

Wholesale pricing schemes and monitoring gas prices in natural gas markets – case study session

Case study by **Hungarian Energy and Public Utility Regulatory Authority (MEKH)**

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ERRA Natural Gas Markets and Economic Regulation Committee

September 19, 2022 / 12th Meeting – Hybrid in/from Istanbul, Türkiye

Hosted by:

Gas wholesale market regime

- *Could you please describe your wholesale regime? Is there an organized market available?*

2 organized Markets in Hungary for Natural Gas:

1. **FGSZ KP** Exante and Expost Within Day Balacing (not used, old system).

2. **CEEGEX** as the organized natural gas market place for the Hungarian MGP (VTP), operates a liquid regional gas market that is in line with the leading international practices, offers safe, trustworthy and long-term solutions for its partners while utilizing the available infrastructure and providing cooperation opportunities in the Central and Eastern European region.

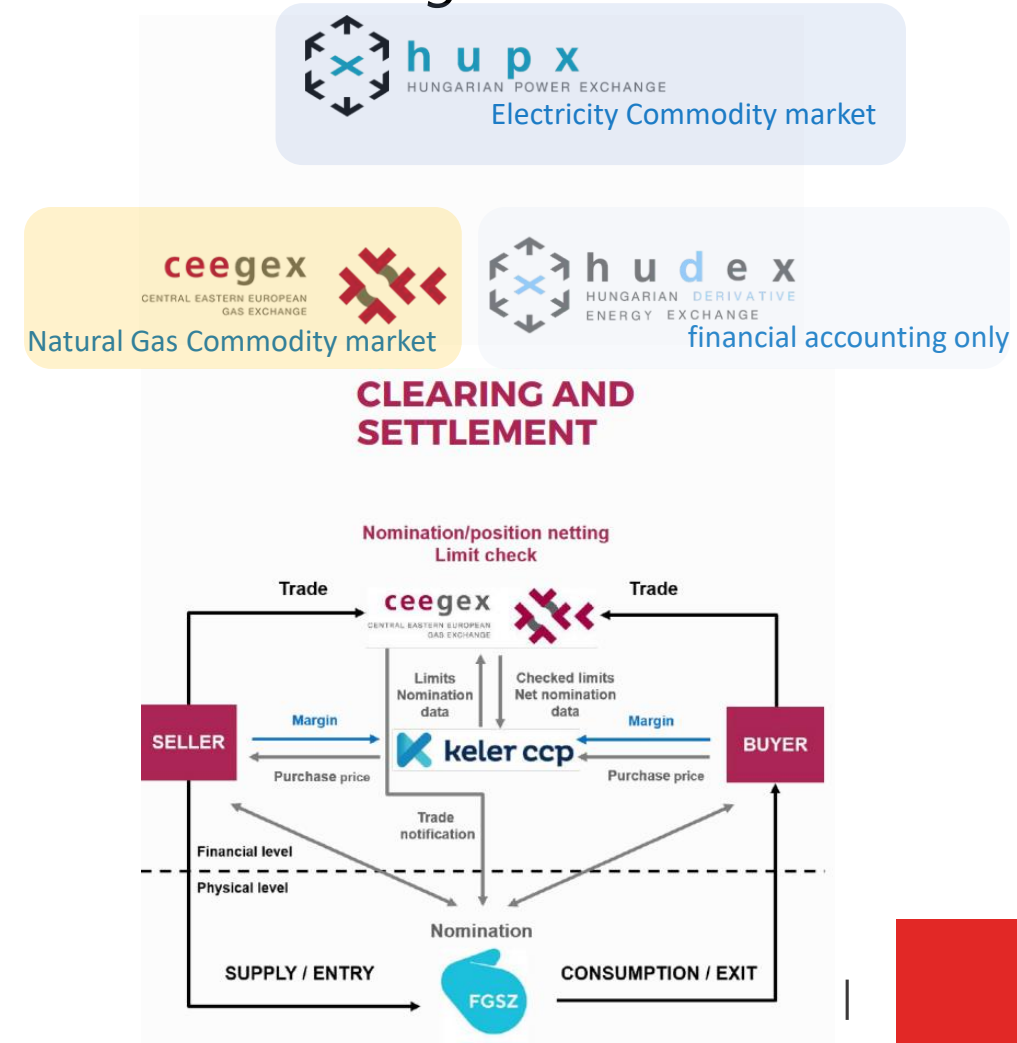
The second biggest spot exchange in the region (after CEGH).

Products:

- Physical Within-day and Day-ahead Market
- Trading on Hungarian Virtual Point (MGP) and on locational points
- Trayport GlobalVision system
- Continuous trading session 24/7
- Continuous bid-ask prices provided by market makers

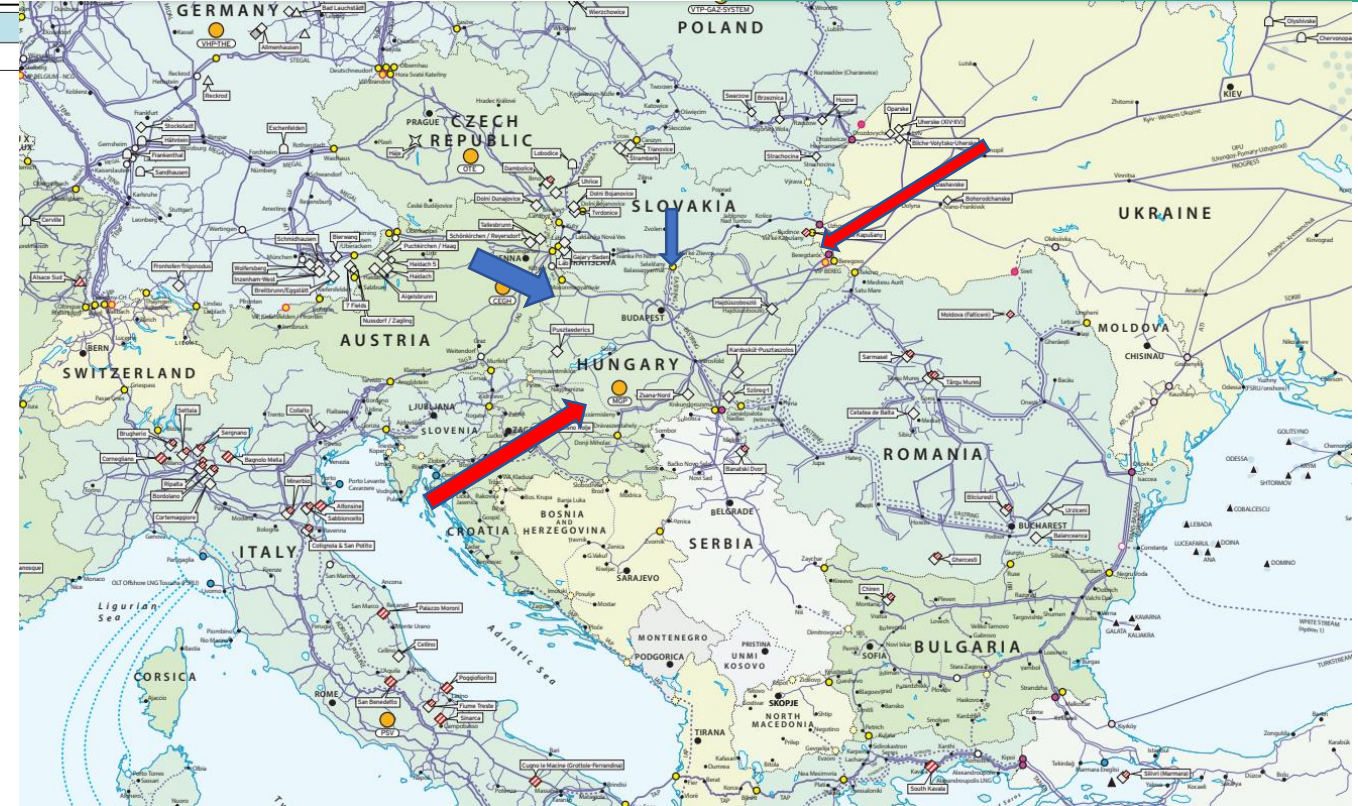
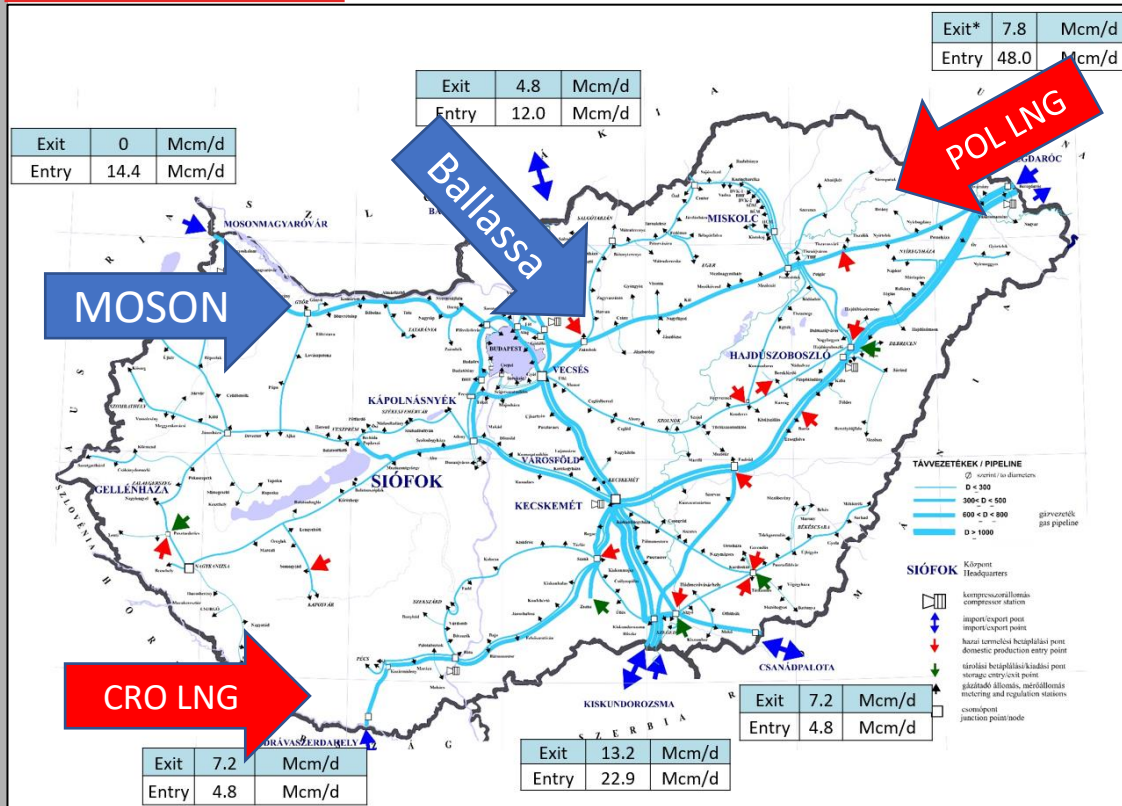
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Price establishment in the wholesale market

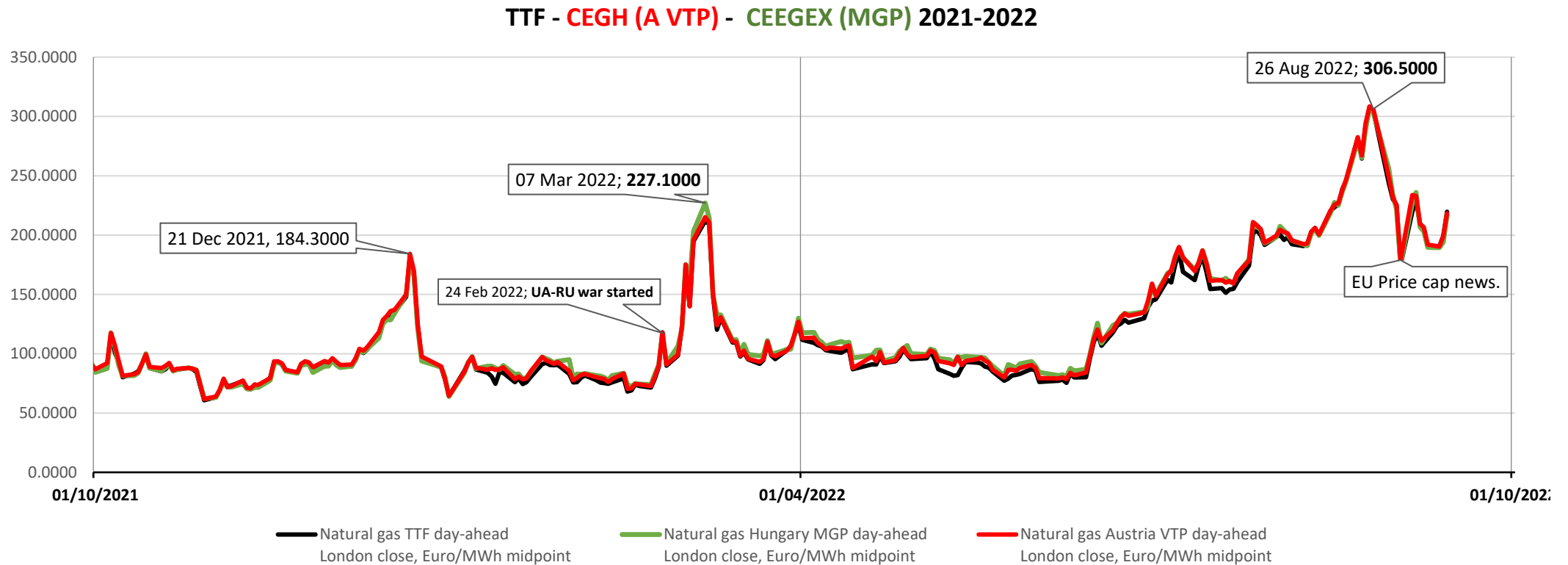
- How are the prices established in the wholesale market?



1. CEGH entry capacity at Mosonmagyaróvár does not allow CEEGEX to rise above CEGH because it would arbitrage (EUR 0.49). If Moson capacity runs out, Ballasagyarmat entry capacity will already raise the spread by EUR 3.
2. The cost of the withdrawal and injections and the working gas volumes value of the underground gas storage can affect the CEEGEX price.
3. The arrival of Polish LNG from Ukraine has also had an impact recently. Croatian LNG is present with small supplies.
4. There is a merit order, LNG is always more expensive than the Moson pipeline source, so there is no exact market price.

Price establishment in the wholesale market

- *How are the prices established in the wholesale market?*



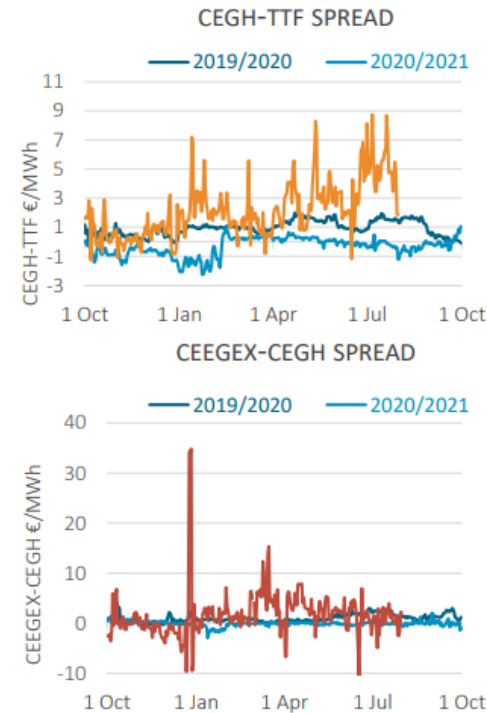
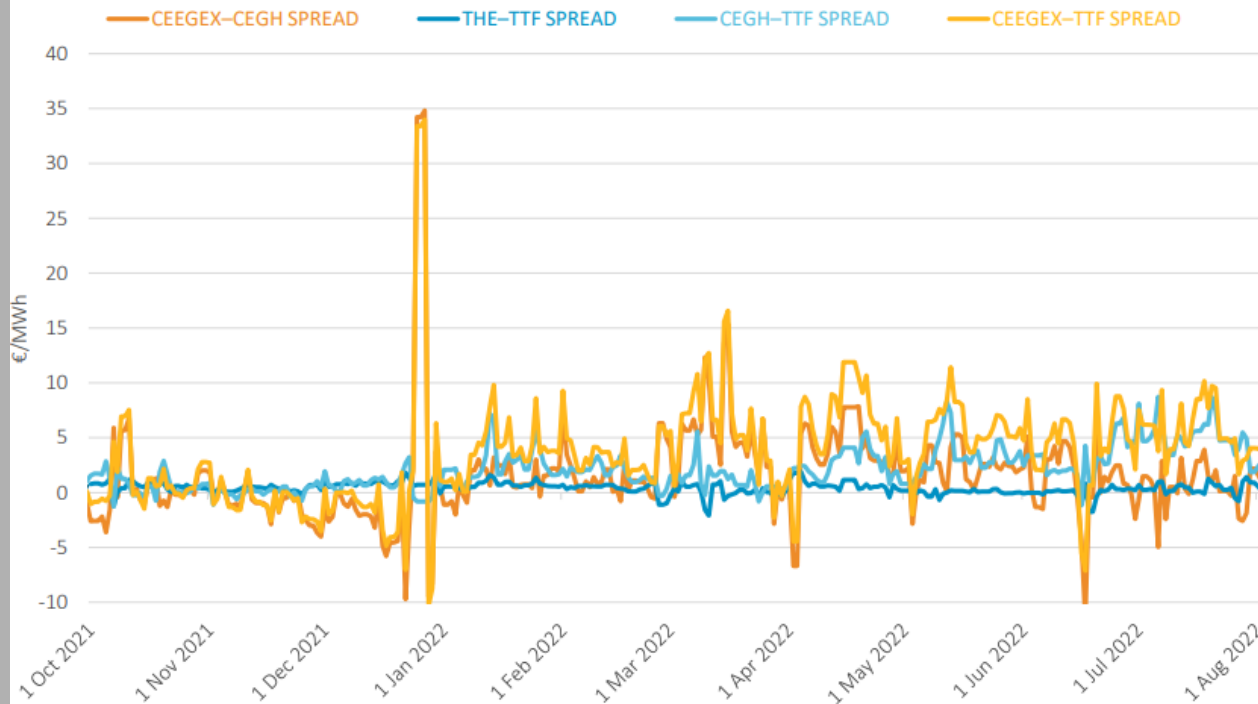
- The German market (THE) is in deficit by 10 bcm according to MEKH calculations, so EU prices are currently rising at the deficit.
(BNetzA published 6 bcm of this, WNG and UNIPER traders have run out of financial credits).
- The EU market price is now influenced not by deals or capacity, but by market rumours, news and political statements.

Price establishment in the wholesale market

- *How are the prices established in the wholesale market?*

PRICE DIFFERENCES BETWEEN EUROPEAN MARKETS

CEGH, CEEGEX prices are still significantly higher than TTF and THE prices, although the spreads and their volatility decreased somewhat in July. The spreads ranged as follows: THE-TTF between -0.78–1.43 €/MWh, CEGH-TTF between 1.86–8.73 €/MWh, CEEGEX-TTF varied from 1.66 to 10.17 €/MWh. The CEEGEX-CEGH spread ranged between -4.97–3.91 €/MWh and was in the negative range on nine days.



Source: CEEGEX, PEGAS

THE and **TTF** reflect the price of LNG.

CEEGEX is under the influence of Turkish Stream, which is still currently the major gas flow into Hungary.

The TTF-CEEGEX Spread is increasing since the UA-RU war.

Wholesale market monitoring

- *What are the monitoring mechanisms?*

CEEGEX is a **Registered Reporting Mechanism (RRM)** for the automated reporting of trading data in compliance with **REMIT Art.8**. CEEGEX is continuously enhancing its reporting service in accordance with new specifications and requirements communicated by ACER. (CEEGEX - ACER registration number: B00009714.HU)

ACER and CEER published its yearly **Gas Wholesale Markets Monitoring Report**.

https://www.acer.europa.eu/sites/default/files/documents/Publications/ACER_Gas_Market_Monitoring_Report_2021.pdf

The report relates to **2021, but includes also developments in the first half of 2022:**

- Hub-traded volumes also declined in the Central and Eastern markets of Austria, Poland, Czech Republic and Slovakia. In addition to the general reasons already mentioned, the hubs were specially affected by the uncertainty and the declining Russian flows transited across Ukraine and Yamal. **The exception was Hungary. The rise in Hungarian hub liquidity in 2021 was driven by the enhanced interconnectivity of the market and the new supplies reaching across Turk Stream and also the Croatian Krk LNG terminal.** However Hungarian liquidity has also been falling in Q4 2021 and across 2022, as the supply crisis intensified.
- The flows of **Russian gas across the Ukrainian corridors were significantly lower YoY** in 2021, primarily as a result of the new **lower threshold committed in the five-year transit agreement**. The outcome of **geopolitical tensions made flows across Ukrainian corridors to fall further, by 37% YoY** in Q1 2022. Flows into Hungary and Romania were completely suspended from March and April 2022 respectively, while from May 2022 the transmission of Russian gas through the Ukrainian territories faced some discontinuity. The 38.6 bcm transited in 2021 was 13% lower than the volumes transited in 2020 and accounted for only 35% of the aggregated nominal capacity of the Ukrainian corridors. **The gas volumes intended for Hungary and Romania were re-routed into the second line of Turk Stream, Balkan Stream.**

Measures against market manipulation

- *Are there any measures against market abuse, manipulation or fraud? Are these concepts defined in legislation? Are REMIT regulations implemented?*

Yes, REMIT regulations are implemented in Hungary!

Inside Information Publication

HUPX Hungarian Power Exchange Ltd. is appointed operator of the website dedicated to publish inside information (Inside Information Website) by the Hungarian Energy & Utilities Regulatory Agency (MEKH). **HUPX operates Inside Information Platform (IIP)** for Hungarian participants that enables them to report their obligatory inside information as required under Regulation of the European Parliament and of **the Council on Wholesale Energy Market Integrity and Transparency (REMIT)**, Act on Electric Energy (the Electricity Act), and Act on Natural Gas Supply (the Gas Act), and on the Detailed rules of publication of inside information (NFM Regulation)

HUPX's inside information webpage is also listed as an official IIP on the ACER's website and therefore, open to Market Participants from all over Europe to report their inside information as required by REMIT.

More information about registration, fees and related documentation is available on Inside Information Portal: <https://www.insideinformation.hu/en/pubpages/newslistmain.aspx>

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**THANK YOU FOR YOUR
ATTENTION!**

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Clean energy, sustainable environment

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