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## Integrating Europe's Natural Gas System

EFET Gas Committee  
[Stephan.ressl@econgas.com](mailto:Stephan.ressl@econgas.com)  
Vice Chairman



European Federation of Energy Traders



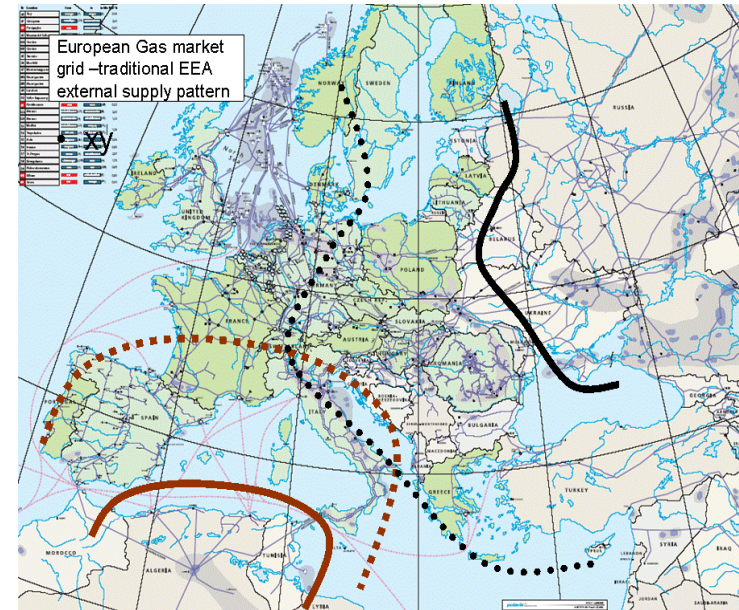
# Regional Network Integration (RNI) – Why?

Ø Physical capacity from source to consumer?  
Fewer systems, more clarity and predictability

Ø Transport cost/availability known at point of supplier's decision on where to source gas?  
Flows are netted automatically with RNI.

Ø Historically, investments by international (multi-cross-border) consortia / cooperation.  
Gas already flows over borders, we need a transparent supranational coordinated approach.

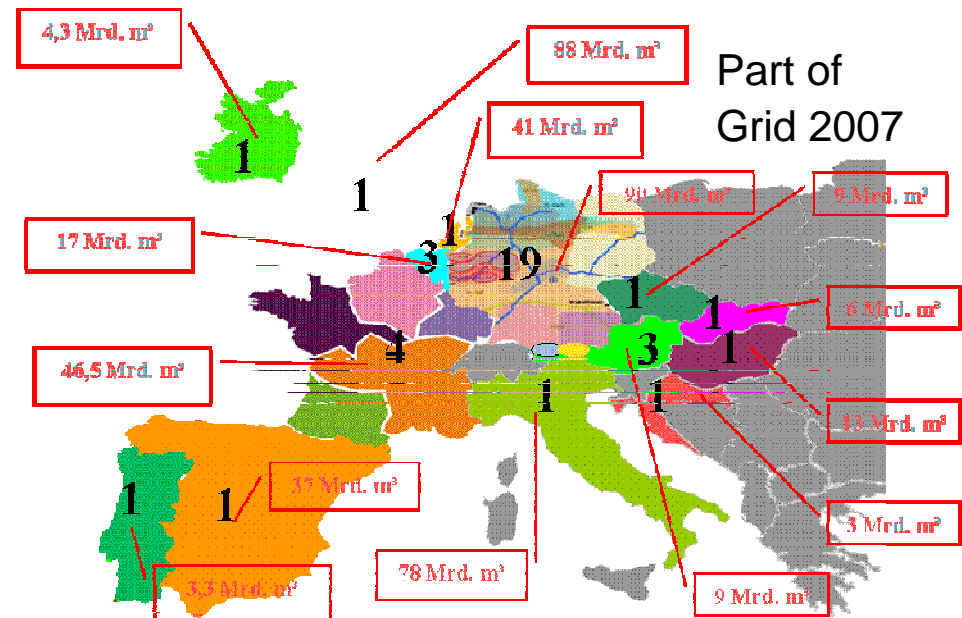
Ø Aim that some different supply sources must potentially arrive in each area – security of supply needs physical interconnection and (at least) regional system management



- Ø Improved negotiating power
- Ø Easier access to gas
- Ø More potential suppliers - reduction of market concentration

- Ø Fewer interfaces, less contracts
- Ø More similar customers in one market
- Ø Larger netting of imbalance positions
- Ø Efficiency gains: nomination, balancing, registration, invoicing, communication etc ...
- Ø Liquid traded markets can emerge (intra-day, spot, forward, futures)

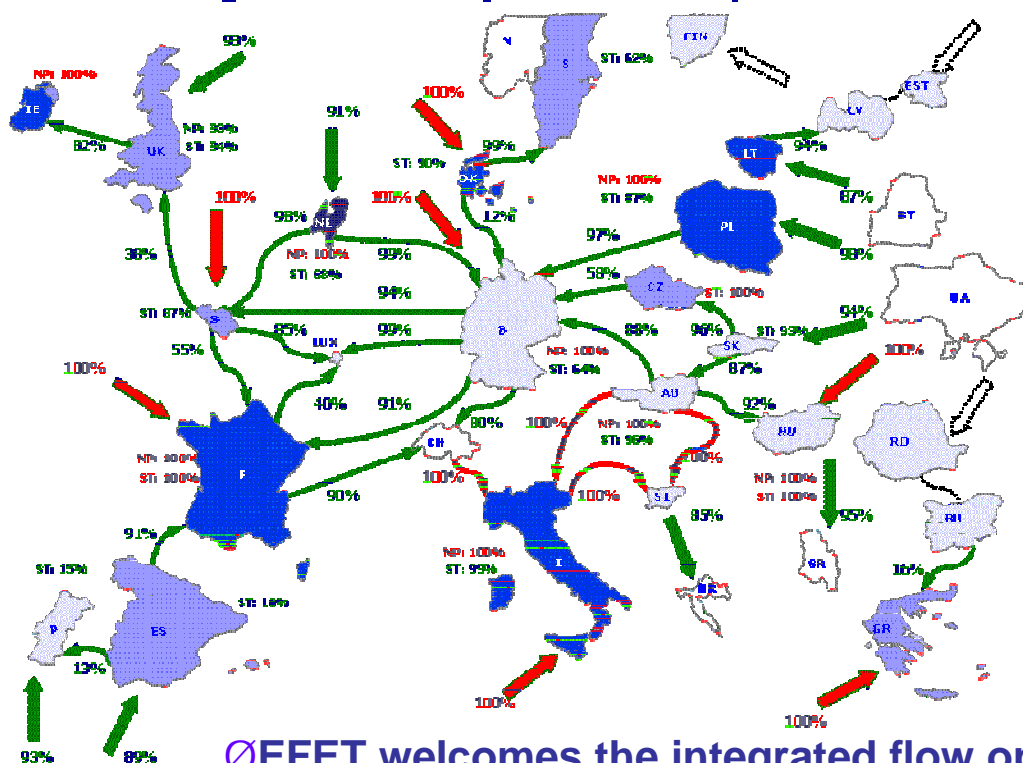
- Ø Potential of economies of scale for system operation
- Ø Potential for higher capacity provision through larger flow optimisation
- Ø Reduced influence of one particular party



# Benefits of integrated flow pattern

Ø GTE presented benefits of European flow optimisation in its winter stress presentation at last meeting in Prague 22.01.2008

## *Integrated EU flow pattern – Exceptional condition*



■ 3 critical single country balances in normal cold conditions

■ Flexibility already existing inside countries and in IPs both in normal and exceptional cold conditions

■ Future investments to follow increase in market demand and to improve flexibility at IPs

Ø EFET welcomes the integrated flow optimisation approach by GTE

Ø Trading helps flow optimisation by providing market signals

# Regional network integration (RNI) – How?



## ØPros and cons of different network integration possibilities

<div> <div>+</div> <div>level of integration</div> <div>-</div> </div>				
1.) regional TSO (mergers – RTSO)		2.) EFET R_ISO Model (Regional or Multi-system Operator)		3.) general statement to cooperate
Pro		Pro		Pro
§Clear decisions, liabilities §Best information on operation §One E/E zone possible		§Operational synergies potentially as high as RTSO §Regional investments and optimisation possible §One E/E zone possible §Very limited property issues		§Better than nothing §Easy to accept by some §Combined with a strong ACER this could be a flexible bottom-up approach
Cons		Cons		Cons
§Property issue §Politically sensitive		§Not one company §Detailed explanation necessary		§Inefficient decision making (coordinated investments,...) §No synergies in operations §One E/E zone not achievable

# Regional network integration (RNI) – How?

Ø Some examples (not exhaustive)

<div> <div>+</div> <div>level of integration</div> <div>-</div> </div>				
1.) regional TSO (mergers – RTSO)		2.) EFET R_ISO Modell (Regional or Multi-system Operator)		3.) general statement to cooperate
Examples/suggestions		Examples		Examples
§MOL proposal (gas) §Statement CEO E-ON (elec) §Statement CEO – ENI (gas) §Potential GTS-BEB?		§ Austrian system (AGGM/AGCS – 6 years operation) § JV EGT- Bayernet § Irish case announced (All Island Energy Market Development Framework )		§Current situation §Reinforced in the 3rd package





## EFET „R\_ISO Model“ – stakeholder consultation

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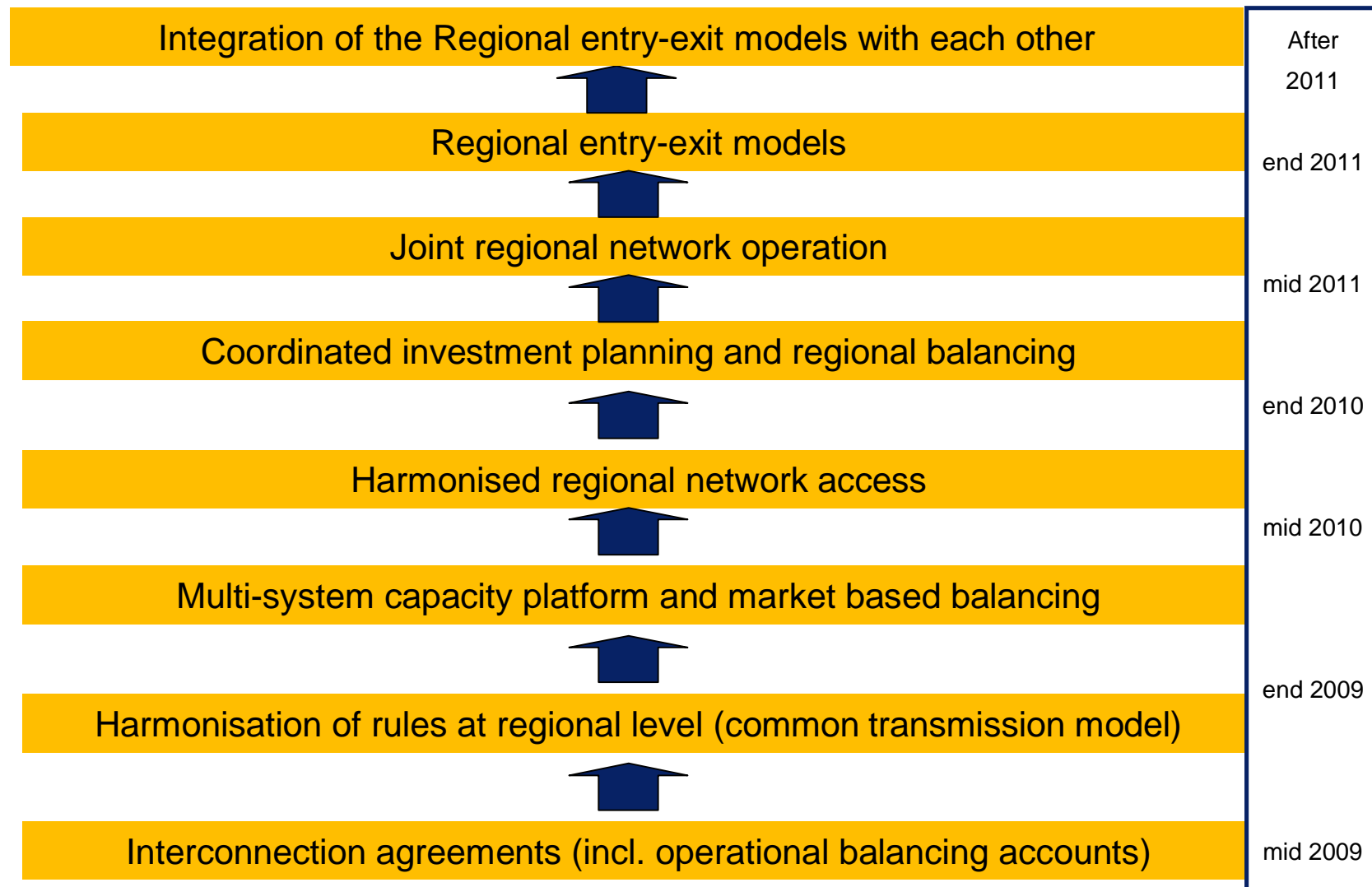


- Ø A stakeholder consultation on R\_ISO model took place including a workshop on the model in Prague as a follow up
- Ø Comments from all network using stakeholder groups and CEER supported the principles proposed in the model by EFET
- Ø Letter by EFET, supported by OGP, IFIEC, eurelectric, eurogas,... joint letter in progress
- Ø Joint paper on market integration in preparation based on EFET R\_ISO, to be presented in June in GRI-SSE

Market users want network integration fast



# Proposed timeline for establishment of a regional E/E model in SSE Region



## Conclusion

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- Ø EFET issued a letter representing the position on market integration and timing and following interested associations support it – Eurogas, OGP, IFIEC, Eurelectric
- Ø Signing parties believe that starting implementation of the foundation of such a model now is a key prerequisite for further and timely development towards a single European gas market
- Ø European legislative framework necessary to better streamline the work done by Madrid Forum and Gas Regional Initiatives
- Ø Regions must be established on a pragmatic basis without particular link to national borders
- Ø EU Gas Market is currently facing a lot of proposals for regional integration –legislation must support the need of the market (EU, national, local)