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ABOUT EFET:
The voice of energy traders in Europe.

The European Federation of Energy Traders (EFET)

- Represents over 90 trading companies operating in more than 20 countries
- Promotes pan-European energy trading in open, transparent and liquid wholesale markets.
- Main activities include:
  – Advocacy for liberalised markets
  – Promotion of energy trading in Europe
  – Standardisation of contracts
ABOUT EFET:
Improve conditions for energy trading in Europe.

“... fostering the development of an open, liquid and transparent European wholesale energy market”.

Achieving our mission through better...

- Information transparency
- Data exchange
- Products and procedures
- Laws
- Regulation
- Taxation
- European Contracts
- Organised market
ABOUT EFET:
Recent gas publications.

March 2007  ▪ Secondary capacity trading
May 2007  ▪ Gas information transparency
July 2007  ▪ Regional balancing markets
September 2006  ▪ Gas Quality position paper

All available at www.EFET.org
ABOUT EFET: GAS QUALITY POSITION

Gas quality must not be an undue barrier to trade

- Throughout Europe, it should be possible to buy and sell gas, whether LNG or pipeline gas, without any undue physical, commercial or legal barriers

- Once gas is in EU infrastructure, control of gas quality and other interconnection issues should be the responsibility of the infrastructure operators, who must ensure that they neither prevent fair access to gas, nor fair access to capacity

- Traders must not be exposed to unquantifiable risks
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THE DEVELOPING EU GAS MARKET:
Regulated infrastructure, traded supplies

Regulated, Independent Network Operators

Trading Hubs set Market Prices

will exemptions complicate quality issues?
A shared (H gas) quality specification setting out clearly defined parameters will help to facilitate greater cross-border trade.

Gas meeting this quality specification that is delivered at any cross-border or inter-TSO point within the EU must not be refused on grounds of quality.

The responsibility for investment to ensure that this can be achieved lies clearly with the TSOs overseen by their national regulators.
THE DEVELOPING EU GAS MARKET:
Gas grids require compatible access rules

Source:
EFET PGEE
09 Feb 2006

Germany proposed
15 H-gas zones from
October 2006

3 H-gas zones

*schematic of high calorific (H-gas) systems only
About EFET

The Developing EU Gas Market

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Progress and prospects
THE GAS REGIONAL INITIATIVE
Regulatory focus suggested by EFET (Jan 2006)
# THE GAS REGIONAL INITIATIVE
## Regional Gas Markets defined in April 2006

<table>
<thead>
<tr>
<th>Region</th>
<th>Countries</th>
<th>Lead Regulator</th>
</tr>
</thead>
<tbody>
<tr>
<td>North-West</td>
<td>Netherlands, Belgium, France, Great Britain, Ireland</td>
<td>NL</td>
</tr>
<tr>
<td>North (*)</td>
<td>Germany, Denmark, Netherlands</td>
<td>NL</td>
</tr>
<tr>
<td>South</td>
<td>Spain, Portugal, Southern France</td>
<td>Spain</td>
</tr>
<tr>
<td>South-South East</td>
<td>Italy, Austria, Slovakia, Hungary, Slovenia, Greece, Poland, Czech Republic</td>
<td>Italy &amp; Austria</td>
</tr>
</tbody>
</table>
## THE GAS REGIONAL INITIATIVE
Regional division now used by Regulators

<table>
<thead>
<tr>
<th>Region</th>
<th>Countries</th>
<th>Lead Regulator</th>
</tr>
</thead>
<tbody>
<tr>
<td>North-North West</td>
<td>Netherlands, Belgium, France, Great Britain, Ireland, Germany, Denmark, Poland (aspirant at present)</td>
<td>NL</td>
</tr>
<tr>
<td>South</td>
<td>Spain, Southern France, (Portugal)</td>
<td>Spain</td>
</tr>
<tr>
<td>South-South East</td>
<td>Italy, Austria, Slovakia, Hungary, Slovenia, Greece, Poland, Czech Republic</td>
<td>Italy &amp; Austria</td>
</tr>
</tbody>
</table>
ERGEG established Regional Co-ordination Committees (RCCs). Each RCC:
- comprises regulators from the region;
- has autonomy, & adopts its own decision making process.

IMPLEMENTATION GROUP
Includes TSOs, Market Operators (where appropriate)
This is the ‘do-er’ for each REM
Chaired by RCC

STAKEHOLDER GROUP
Wide participation including market players
Chaired by RCC and used for consultation

MADRID FORUM
Overall forum for discussing progress in establishing regional gas markets and pan-European consistency

(NNW also has enabler groups on specific work topics)
Establishment of the GRI

April 2006

Action plans and priorities defined

Sept 2006

first quick wins – did they materialise?

January 2007

work on identified priorities (IG, enabler groups)

Feb 2007

implementation and assessment of coherence and convergence

Q2 & Q3 2007
## THE GAS REGIONAL INITIATIVE

Transparency & Hubs are common priorities

<table>
<thead>
<tr>
<th>Region</th>
<th>Priorities</th>
</tr>
</thead>
<tbody>
<tr>
<td>SSE</td>
<td>Transparency, Gas hub development, Interconnection, Practical transportation cases, Regional Entry/Exit system, One stop shop</td>
</tr>
<tr>
<td>N/NW</td>
<td>Transparency, Gas hub development, 1ary and 2ndary interconnection capacity, Gas balancing, Gas quality, Regulatory coordination including investment issues</td>
</tr>
</tbody>
</table>
THE GAS REGIONAL INITIATIVE
Example from the South South-East Region

Walter Boltz leads ERGEG gas issues & SE region and is keen to improve access to gas transit pipes
THE GAS REGIONAL INITIATIVE
Can a new entrant get capacity in existing pipes?

Gas Regional Initiative – Region: South-South East
Assessment on selected Transportation Routes

Short answer
Is … “no”
THE GAS REGIONAL INITIATIVE
Targets for SSE region (for completion now)

- Best-practice standardised bulletin board for capacity
- Summary of planned investments (incl. Storage)
- Removing remaining obstacles to implementation of Interconnection Agreements and Operational balancing Agreements
- Best practice provision of One-Stop-Shop service
- Possible specification for a regional entry/exit system
- Hub development as regional balancing market
THE GAS REGIONAL INITIATIVE
X-border capacity is main topic in South region

- Enagas are increasing pipeline capacity to France,
- French regulator has approved some Total & GdF investment
- Integration of the region is dependent on new capacity being built and made available
THE GAS REGIONAL INITIATIVE
The MidCat project is currently just for discussion

MidCat would link Fos LNG & Barcelona LNG
THE GAS REGIONAL INITIATIVE
Further investment to enable N-S & S-N flows

Can financing rely on LT bookings if gas flows both ways?
Combined in one super-region
Over 60% of Europe’s gas
Led by Dte (jointly with BNetzA)
Key issues include
- hub development
- transparency
- primary & secondary capacity
- regulatory coordination
- balancing
THE GAS REGIONAL INITIATIVE
North-West region: Serious contractual congestion

• Rates of subscription in 2007:

→ insufficient firm capacity available
THE GAS REGIONAL INITIATIVE
Lack of information on capacity remains a barrier
THE GAS REGIONAL INITIATIVE
Day-ahead capacity pilot idea launched Oct 2006

Trial daily capacity auctions to improve liquidity and connection in the Northern region

EFET then suggested OTC capacity trading in June 2007

Co-ordinated auctions at:
- Bunde-Oude Statenzijl
- Emden
- Ellund

Cross Border Capacity
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PROGRESS AND PROSPECTS

We need less questionnaires and more action

- Preparation by ERGEG has been thorough and worthwhile
- Current deficiencies and barriers to trade are better understood
- But will the difficulties now be resolved?
Have we moved?

South: Interconnector investment decision

South East: Multi-system transit access

Need joint action, ... now!

North West: Day-ahead x-border capacity pilot
PROGRESS AND PROSPECTS
Movement can now be detected, but where to?...

...will TSOs have joint x-border obligations/incentives?

... will there be clear x-border duties for regulators?
PROGRESS AND PROSPECTS
Example of future regional hub development
PROGRESS AND PROSPECTS
EU Institution reform: e.g. EU Grid Code decisions

EC, European Council, EU Parliament

Policy and legislation

GTE+
EFET
OGP
IFIEC
Eurelectric

Consultation process on the EU-Grid Code

Draft EU-Grid Code

R_ISO

TSO
TSO
TSO

R_ISO

TSO
TSO
TSO

Secondary Legislation
If empowered

Regional regulatory Board

Execution Monitoring Controlling

PROGRESS AND PROSPECTS
EU Institution reform: e.g. EU Grid Code decisions
PROGRESS AND PROSPECTS
Is the (alleged) 3rd package on target?

Good intentions:

- more effective unbundling
- independent regulators
- improved information on infrastructure use

But some dangerous tendencies:

- reinforcing national structures
- lack of x-border obligations
- TSOs drafting market rules
- bureaucratic market approach

Assessment of the draft:
Room for improvement
(before 19 September?)
Thank you.
Any Questions?

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