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**EURELECTRIC position on progress
in the gas market liberalisation**

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Convergence of regulatory frameworks

- **Regulatory frameworks for electricity and gas should converge, because:**
 - Effective gas liberalisation influences electricity liberalisation and competitiveness of electricity markets;
 - Fair reciprocity for electricity and gas market participants in entering into new business opportunities in both sectors;
 - Synergies between gas and electricity markets are beneficial for all end customers
- **Convergence process between gas and electricity too slow :**
 - **Further progress is still needed in gas sector**

Key differences between gas and electricity

- **Imports:**

- Electricity cross-border transactions important to increase competition and then to reduce prices
- Gas imports from outside EU are vital to satisfy gas demand in 21 out of 23 MS (with the UK also becoming an importing country):
 - Gas market liberalisation in a single country depends on regulation in other countries whether inside or outside the EU

- **Storage:**

- Access to storage is essential in a competitive gas market because gas is imported practically flat in order to minimise transportation cost

Restraints on import pipelines

- **Bottlenecks still existing**
- **Gas pipelines outside EU not under EU jurisdiction:**
 - Access and charging conditions are negotiated and often discriminatory;
 - As far as possible, monitoring by European Commission, in particular where incumbents in the EU control ownership of pipelines outside the EU

Competition restraints in the European network (1)

- **2003 Directive, Regulation and GGP2 → right signals**
- **Fast and proper implementation necessary**
- **Major differences of procedures for access and day-to-day operation:**
 - still not in full compliance with GGP2
 - implemented in different ways in day-to-day operation
 - lack of harmonised balancing regime
- **For cross-border gas trade/transit this still leads to:**
 - denial or delay of access;
 - burdensome and costly operation;
 - paying multiple fees independently of physical flows → **“pancaking”**

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Competition restraints in the European network (2)

- 2003 Directive maintains 1991 Transit Directive for old contracts
- Validity of right of transit for old contracts acceptable **if tariff regime for transportation is applied to all network users**
- Transit Directive allows negotiated access
- Risk that only new entrants/contracts pay for increase of network cost
- **Right interpretation of the Directive or its change is necessary**



Storage

- **Non-discriminatory and transparent access to storage necessary**
- **Adoption of GGPSSO as first step welcomed**
- **Fast implementation and full compliance needed**
- **Access to storage also possible on negotiated basis:**
 - should only be employed if real competition in gas storage exists; otherwise **regulated** access
- **Present situation on storage market:**
 - Lack of transparency leading to:
 - Lack of effective third-party access
 - High storage charges
 - Lack of adequate storage capacity
 - Low priority of access for power producers although storage is considered very important for their business



**Thank you
for your attention!**



Representing the European Electricity Industry