

Gas storage capacity products offered by Storage System Operators in the European Union

I. Introduction

Since 2009, following the introduction of the Third Gas Directive, Storage System Operators (SSOs) have been legally obliged to provide two types of capacity products: standard bundled products and unbundled ones. To further boost their attractiveness, especially in a context where the total value of gas storage is not recognised in the European regulatory and market framework, they progressively introduced innovative products. These latter include, for instance, gas commodity or transport.

In light of the new transparency requirements, as requested by the recently adopted Council Regulation on enhancing solidarity through better coordination of gas purchases, exchanges of gas across borders and reliable price benchmarks¹, this paper presents the different capacity products offered by SSOs in the European Union.

II. Description of capacity products

The following definitions are taken from the CEER report on barriers to gas storage product development released in April 2017² and used in the ACER report on gas storage regulation and indicators published in April 2022³:

Type of capacity products	Definition of capacity products
Standard bundled product	Comprises a ratio of injection, storage space and withdrawal capacity, which varies according to the storage facility and is usually determined by the technical characteristics of the facility.
Unbundled product	Refers to the ability to purchase separate injection, space or withdrawal capacity.

¹ Council of the EU (2022) *Council Regulation (EU) 2022/2576 of 19 December 2022 enhancing solidarity through better coordination of gas purchases, reliable price benchmarks and exchanges of gas across borders*. Available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32022R2576&qid=1674052825188>

² CEER (2017) *Report on barriers for gas storage product development*, 28 April 2017, C16-GST-25-03. Available at: <https://www.ceer.eu/documents/104400/-/-/dd145778-1984-9e8e-ee73-17b82e688cd3>

³ ACER (2022) *Report on Gas Storage Regulation and Indicators*, 7 April 2022. Available at: https://acer.europa.eu/Official_documents/Acts_of_the_Agency/Publication/ACER%20Report%20on%20Gas%20Storage%20Regulation%20and%20Indicators.pdf

<p>Storage product delivered at the hub</p>	<p>Some SSOs have developed storage products with the delivery of gas at the trading hub. In these cases, the SSO is responsible for booking transmission capacity, which is incorporated into the price of the storage product. The storage user's nominated gas is delivered at the virtual trading without purchasing separate transmission capacity to/from the facility. This may offer benefits to storage users, in particular more minor market participants, by reducing potential complexity.</p>
<p>Pooled storage</p>	<p>Refers to a combination of different physical storage facilities treated commercially as a single facility. Pooled storage offers benefits to SSOs by amalgamating the physical capability of different facilities to provide products to market participants.</p>
<p>Virtual product</p>	<p>Contracts which imitate the characteristics of a storage contract (i.e. injection, space and withdrawal) but are not necessarily physically backed by gas in storage. Virtual storage products can be supported by a combination of contracts, including gas production, physical storage and supply contracts.</p>
<p>Cross-border product</p>	<p>Refers to storage products that are specifically targeted at providing storage services to market participants in a different market area. This may include, for example, the delivery at a trading hub by a storage facility that is not physically located in the relevant market area.</p>

III. Allocation of capacity products

Capacity products may be contracted via auctions or bilateral negotiations. While auctions typically need to offer standard products to receive comparable bids, negotiated contracts may include individual elements as long as the prices are comparable.

IV. Storage service criteria

The evaluation of a storage contract depends on manifold different service elements and qualities of the product:

- Firm or interruptible,
- Ratio of volume to injection and withdrawal (x days),
- Decline of injection and withdrawal curves,
- Fully flexible with one hour renomination time or longer,

- Lump sum or fixed base price plus operational costs or even variable indexed prices.

SSOs run complex models to keep prices comparable for all customers equally. To ensure this, contracts could be disclosed to the national regulators to assess and control all these criteria.

V. Market volatility

Many market participants try to hedge the storage tariff in the market. Thus, market prices can strongly impact the willingness of market participants to book a storage product at a specific price. Since market prices are highly volatile, even the same customer would not be willing to book the same storage product at the same price just a week later.

VI. Conclusions

A simple price indication (in €/MWh) does not ensure comparability and does not enhance transparency, considering that the quality of a product or the market situation will not be reflected. Regarding auctions, there is not one price that gets the tender but multiple bundles allocated from the highest to lowest price for the same product.

This significant variety of product criteria and qualities and the circumstances for product evaluations highly complexifies any comparison of 'final tariffs'. The National Regulators have the regulatory oversight and have access to the contract details.

For these reasons, in light of the implementation of Article 13 of the Council Regulation on enhancing solidarity through better coordination of gas purchases, exchanges of gas across borders and reliable price benchmarks, in order to provide meaningful and transparent data, GIE suggests making public standard tariffs for each of the indicated products (described in the table above) to allow comparability of final tariffs across SSOs.