

ACER 

European Union Agency for the Cooperation
of Energy Regulators

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Council of European
Energy Regulators



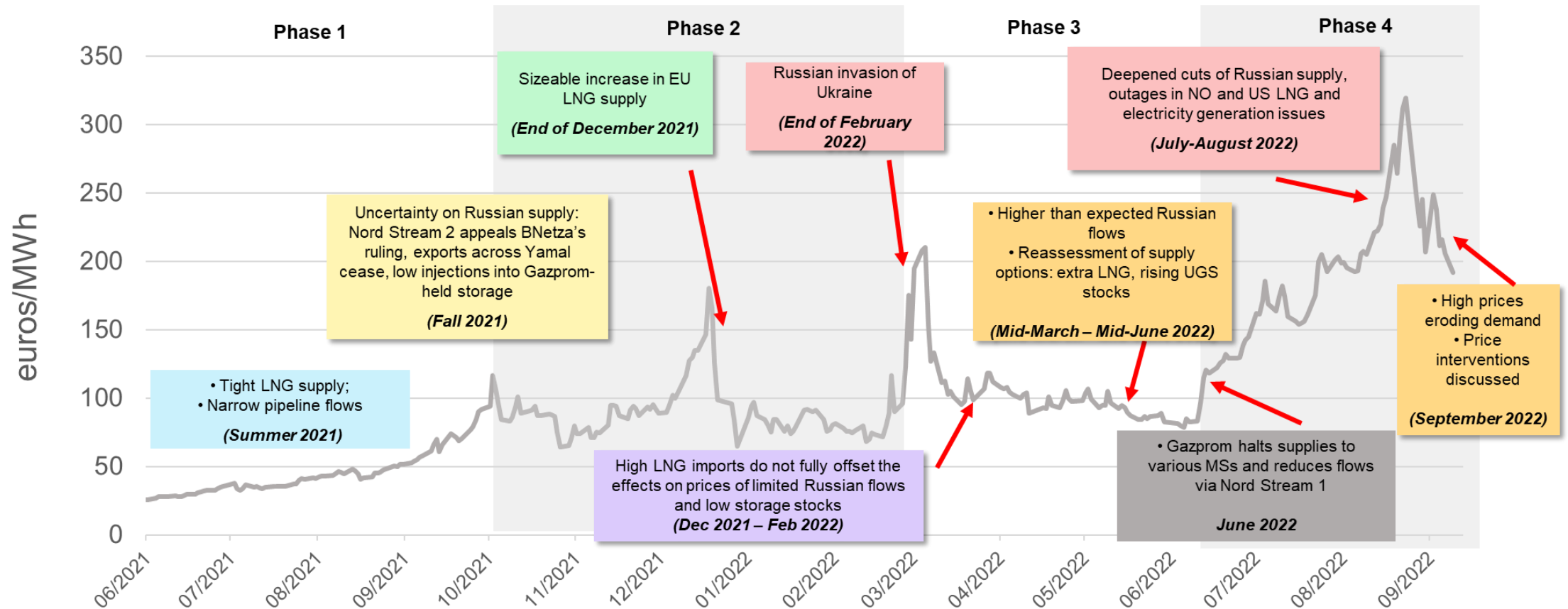
Wholesale pricing schemes and monitoring gas prices in natural gas markets

ERRA Natural Gas Markets and Economic
Regulation Committee

Some current price fundamentals

Various phases, each with different dynamics

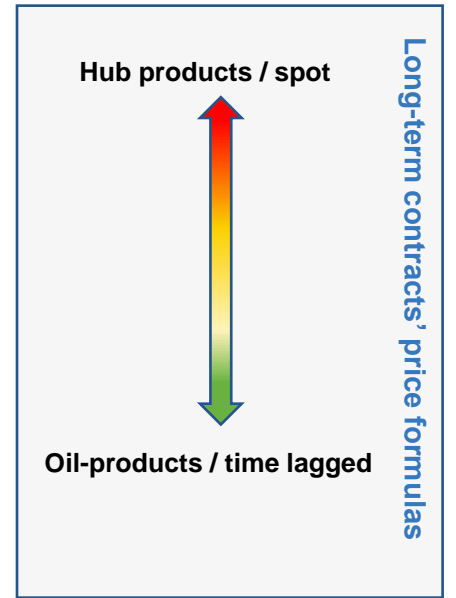
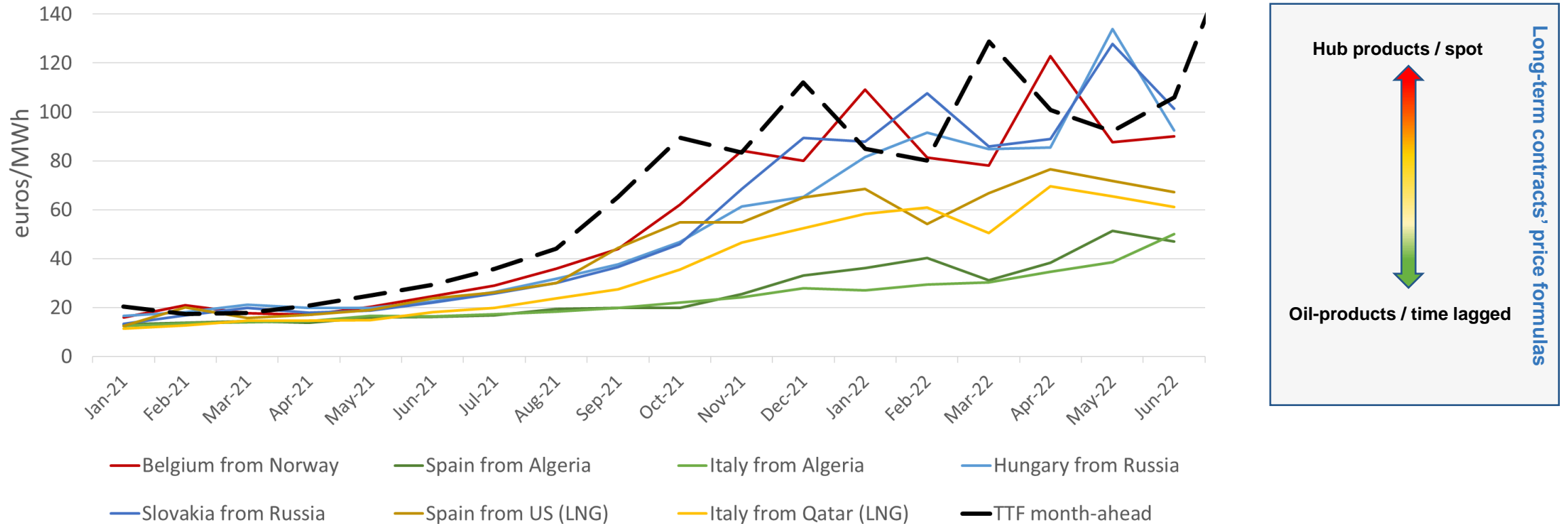
Overview of events and market fundamentals driving EU gas prices - TTF month-ahead contract (euros/MWh) - May 2021 - September 2022



The gas price surge can be split into four distinct phases. Price developments are since recently affected by gas supply scarcity risks but also by tight electricity generation

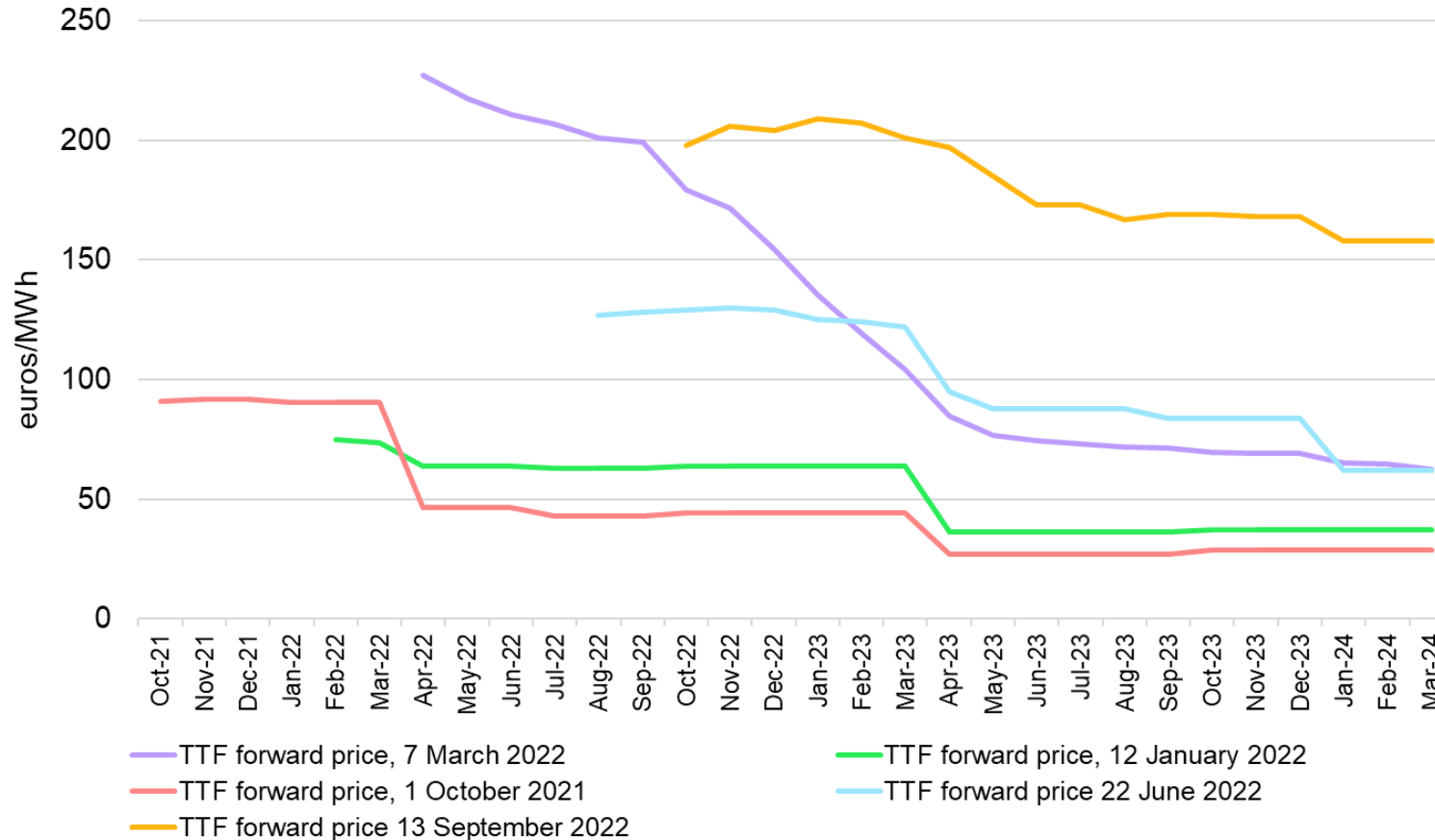
Selected long-term contracts remain significantly cheaper than hub-priced gas supply

Estimated prices of long-term supply contracts at selected MS from selected supply origins - euros/MWh - 2021 – June 2022



Long-term supply contracts' prices show a considerable variation depending on the employed price formulas

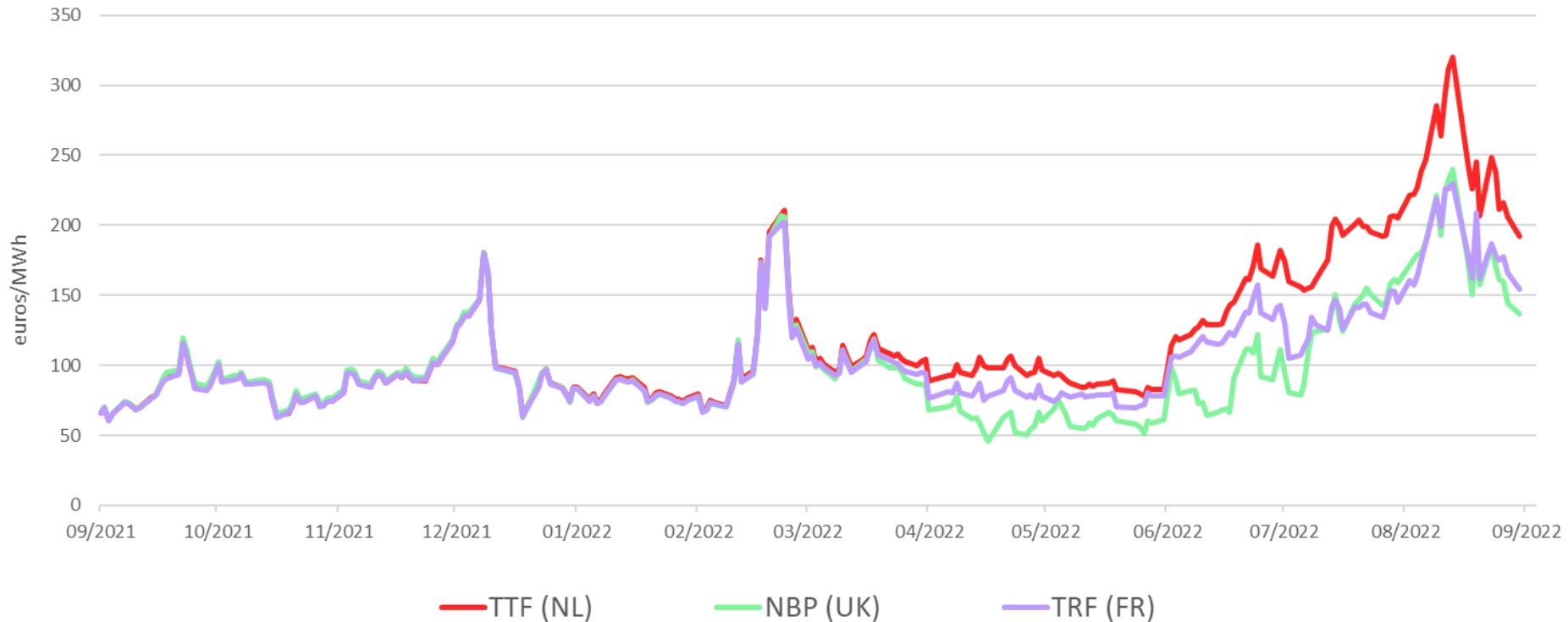
Evolution of gas (TTF) forward prices comparing the contractual outlook (October 2021 - September 2022)



Forward gas prices have risen recently due to reduced gas deliveries, in particular via Nord Stream 1

The traditional price convergence and correlation levels among EU hubs has noticeably changed

Evolution of gas MA hub prices at selected European gas hubs (September 2021 - September 2022)



Increased LNG reliance and some cross-border capacity constraints for flowing gas from West to East, together with limited LNG regasification capacity in Northern Europe are the driving factors of divergence

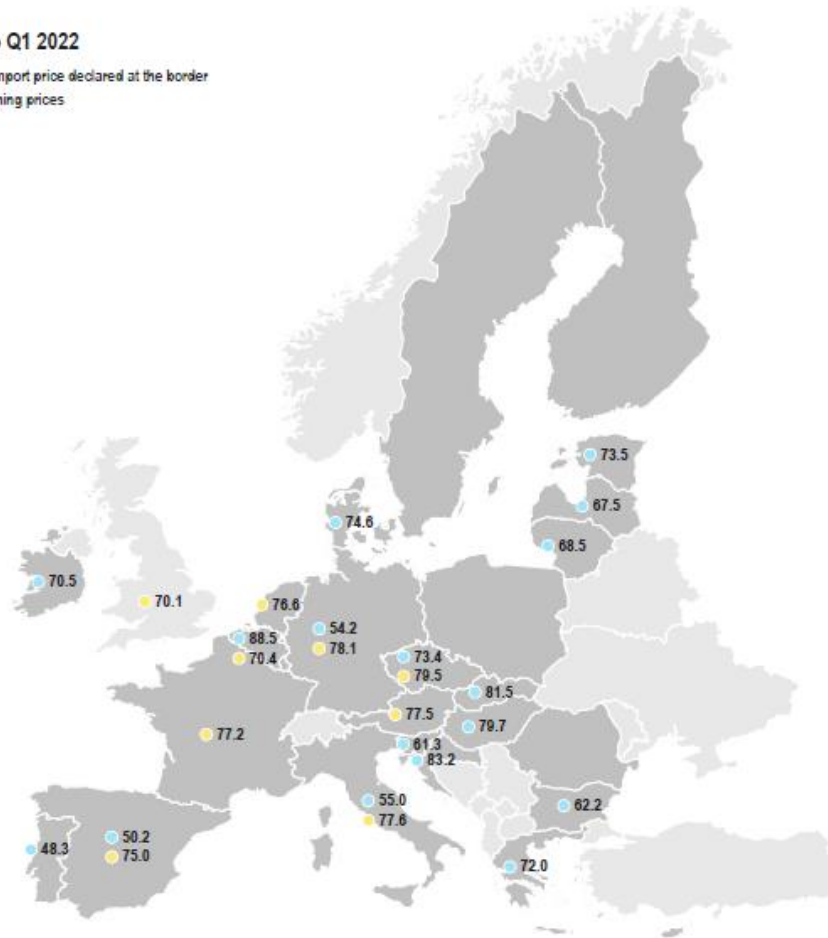
Methodology to estimate gas sourcing costs

ACER uses a twofold methodology to assess MSs gas and electricity sourcing costs

Estimated average suppliers' gas sourcing costs at selected MS – Q4 2021 – Q1 2022 – euros/MWh

Q4 2021 to Q1 2022

- Average import price declared at the border
- Hub hedging prices



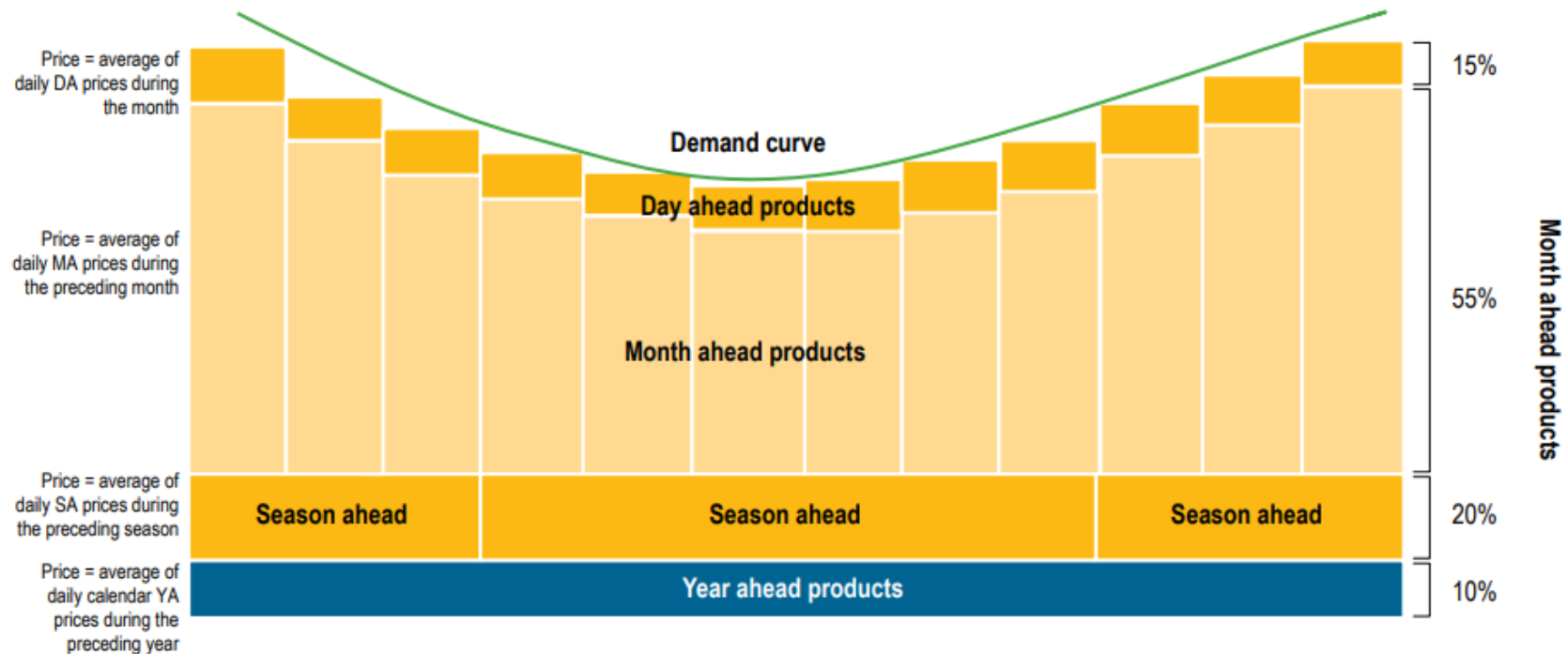
1. Hub hedging strategy (at MS with sufficient hub liquidity)

2. Gas import prices declared at the border (Eurostat Comext database)

The price at which suppliers source themselves in European gas wholesale markets varies between suppliers and over time, depending on their specific contractual conditions and on the procurement products and strategies

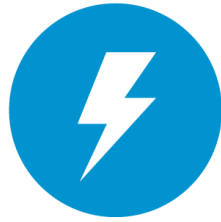
1. Hub hedging strategy (at MS with sufficient hub liquidity)

Figure A-19: Schematic representation of a procurement model



The proposed methodology intends to match the actual record of hub contracted products, doing a weighted average price

Overview of surveillance processes



Electricity

Trades
Orders
Transportation contracts
Fundamental data



Natural Gas

National Regulatory Authorities

27

Market Participants

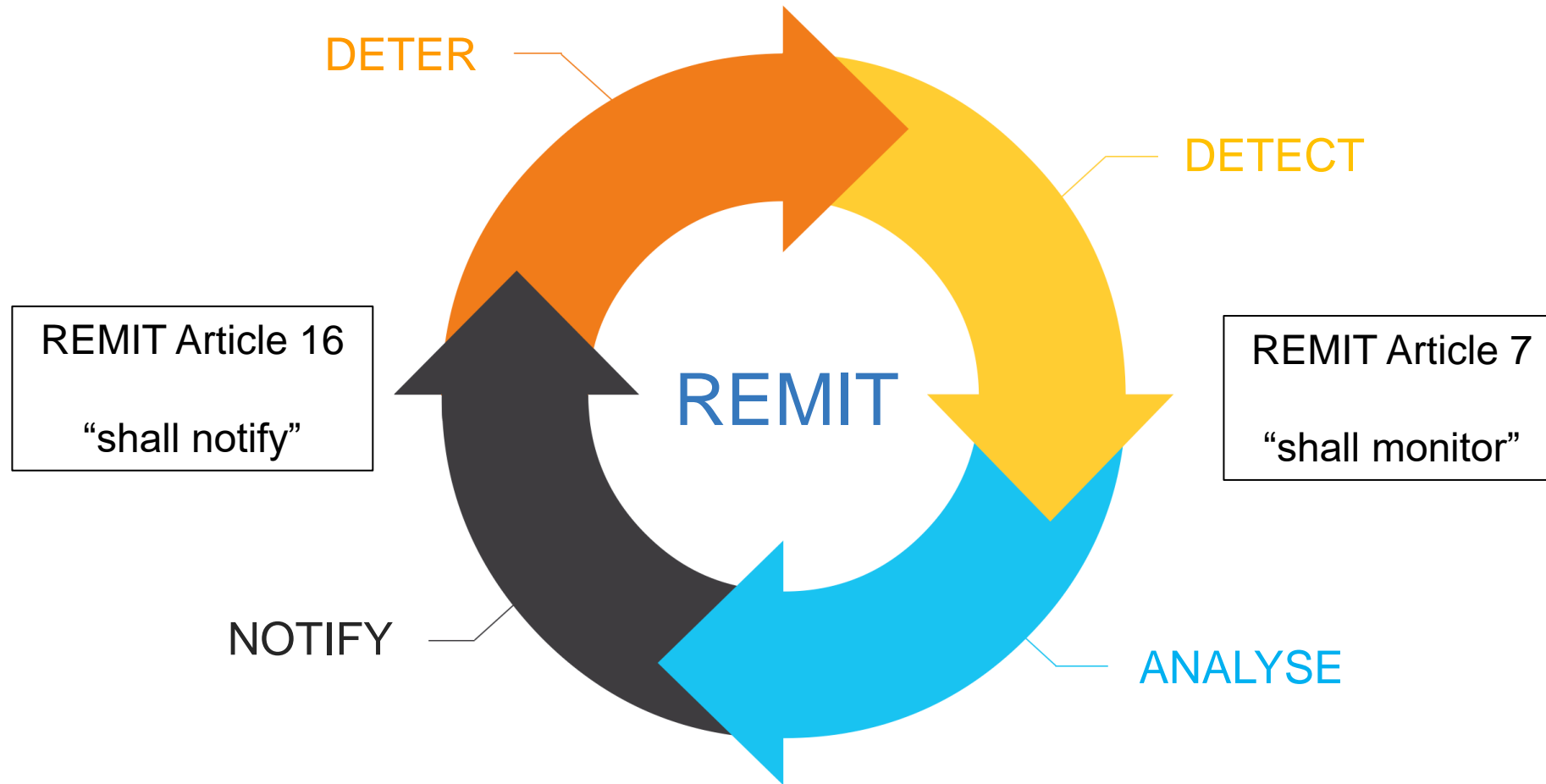
14k+

Registered Reporting Mechanisms

120

Organised Market Places

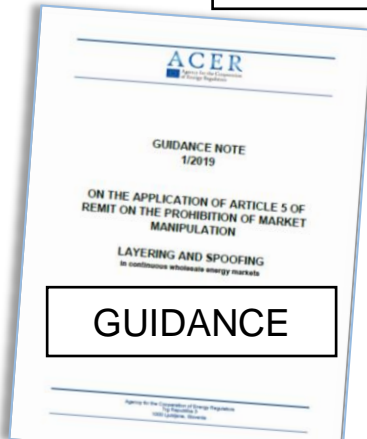
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SMARTS - CUSTOMISED SURVEILLANCE TOOL

PRODUCT NAME STANDARDISATION – PRODUCT TAXONOMY



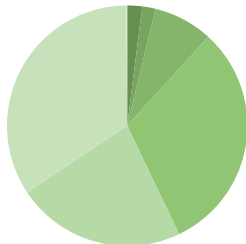
GUIDANCE

```

on trade
  if price > 150% * openprice and price > openprice + $0.07 then
    alert 101, "PRICE RISE", "PRICE RISE: The price rose from
      [openprice] at the open to [price] at [time]."
```

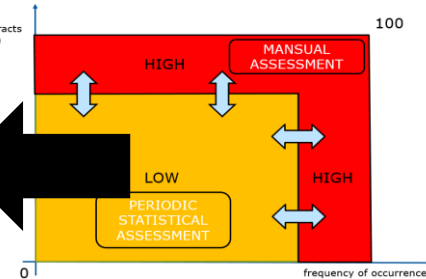
ALERT LOGIC

CLASSIFICATION



- Assessment
- NRA
- Watchlist
- Closed
- PIA
- Backlog
- DQ
- Calibration

ALERT MANAGEMENT SYSTEM



PRIORITISATION LOGIC

Thanks
