

# **GIE Annual Conference**

Sofia, 9-10 June 2016



## **European Federation of Energy Traders**



**Is the Internal Energy Market  
functioning?  
What remains to be done?  
A trader's perspective**

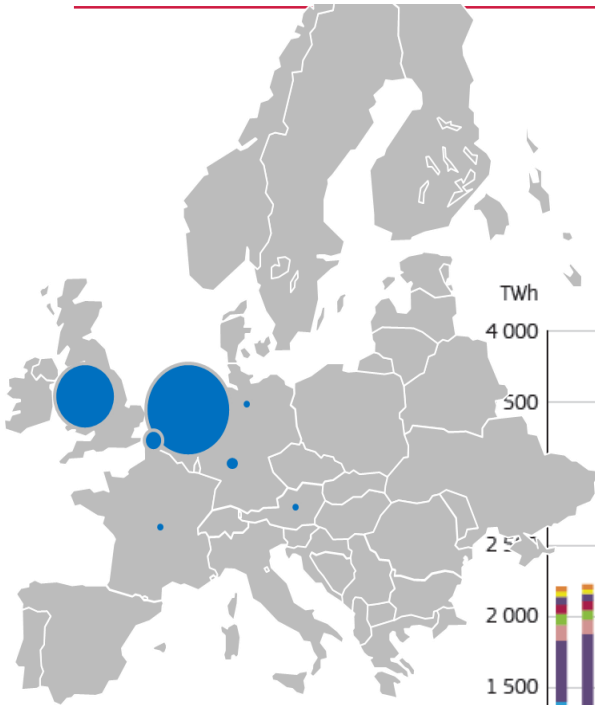
**Doug Wood**

Chair, Gas Committee  
Board Member

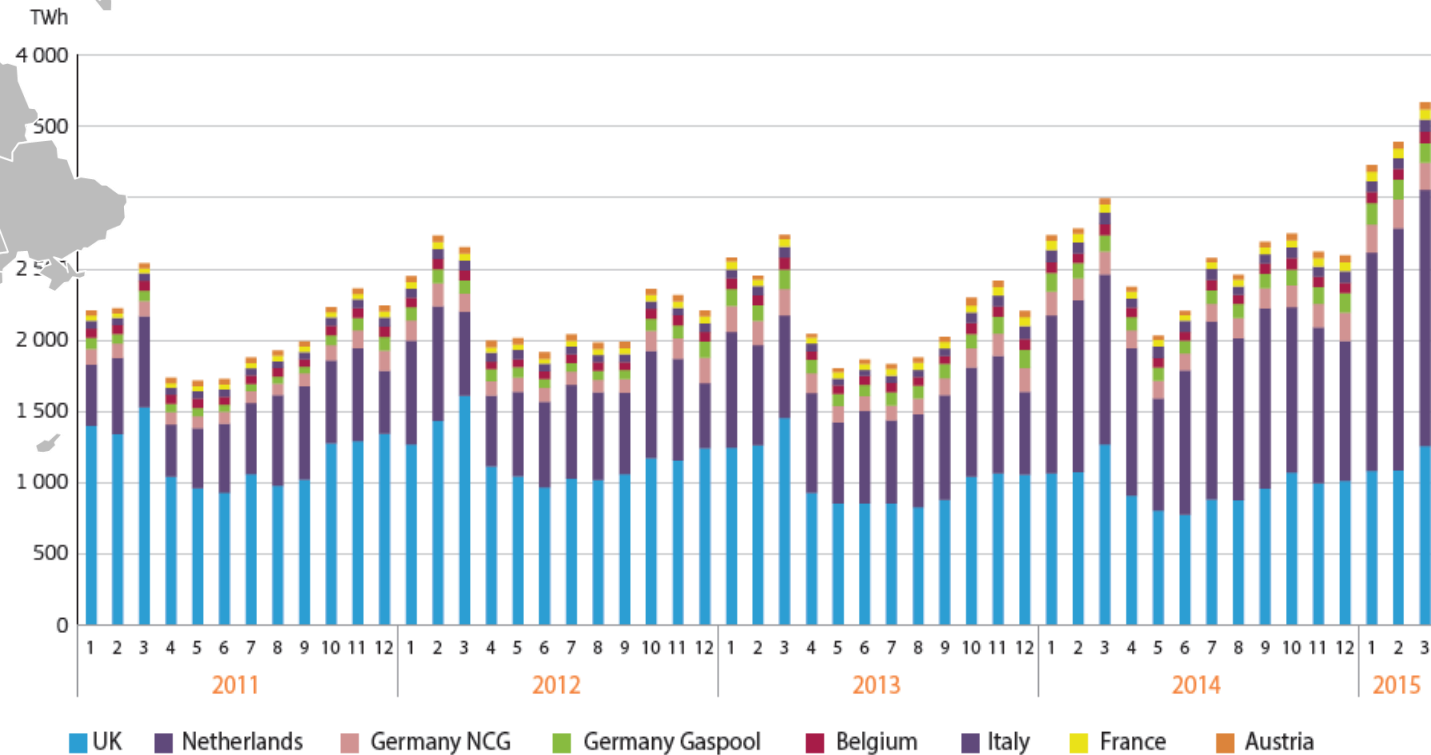
**European Federation of  
Energy Traders**

Is the internal energy market functioning from a trader's perspective?

What remains to be done?

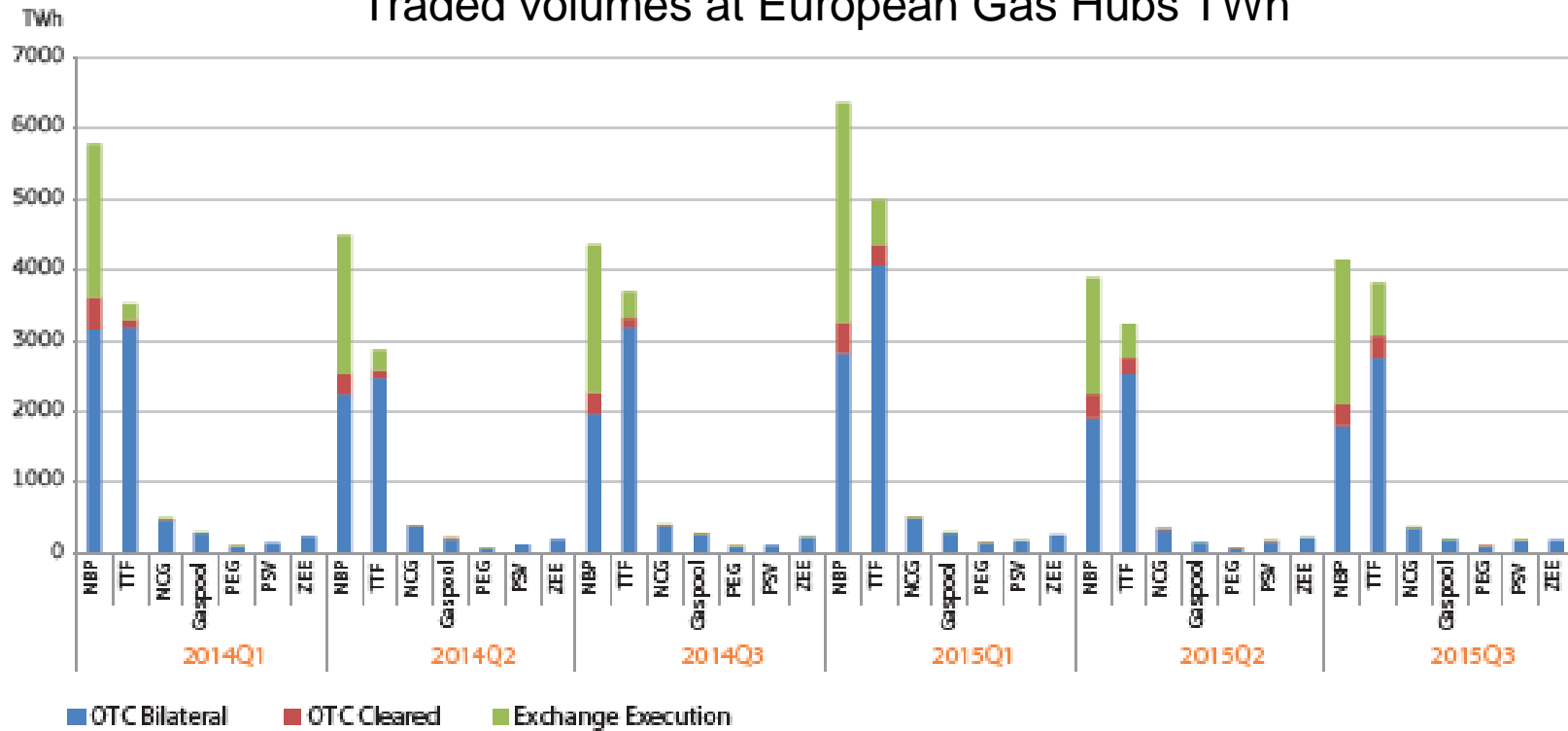


Traded volumes at European Gas Hubs [TWh],  
source: EC Quarterly Report on European Gas Markets Q1/2015



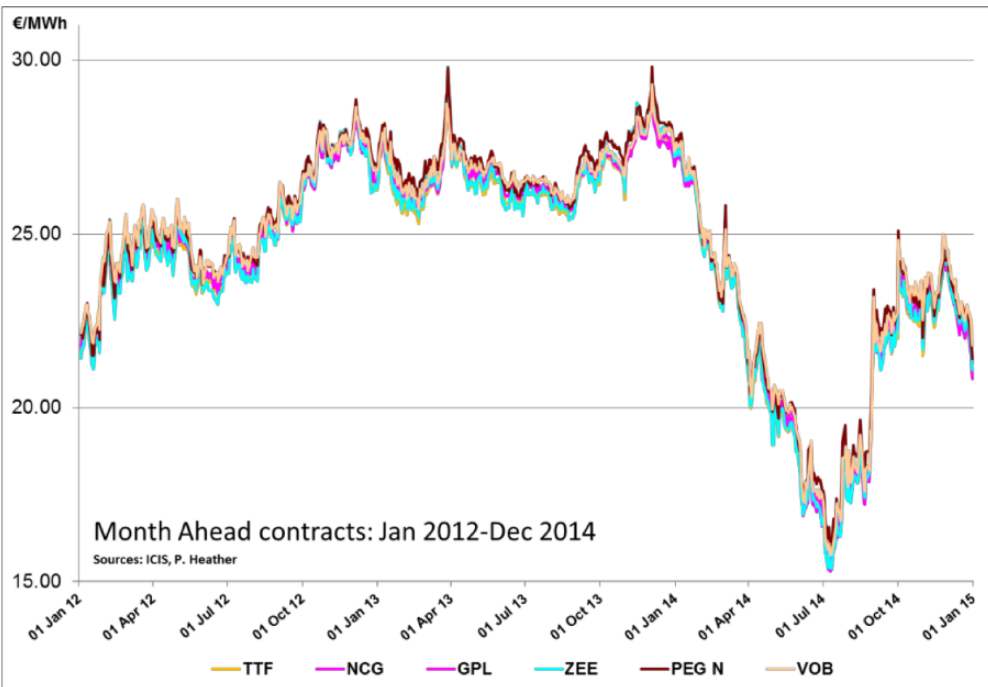
**Some hubs are functioning well**

## Traded volumes at European Gas Hubs TWh



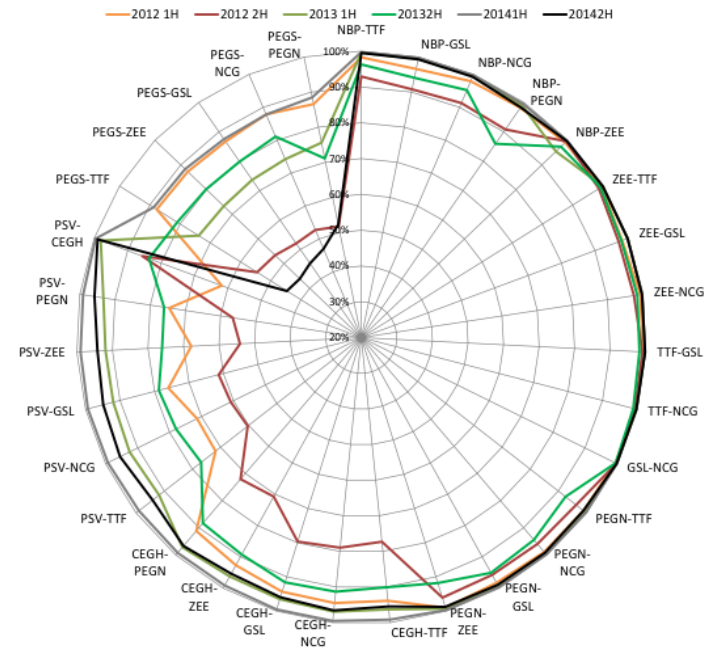
Source: EC Quarterly Report on European Gas Market Q3/2015

**The picture is patchy**



Price convergence across six hubs 2012-2014

Source: The evolution of European traded gas hubs (OIES) Heather



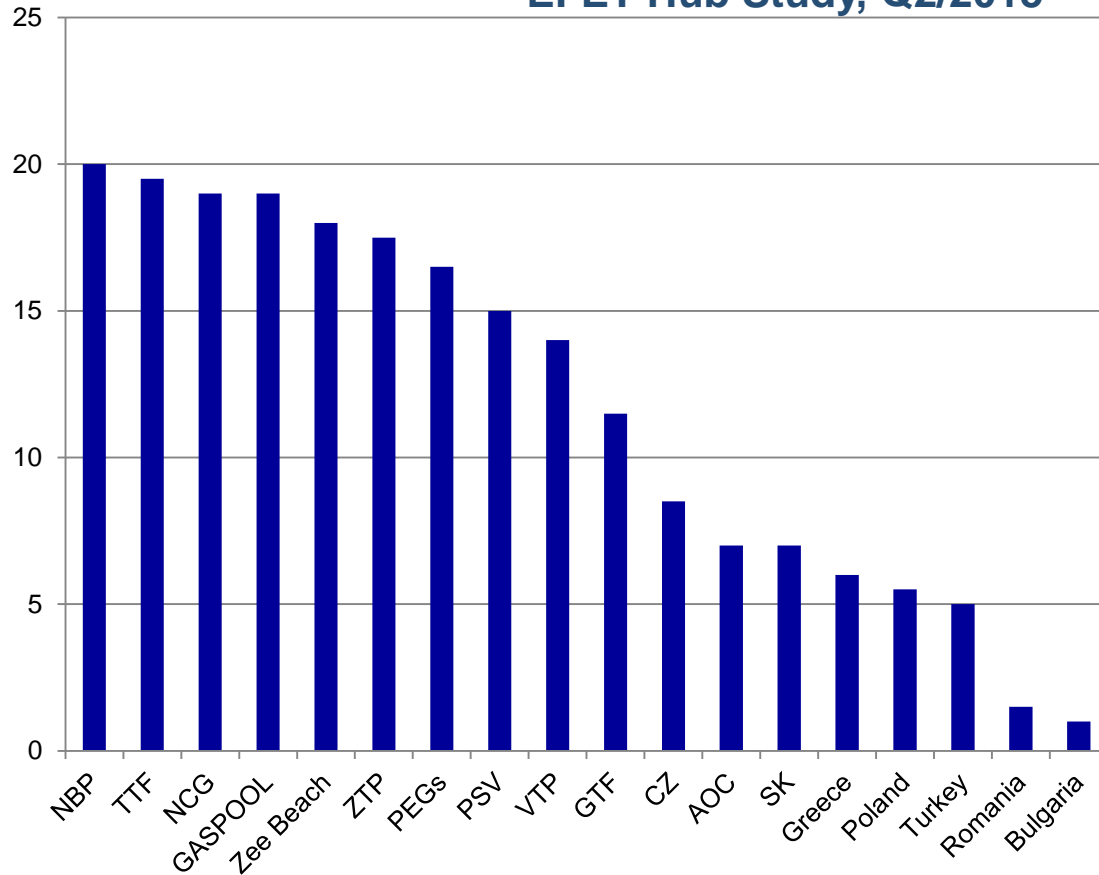
Cross-correlations between OTC D-1 prices  
Source: *The cost of price de-linkages between European gas hubs*, Petrovich (OIES) 2015

## Liquid forward markets may not be required everywhere

Is the internal energy market functioning from a trader's perspective?

What remains to be done?

## Total score of good hub design features, sequence not taken into account EFET Hub Study, Q2/2015



**There is still much to be done**

## Capacity (CAM, CMP, Inc amendment to CAM)

- Congestion is no longer the barrier it once was
- Inconsistent capacity products make CAM a problem not a solution
- Underlying differences in national legislation (esp taxation, licensing, termination rights) combined with NWCs force inefficient behaviour.
- Improve consistency of products, permit “Group” holdings of capacity contracts, resolve capacity mismatches

## Tariff Harmonisation (TAR)

- What problem are we trying to solve?
- ST stranding where Tariff > Price differential
- Insufficient clarity on stranded assets / contracts (and SofS investments)
- LT bookings disincentivised; capacity to become commoditised
- Proceed with transparency and consultation; create forum to discuss wider issues

## Balancing (BAL)

- NWC foresees challenges; practical guidance now required
- Could be key to unlocking trading efficiencies



## 1. Markets continue to grow in liquidity and to increase geographically

- Created a basis for a wider range of options on indexation
- More efficient and better-priced risk management options increasingly available
- Advantages of a traded market now reaching slowly out from heartland NW European base.

## 2. Further growth faces numerous challenges

- Continued support for traditional model in some MS
- Must address interactions between energy legislation and general business environment
- Market must generate trust to manage down the cost of onerous regulation

## 3. Create framework for greater flexibility and responsiveness

- Speed of market > speed of regulation
- Must enable us to address problems of today/tomorrow, not 5 years ago



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