

***11<sup>th</sup> Meeting of the UNECE Gas Centre Task  
Force Group on the Implementation of the  
EU Gas Directive***

***Response of Eurogas to Recent EU Policy  
and Regulatory Developments***  
***By***

***Margot A. Loudon***



Two Recent Reports have been issued by the European Commission

- Report on progress in creating the internal gas and electricity market + technical annexes
- Issues Paper – Energy Sector Inquiry

ERGEG has opened consultation on a road map for a competitive single gas market

Also the Regulation on conditions for access to the natural gas was published (05.3.11.2005) – applies from 1st July 2006

→ 2006 significant year for the gas industry



In 2006

- Continuous debate on the gas and electricity markets
- In February DG Competition's Interim Report will be issued followed by two months public consultation
- April/May – Gas Regulatory Forum Meeting includes a general debate on gas market developments and ERGEG presents its road map
- Interpretative notes on access guidelines, capacity allocation mechanisms, congestion management rules, and transparency requirements
- Detailed country by country reviews
- Actions by National Regulatory Authorities?
- Final report of Energy Sector Inquiry
- Decision on more legislation or not?



Official mantra of DG TREN – hope that further legislation, i.e. third Directive, is not necessary, but they are ready to act if there is a need.

But the combined output of the reports is highly critical of the present situation. The Progress Report refers to,

- Delay in transposing the Directives
- Lack of real competition
- Lack of integration of national markets
- Lack of customer activity
- Degree of concentration at both wholesale and retail level
- Lack of liquidity



The DG Competition Issues Paper refers to “important competition distortions”

- Market concentration
- Vertical foreclosure
- Market integration
- Transparencies
- Price formation

In the view of DG Competition they point to advantages for incumbents/barriers for new entrants.

The Issues Paper questions fundamental practices – long term contracts, approach to transit.



## Outcome of 2nd December Energy Council – **Presidency's** conclusions

- Balance should be found among the three objectives – competitive markets, security of supply and environmental compatibility
- More needs to be done
- Consensus on fully implementing legislation in letter but also in spirit
- Co-ordinated development of regional markets (gas as well as electricity?)
- Effective unbundling of network business



## Other points in conclusions not to be overlooked

- Before considering further legislation certain factors may require more investigation – the role of long term contracts and external suppliers, ... how to assess market concentration
- More use could be made of non-legislative action such as exchange of best practice
- More information could be released to the market under existing legislation



## Work in hand in Eurogas (1)

- Longer term – a comprehensive Strategy Paper setting the internal market debate in a wider context of the global gas market
- Strategy Paper to be ready in course of 2006
  - Important elements need to be ready for DG Competition's public consultation on Interim Report and Madrid Forum – emphasize balanced approach
- Work just starting in Eurogas under the main responsibility of the Strategy Committee
- Need to link into shorter term work → overall consistency and cohesion
- Also to be used in response to an announced Green Paper "on a secure, competitive, and sustainable energy policy for Europe"



## Work in hand in Eurogas (2)

- Short term – responses and input into a number of ongoing issues
- 1. Regulatory road map – response to consultation
  - Transparency and information handling
  - Effective access to network capacity
  - Cross-border trading
  - Capacity availability
  - Gas quality
  - Regional initiatives (i.e. hub development)

Mainly responsibility of the System Users Committee with the Supply and Markets Development Committee.

The intention is to revise and elaborate on existing positions on role of TSOs, UIOLI, capacity allocation, balancing. In addition the System Users Committee will expand its work to cover storage access related issues and LNG terminals.

The SMDC is preparing a revised position on hubs.



2. System Users issues related to the ongoing Work Programme of the Regulators (CEER/ERGEG)
  - Capacity Calculation
  - Development of UIOLI views
  - Views on transit and entry/exit
  - Balancing Guidelines
  - TPA Services
  - Views on interpretative notes on Access Guidelines

Also issues that are responsibility of the System Users Committee. Work already underway.



### 3. Customer issues

- Customer Switching, including definition

Development of Customer Switching Paper describing principles of approach from the viewpoint of the supplier in relation to household customers' experience

Other customer experience issues

- Billing, metering, disconnection, customer complaints

Area of activity is the responsibility of the Supply and Markets Developments Committee



## Emerging Strategy of Eurogas

- To ensure that the Directives are implemented (spirit or letter?)
- To set the importance of the Directive's implementation alongside the other aspects of energy policy highlighted in the Council, security of supply and sustainability (how to achieve compatibility?)
- To achieve the correct balance between market and regulation (harmonised or compatible approaches?), and best practice
- To seek a common understanding among stakeholders on the importance of obtaining safe and secure supplies of gas in the necessary volumes to meet demand, and on achieving competitive gas prices (other instruments needed e.g. dialogue with producers?)
  - explain longer term requirements for gas market policy
  - work swiftly, efficiently, and concretely on the issues under debate

