

Energy Traders Europe response to DGEC regarding obligations to supply gas

Energy Traders Europe welcome the opportunity to contribute to the debate on the extent to which suppliers should be obliged to cover for instances of exceptionally high demand in France. As a rule of thumb, we note that all shippers and suppliers are required to balance their portfolio daily and it is important for system integrity that this discipline is maintained. In addition, public service obligations (PSOs) in France require suppliers to be prepared to ensure supply continuity in the event of a peak rise of 2% or a loss of a main source of supply. Beyond these measures, physical balancing of the gas network remains the responsibility of the transmission system operator (TSO) and below we explain why we believe it needs to stay this way.

Key messages

- Market mechanisms have repeatedly proved their capacity to address gas scarcity through the right price signals
- Market participants should remain responsible for balancing their portfolios daily and up to the limit set by their contractual obligations and the public service obligations (PSOs) they are assigned to
- Any imbalance resulting from extreme conditions and spanning beyond existing commercial arrangements and the applicable PSOs towards shippers can only be addressed by the TSO

We begin by highlighting that the EU's gas market has proved to be remarkably resilient and capable of attracting considerable volumes from alternative supply source during the 2022 energy crisis. Against this background we emphasize that the existing regulatory setup already caters for situations of both extremely high demand and supply scarcity.

Secondly, we note that stakeholders on the gas market should all be incentivised to maintain a daily balance between supply and demand. This implies that excessive offtakes at times of scarcity should indeed be exposed to high prices, as this helps maintaining discipline and allows users to help balancing the network themselves – both by encouraging self-interruption or rescheduling of consumption, and by encouraging additional supplies. While a certain margin is enabled under France's public service obligation (the latter being "obligation de résultat" and not "obligation de moyen"), any additional measures cannot be justified, as these would merely remove the incentive to contain consumption at times of scarcity and potentially threaten security of supply.

Thirdly, we note that only the transmission system operator is in a position to address the problem of physical imbalance in the network as holder of all the relevant information,

especially in extreme situations out of the frame of the PSOs assigned to shippers. By default the TSO will enter the market and acquire the additional volumes, but if these are not available, the operator will be able to implement load shedding – which must be planned from an aggregated point of view to maintain supplies to vulnerable consumers, rather than at shipper level. In all cases, the costs resulting from these operations would be charged on users who have caused the imbalance.

We conclude by emphasizing that the existing gas market framework already caters for all instances of scarcity and it has already proved itself to be remarkably robust. We therefore believe there is no need to either limit or expand the responsibility of suppliers for balancing the gas network. Such measures, just like most market interventions, would increase the costs of maintaining the gas system and limit the efficiency of France's established and liquid gas hub.

Contact

Pawel Lont
European Gas Markets Manager
p.lont@energytraderseurope.org