

The background is a satellite-style image of the Earth, showing the continents of Europe and Asia. Overlaid on this are numerous glowing blue lines that represent energy transmission paths, connecting various points across the globe in a complex, web-like pattern.

Gas Market Integration in the Energy Community

Nina Grall-Edler

Energy Community Secretariat



1. CESEC Initiative

- relevance for the Energy Community
- role of the Secretariat
- Development status

2. Gas market integration

- potentials



1. CESEC Initiative

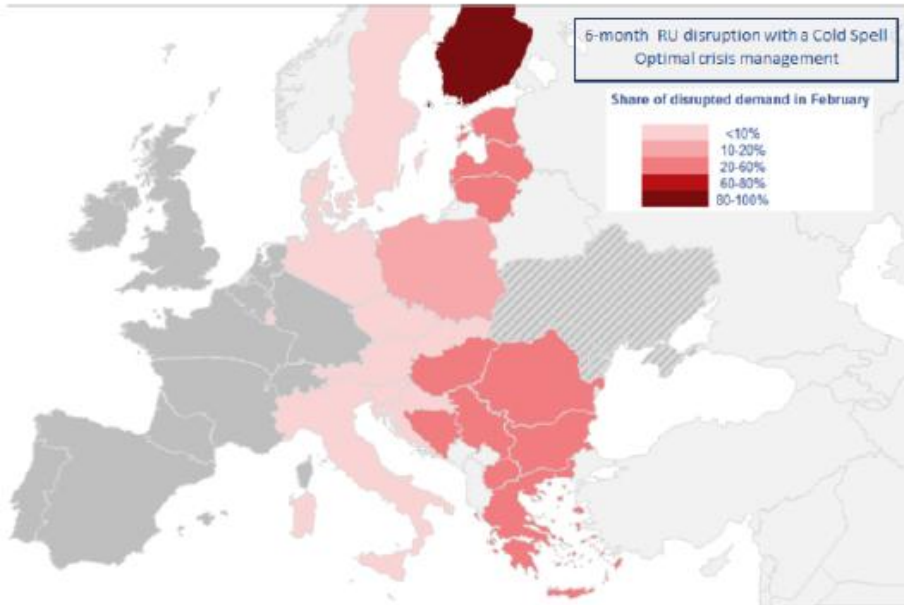
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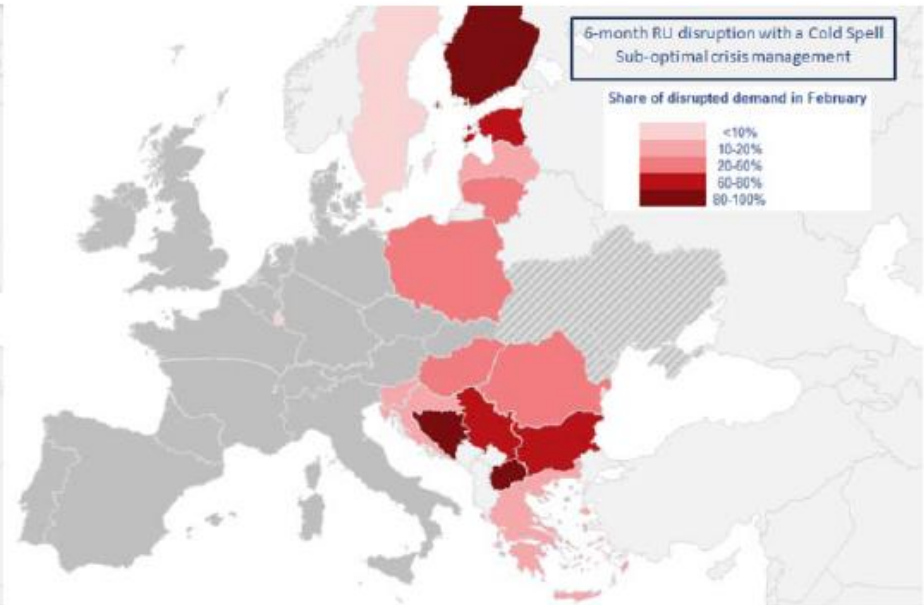
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Stress test 2014 → high vulnerability of the region in case of Russian supply disruption

Cooperative Scenario



Non-cooperative scenario

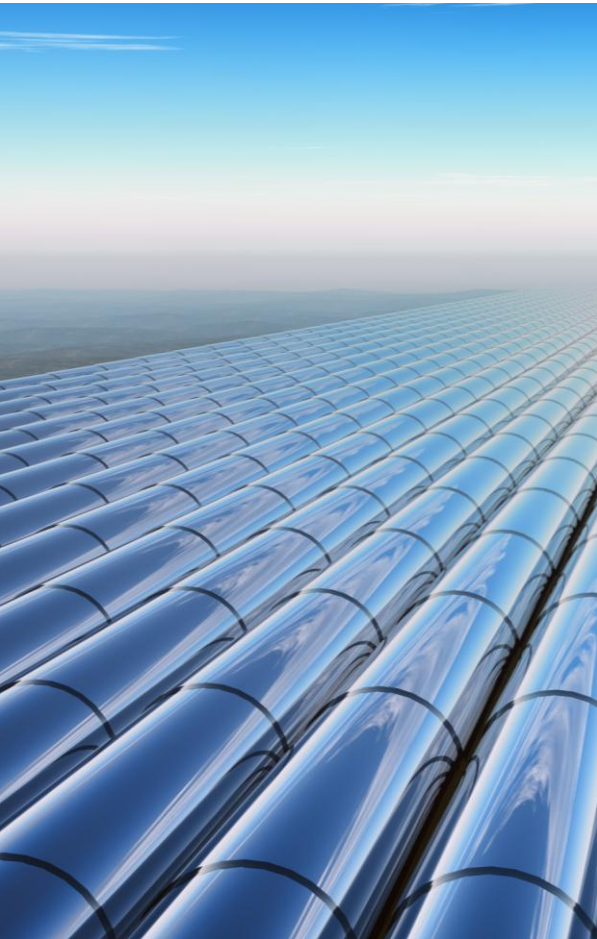


Source: ENTSOG



- July 2015 MoU– signatory parties
 - EU | AL | AT | BG | **FYROM** | GR | HR | HU | IT | MD | ROM | SI | SK | **SRB** | UA
- 6 priority projects to increase SoS via strengthened interconnection
 - TAP (*already decided*)
 - Interconnector GR-BG (IGB)
 - **Interconnector BG-SRB**
 - System reinforcement BG
 - System reinforcement ROM
 - LNG Terminal HR
 - LNG evacuation system towards HU
- **To be financed by the market**
 - Role of IFIs such as the EIB or the EBRD may be considered

Relevance
for UA



From the CESEC MoU:

1. “**Effective regulatory framework** [...] including **regulatory incentives** is a prerequisite”
2. Commitment to „**promote market integration and well-functioning markets**” by:
 - a. “effectively and fully implementing all EU gas sector legislation”
 - b. “removing remaining legal, regulatory and commercial barriers to physical and commercial gas flows”
 - c. “particularly across borders, via efficient use of interconnections and effective gas network access”
3. „ACER, the European Commission or the **Energy Community should act as a facilitator** to any regulatory issue of a cross-border nature”



ECS activities to **monitor and facilitate** CESEC:

- 1. List of measures for implementing *market* related CESEC elements** developed & communicated to the CPs (**roadmaps**)
- 2. Country missions** targeting discussions of national implementation steps ongoing
 - 👉 Ministries to coordinate
 - 👉 All relevant stakeholders to be involved
- 3. Continuous progress reporting**
 - 👉 as member of the CESEC meetings
 - 👉 **Standard report publication - 1st edition 12/2015** (market and infrastructure related)
 - 👉 EnC and EU Gas Fora

ECS monitoring roadmap

MoU criteria	National relevance
Ensuring transparent and non-discriminatory third- party access*	Establish capacity allocation mechanisms and congestion management rules allowing TPA in forward and reverse flow*
	Establish market- based balancing mechanisms
	Develop transparent and non- discriminatory tariffication rules that do not distort trade across borders (avoid pan-caking)*
Ensuring free flow of gas and provision of competitive framework *	Remove legal or contractual barriers to competition*
	Ensure barrier-free market entry*
	Optimise actual capacity use in both directions, including backhaul*
Infrastructure related measures	Adopt interconnection agreements*
	Provide a cross- border cost allocation mechanisms in line with Regulation (EU) 347/2013*
	Ensure harmonised framework of operation of interconnected EU MS- EnC CP systems
Cross-cutting measures	Ensure independence of national energy regulatory authorities based on pre-defined indicators
	Unbundle and certify transmission system operator in line with the Third Energy Package
	Apply for observer status in ACER based on a positive opinion of the European Commission
	Increase effectiveness of national administrative authorities, including for competition and State aid
Measures required for market integration	Discuss possibilities to integrate gas markets with neighbouring EU and EnC gas markets



Implementation of Action Points

	Albania	FYR of Macedonia	Serbia	Ukraine
Ensuring transparent and non-discriminatory third party access				
Ensuring free flow of gas and provision of competitive framework		 ¹	 ²	
Infrastructure related measures				
Measures required for market integration				
TSO unbundling	 ³			
NRA independence				



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CENTRAL - SOUTH EASTERN EUROPE GAS CONNECTIVITY

Most countries in Central and South-Eastern Europe have limited gas source diversity due to historical lock-in to long-term supply contracts from a single supplier and missing interconnections or alternative sources. Effective regional cooperation has been recognized as key to achieving the region's energy policy objectives and addressing challenges that EU Member States and Contracting Parties face in the gas sector. Therefore a [Memorandum of Understanding](#) (MoU) was signed on 10 Jul 2015 as part of the Central and South-Eastern European Gas Connectivity ([CESEC](#)) initiative.

www.energy-community.org – areas of work

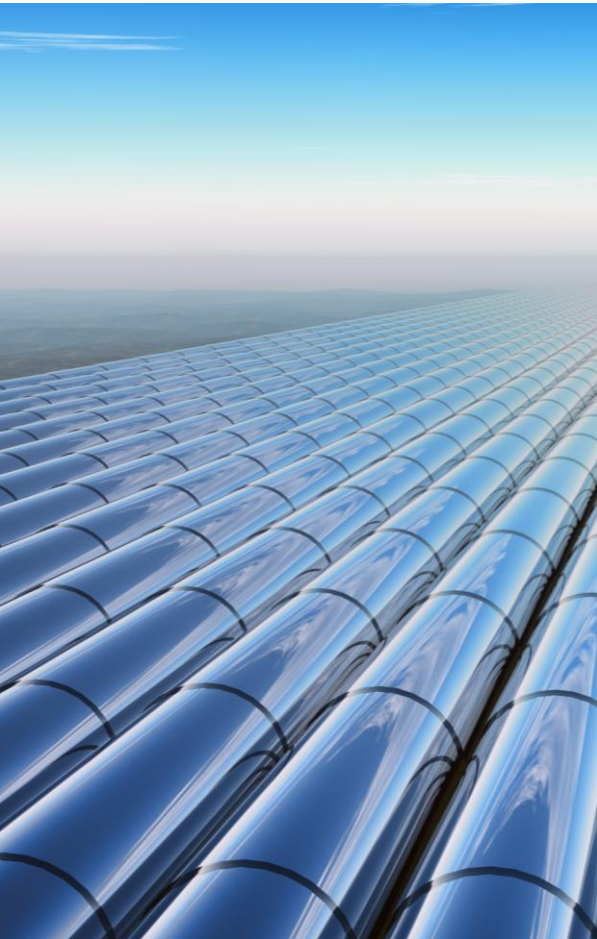


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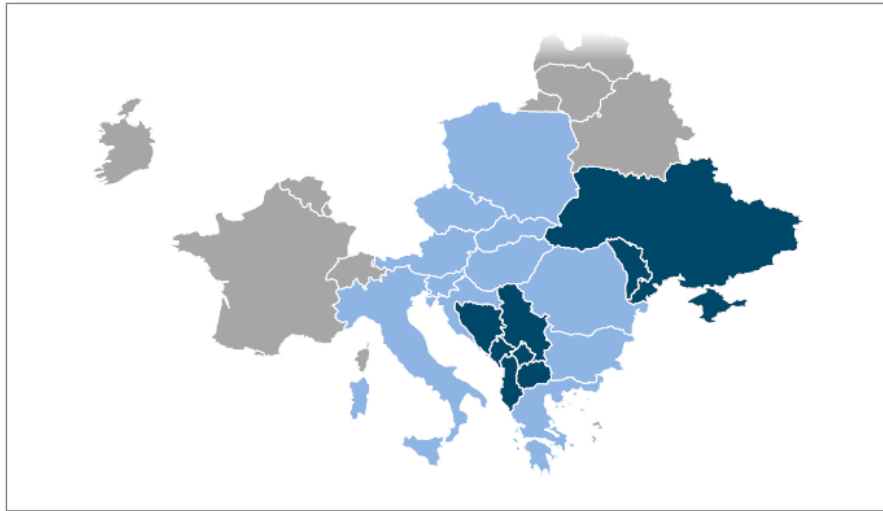
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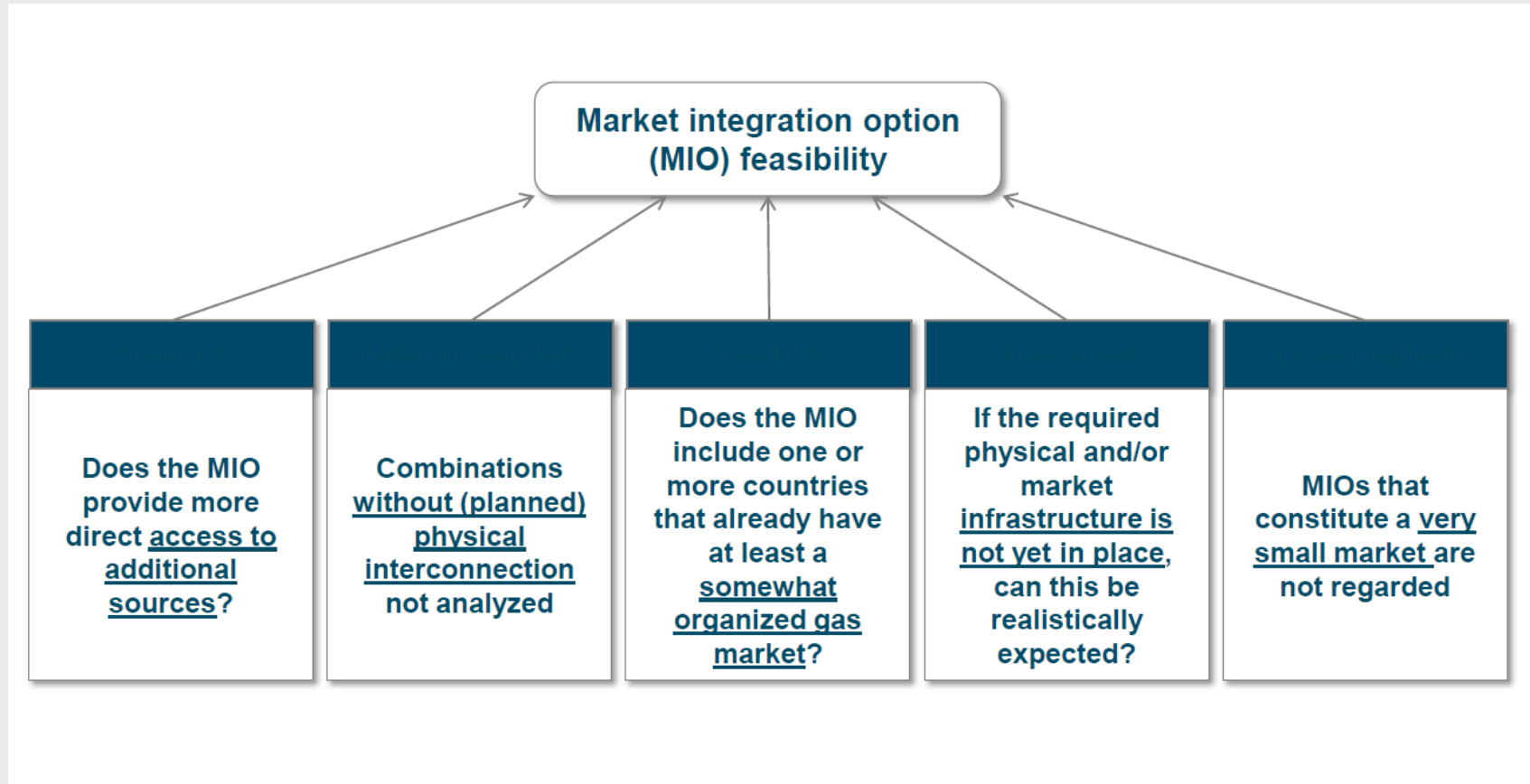
- potentials



- 3rd package implementation – and then?
- Geographic limits of cross-border market integration for the Energy Community gas markets
- Looking beyond the Energy Community!

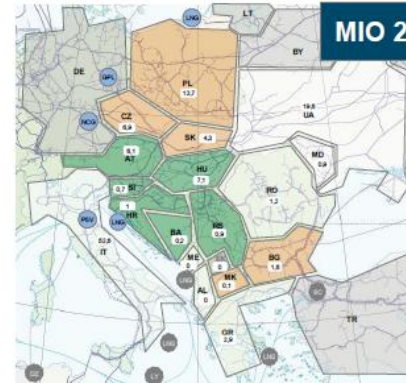
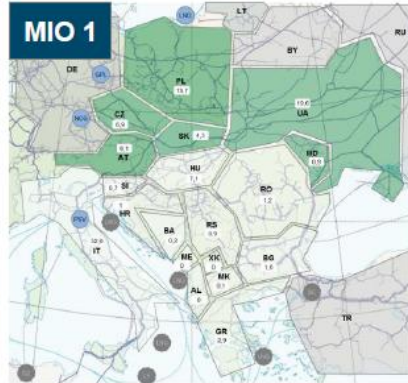
- What is a **potential geographical scope** (options) for cross-border market integration?
- What are the **benefits associated** with these market integration options (MIO)?
- Which **market integration model** should be applied?
- What are the major **steps in implementing** a MIO?





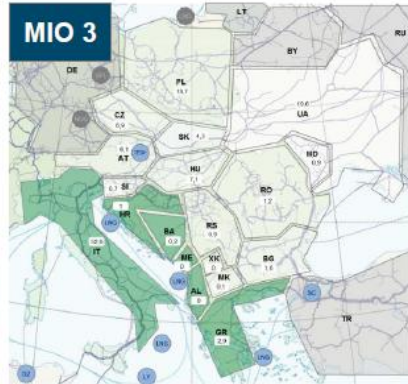
4 market integration options selected

- Includes CEGH market
- considerable direct access to new sources for UA & MD
- Based on existing infrastructure



- Includes CEGH market
- extensive direct access to new sources for SRB & BiH
- Mainly based on existing infrastructure
- Integration of MK and KS possible

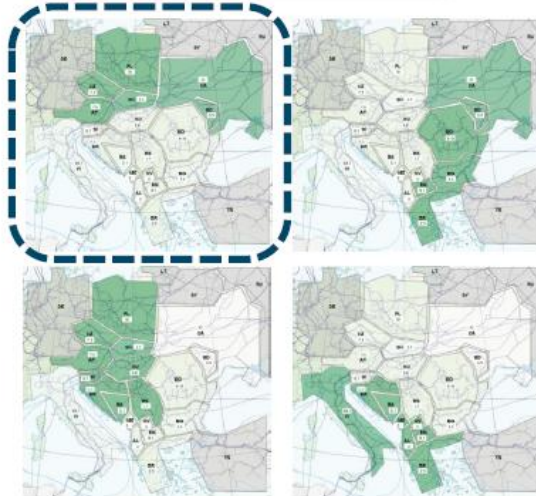
- Includes PSV market
- extensive direct access to different sources for Ionian-Adriatic region
- Fully depends on planned infrastructure



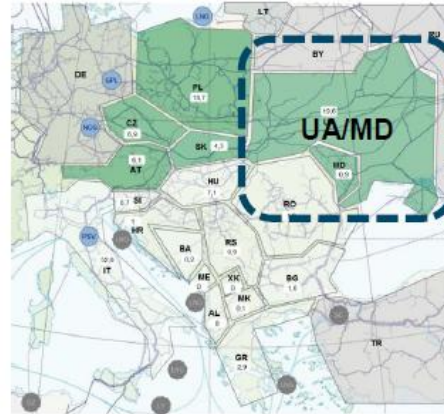
- Relatively low direct access to new sources for Ukraine
- Fully depends on planned infrastructure
- CESEC!

Methodology – Direct Market Access

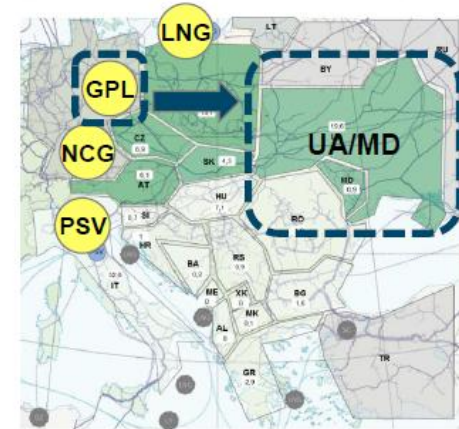
For a specific market integration option* ...



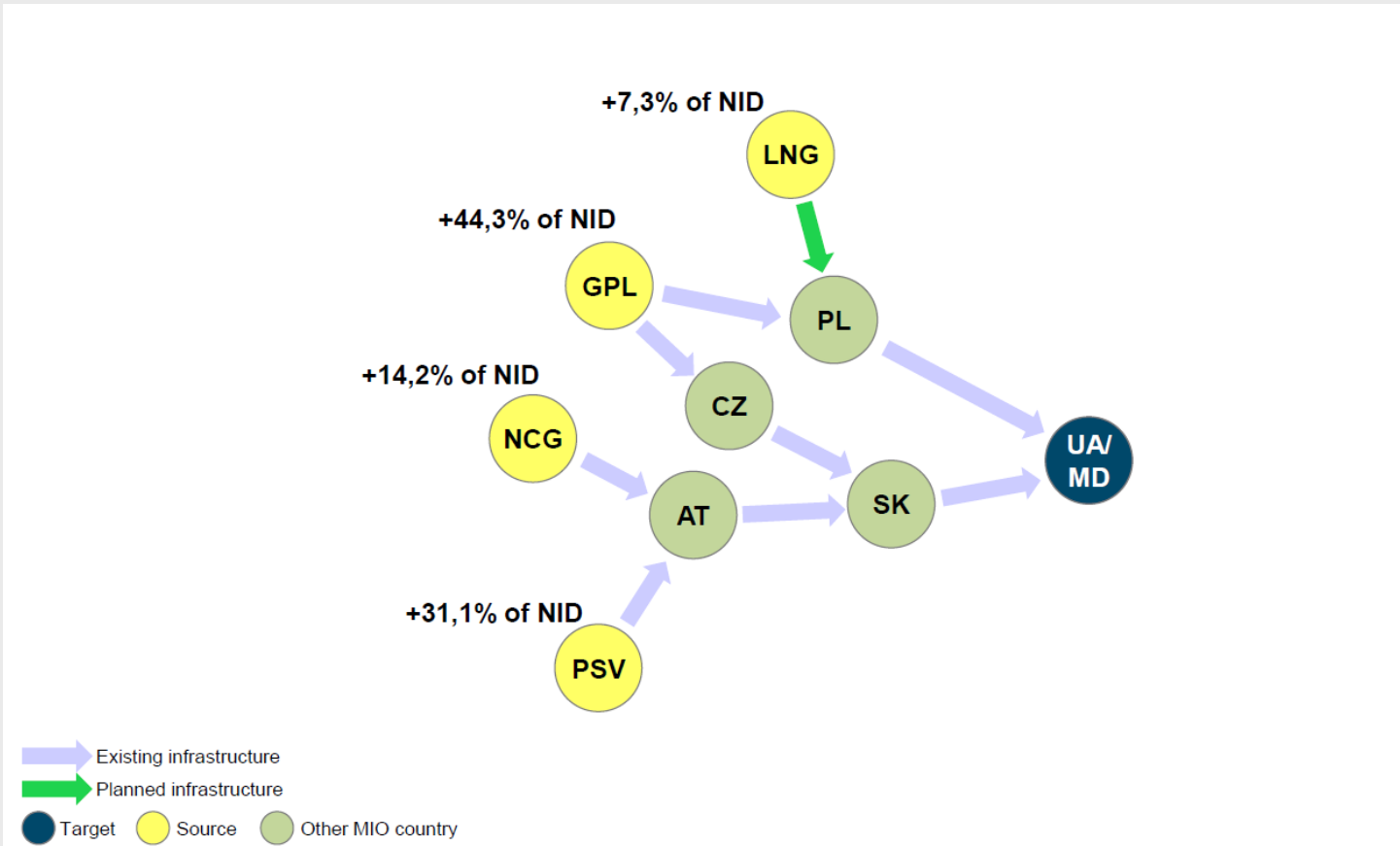
...the DMA is calculated for an assessment target...



...in relation to a new direct source to this assessment target.



Example – MIO *Ukraine West*



Market functioning perspective

Market health metrics

Number of supply sources

Herfindahl-Hirschmann Index

Residual Supply Index

Welfare perspective

Improved wholesale market efficiency

Improved retail market efficiency

Secondary benefits without quantification

What's next?

- Step by step work towards implementation
- Starting with satellite approach (SRB – HU | UA – PL)
- Little additional effort for the CPs beyond
 - 3rd package implementation
 - CESEC
- Cooperation within ACER GRI SSE



The background is a satellite-style image of the Earth at night, showing city lights. Overlaid on this is a complex network of glowing blue lines that curve and connect across the globe, representing a global energy or communication network.

Thank you
for your attention!

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www.energy-community.org