



EUROPEAN GAS MARKETS

THE SECTOR INQUIRY

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OUTLINE



- ◆ **Action so far**
- ◆ **What are we studying?**
- ◆ **What should you expect?**

Action so far - I



Inquiry prompted by rising prices and complaints

- **Prices (oil-price link & hubs)**
- **Entry barriers (difficult to source gas, difficult to access key infrastructure, anti-competitive discrimination)**
- **Lack of alternative offers to customers**

Consultation with NRAs, NCAs, market players, customers

Action so far - II



- **1200 (gas) questionnaires sent**
 - Suppliers, traders, importers
 - Producers
 - TSOs, storage operators, special capacity holders
 - Customers
- **Satisfactory response rate**
 - All main players replied
- **Analysis of responses underway**

Action so far – III



- **Interim report objectives**

- Get the facts right
- Competition problems

- **Cases as appropriate**

- **Always taking into account the regulatory framework, as it influences market and competition conditions**

What are we studying? - I



- **Market conditions**
 - Getting the facts right
- **Competition issues**
 - Restrictive agreements, abusive behaviour and state measures
 - Remedies for structural problems

What are we studying? – II

Getting the facts right



- **Wholesale markets – access to gas**
 - **Functioning of the hubs – representativeness of wider market**
 - **Bilateral trading and swaps**
 - **Terms of producer-importer contracts (TOP, flexibility, review clauses, clauses limiting competition)**
 - **Prices (including effect of oil-price links)**

What are we studying? – III

Getting the facts right



- **Access to transit capacity**
 - Available capacity
 - Long-term reservations
 - Reservations vs. use
 - Swaps as substitutes for network use
 - Refusals of access
 - Refusals of access

What are we studying? – IV

Getting the facts right



➤ **Access to flexibility**

- Overview of balancing regimes
- Data gathered avoided overlap with GGPSSO. Focus on hoarding, exclusionary behaviour

➤ **Access to customers**

- Customer choice
- Renegotiation vs. switching

What are we studying? – V

Competition issues



	Market structure/ Vertical Integration	Exclusion from key infra- structure	Lack of trans- parency	Weak un- bundling
Wholesale	✓			
Transit network		✓	✓	✓
Flexibility		✓	✓	✓
Customers	✓			

What are we studying? – VI

Competition issues



- **Market structure/vertical integration**
 - Anti-competitive clauses in up-stream contracts
 - Collaboration between incumbents
 - Denial of liquidity to wholesale market (hubs, bilateral trading, use of upstream flexibility)
 - Pricing as exercise of market power (including role of oil link)

What are we studying? – VII

Competition issues



- **Exclusion from key infrastructure**
 - access to network capacity
 - access to storage capacity

What are we studying? – VIII

Competition issues



- **Lack of transparency**
 - Availability of network or storage capacity
 - Interruption records
 - Customer information
- **Weak unbundling**
 - Most rights in key network elements handed to incumbent supplier when unbundled
 - TSO incentives

What should you expect? I



- **Too early to conclude on results**
- **But we are determined to get the facts right and address competition problems to make these markets work**
- **more active enforcement by COM and NCA**

What should you expect? – Next steps II



What should you expect?

- Interim report – late autumn 2005:
addressing some of the issues
- Final report 2006
- Case investigations could be opened
where appropriate (by COM or NCA)



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