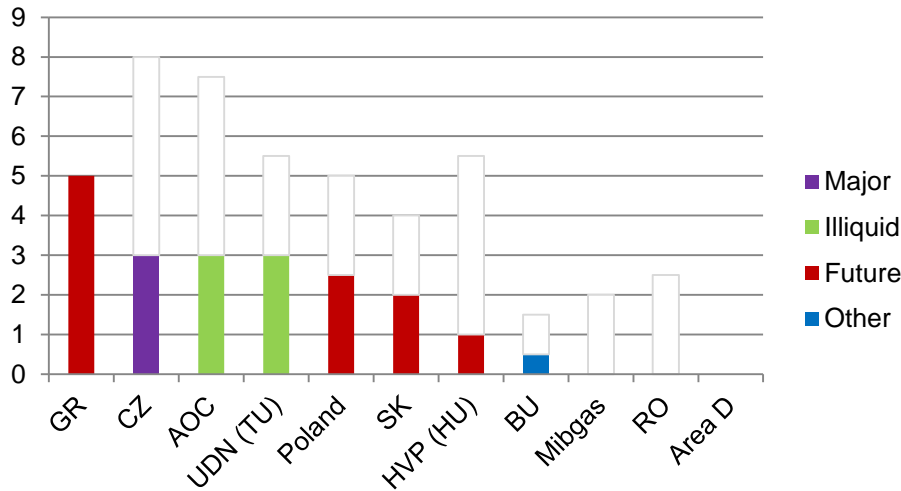
Hub development scores (2014 Q1)



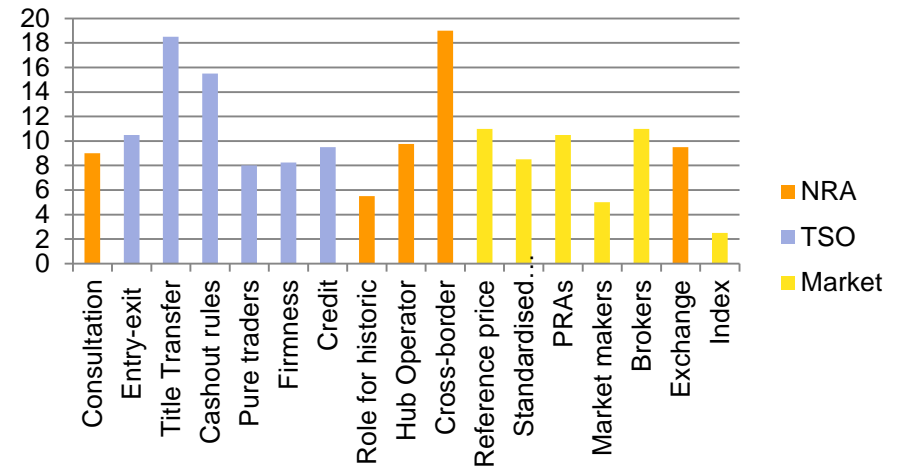
Raw scores by trading hub



Source: ICIS for Tradability Index and maturity definitions

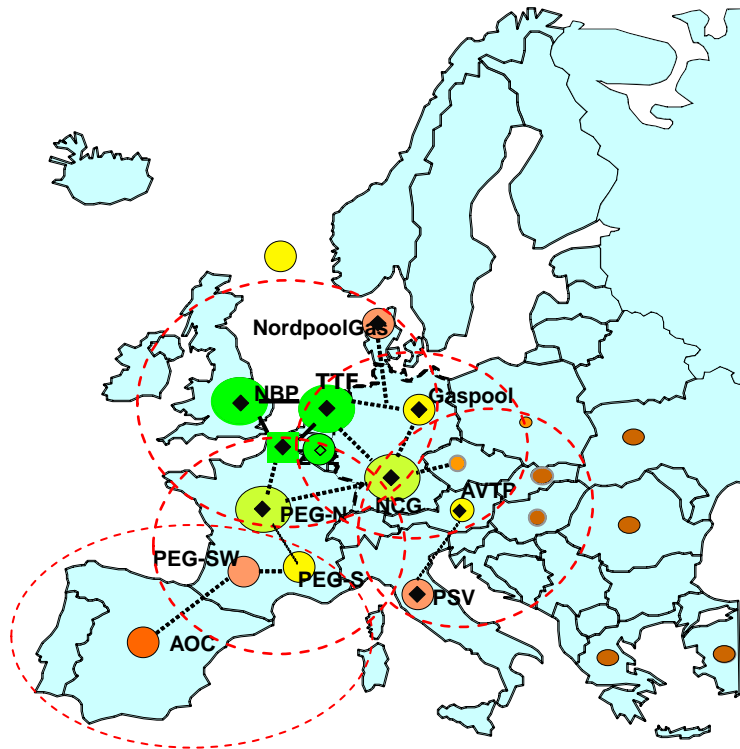


Measures split between in sequence / out of sequence



Measures completed across all hubs

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- Study is known to be incomplete – must decide what criteria to refine (e.g. information transparency?) and how often to update
 - Draw up recommendations for markets in the order of interest to market participants
 - Offer support to EFET national / regional task forces and open consultation programmes
 - Most common “next steps” for illiquid hubs
 - Establish a consultation process accessible in English language
 - Implement Entry-Exit regimes with a (preferably) single virtual trading point
 - Ensure the VTP is firm – through market based rules, with a transparent reference cashout price
 - Make sure the roles of TSO, hub operator, exchange etc are clearly defined with appropriate governance arrangements
 - Continue to work on other market-opening measures in addition to hub design



Possible areas of price convergence ?

Suggestions for emergence of regional markets

- Build on NC BAL implementation, which implies that every MS needs to have a local balancing market.
- Make sure that capacity rights for Entry/Exit systems give fully firm access from one VTP to the next.
- Promote the other conditions that will allow some forward trading to take place, even if liquidity is low.
- Help market areas to merge where that is supported by market participants and/or TSOs

Facilitate hubs and allow prices to converge according to market demand



European Federation of Energy Traders

**Amstelveenseweg 998
1081 JS Amsterdam**

**Tel: +31 (0)20 5207970
Email: gashub@efet.org
www.efet.org**