MEDREG Gas WG

Assessment of competition indicators and market prices within MEDREG countries

Pedro Verdelho
MEDREG GWG Chair
Entidade Reguladora dos Serviços Energéticos (ERSE)

2nd CEER-MEDREG Roundtable
Malta, 19 May 2016

Agenda

1. Overview of MEDREG’s gas activities
2. Assessment of competition indicators and market prices within MEDREG countries – Methodology
3. Assessment of competition indicators and market prices within MEDREG countries - Questionnaire

1. Overview of MEDREG's gas activities 2016-2018

- **Objectives:**
  - Identify means to enhance market competition and security of supply through diversification, harmonization, connectivity and transparency
  - Assess evolution of cross-border capacity, LNG and storage capacity, by monitoring infrastructure development: mapping existing infrastructures and identifying needs
  - Promote creation of regional cooperation network among gas TSOs in the region

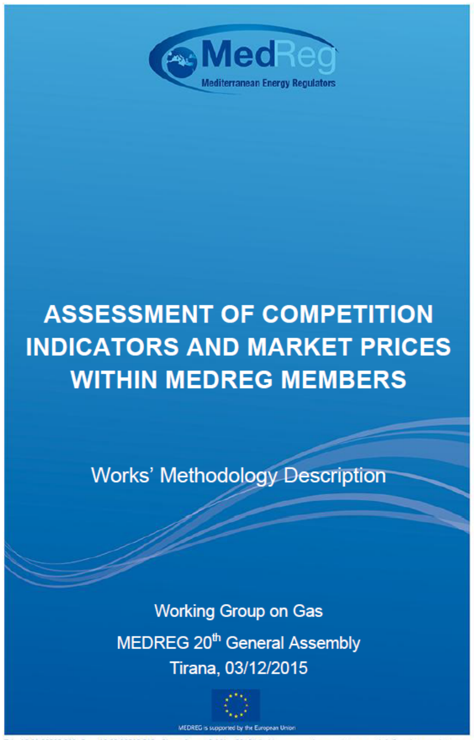
1. Overview of MEDREG's gas activities 2016-2018

- **Ongoing and future actions:**
  - Guidelines of Good Practice on TPA for gas – Monitoring report
  - Guidelines of Good Practice on Transparency for gas – Monitoring report
  - Transparency Platform – yearly update
  - **Assessment of competition indicators and market prices**
  - Assessment of gas markets and sector regulation; its expected evolution - Benchmarking report
  - Gas infrastructure map
  - Contribute to Union for the Mediterranean (UfM) Gas Platform
  - Guidelines of Good Practice on Capacity Allocation

2. Competition indicators and market prices within MEDREG countries – Methodology

- **Four deliverables for this assessment work:**
  1. **Work methodology description** - concluded in December 2015
  2. **Questionnaire on status of natural gas markets and natural gas prices** for each consumer type in each MEDREG country - to be completed during first semester of 2016
  3. **Final Assessment Report** with compilation of input from MEDREG members concerning competition market indicators and retail gas prices – for May 2017
  4. **Sharing good practices and information** among MEDREG members regarding computation of access tariffs to transmission networks, distribution networks, LNG Terminal and underground storage - first draft report foreseen by November 2016

2. Competition indicators and market prices within MEDREG countries – Methodology



Overall objective: Review state of competition in Mediterranean gas markets

Methodology: to reflect stages of market development in the region:

- Markets closed to competition
- Markets in transition (liberalization process ongoing)
- Fully open markets

Key features of the assessment:

- Mapping of structural aspects: (generation, demand, consumption shares, etc.)
- Mapping of competition: active suppliers, market concentration, product differentiation, consumer switching activity and level of liberalization, dispute settlement, vulnerable consumers
- Mapping retail prices: application of EUROSTAT methodology of prices by consumption bands for household and non-household consumers.

3. Competition indicators and market prices within MEDREG countries - Questionnaire


MedReg
Mediterranean Energy Regulators

ASSESSMENT OF COMPETITION INDICATORS AND MARKET PRICES WITHIN MEDREG MEMBERS

Questionnaire

Working Group on Gas

11 / 03 /2016

MEDREG is supported by the European Union

Tel +39 02 65565 563- Fax +39 02 65565 562 - Piazza Cavour 5, Milan 20121 (Italy) - www.medreg-regulators.org - info@medreg-regulators.org

- The questionnaire is divided in two different parts.
- The first part includes direct questions on market competition indicators.
- The second part includes tables to be completed and questions on retail gas prices for household and non-household customers.
- The questions will be based on the most recent situation in each country.

3. Competition indicators and market prices within MEDREG countries - Questionnaire

1. Gas market competition indicators

It is important to obtain a general view about the retail natural gas market in each country, in order to evaluate the main natural gas competition indicators: number of active suppliers, market concentration index, product differentiation, consumer switching activity and level of liberalization in the natural gas

- 1.1 Gas market physical characterization
- 1.2 Level of liberalization in the natural gas market
- 1.3 Number of active suppliers
- 1.4 Market concentration index
- 1.5 Product differentiation
- 1.6 Consumer switching activity
- 1.7 Additional indicators

3. Competition indicators and market prices within MEDREG countries - Questionnaire

2. Retail prices for natural gas consumers

The status of liberalization in the gas markets affects the data collection of retail prices; the methodology to be used must be in line with the market characteristics. In this context and in order to accomplish our objectives, it is recommended to use different methodologies to collect the natural gas retail prices among the MEDREG members. These methodologies have to be harmonized among the different countries so that comparable results are ensured.

- 2.1 Prices computation for consumer types defined by bands of annual gas consumption (Eurostat methodology)
- 2.2 Prices computation for consumer types defined by consumption profiles

3. Competition indicators and market prices within MEDREG countries - Questionnaire

2. Retail prices for natural gas consumers

- 2.1 Price computation for consumer types defined by bands of annual gas consumption (Eurostat methodology) – EUROSTAT or NRA data

Eurostat - S2 2014

Household end-user	Annual gas consumption (GJ)		Gas Annual Consumption (GJ)	Retail gas prices (€/kWh)		
	Lowest	Highest		Prices excluding taxes and levies	Prices excluding VAT and other recoverable taxes	Prices including all taxes, levies and VAT
Band D1		< 20				
Band D2	20	200				
Band D3	< 200					

Industrial end-user	Annual gas consumption (GJ)		Gas Annual Consumption (GJ)	Retail gas prices (€/kWh)		
	Lowest	Highest		Prices excluding taxes and levies	Prices excluding VAT and other recoverable taxes	Prices including all taxes, levies and VAT
Band I1		< 1 000				
Band I2	1.000	10.000				
Band I3	10.000	100.000				
Band I4	100.000	1.000.000				
Band I5	1.000.000	4.000.000				
Band I6	> 4 000 000					

Supported by the European Union

3. Competition indicators and market prices within MEDREG countries - Questionnaire

2. Retail prices for natural gas consumers

– 2.2 Price computation for consumer types defined by consumption profiles - NRA data

Alternative methodology - S2 2014

Household end-user	Annual gas consumption (GJ)	Modulation (days) *	Retail gas prices (€/kWh)		
			Prices excluding taxes and levies	Prices excluding VAT and other recoverable taxes	Prices including all taxes, levies and VAT
Consumer 1	10	50			
Consumer 2	100	50			
Consumer 3	1.000	50			

* If applicable

Industrial end-user	Annual gas consumption (GJ)	Modulation (days)	Retail gas prices (€/kWh)		
			Prices excluding taxes and levies	Prices excluding VAT and other recoverable taxes	Prices including all taxes, levies and VAT
Consumer 1	500	200			
Consumer 2	5.000	200			
Consumer 3	50.000	250			
Consumer 4	500.000	330			
Consumer 5	2.000.000	330			
Consumer 6	5.000.000	330			

Supported by the European Union

3. Competition indicators and market prices within MEDREG countries - Questionnaire

Questionnaire – response example from Portugal

General overview of retail natural gas	
Natural gas consumption in the country, during 2014 (bcm)	3,7 bcm
Percentage of natural gas demand in the household segment, during 2014 (bcm)	0,3 bcm (8%)
Percentage of natural gas demand in the non-household segment, during 2014 (bcm)	3,1 bcm (84%)
Share of natural gas in power generation, during 2014 (bcm)	0,3 bcm (8%)
Number of gas consumers in the country (31st December 2014)	1 383 523 customers (excluding 4 power generation units)
Percentage of customers in the household segment (31st December 2014)	1 378 879 customers (99,7%)
Percentage of customers in the non-household segment (31st December 2014)	4 644 customers (0,3%)

3. Competition indicators and market prices within MEDREG countries - Questionnaire

Questionnaire – response example from Portugal

Level of liberalization in the natural gas market	
What are the thresholds of elegibility to switch to the liberalized market?	Since January 2010 all the natural gas costumers can switch to the liberalized market.
What was the percentage of total natural gas customers in the liberalized gas market, in the end of 2014 (31st December 2014)?	824 593 customers (60%)
What was the percentage of household natural gas customers in the liberalized gas market, in the end of 2014 (31st December 2014)?	821 124 customers (60% of total household customers)
What was the percentage of non-household natural gas customers in the liberalized gas market, in the end of 2014 (31st December 2014)?	3 469 customers (75% of total non-household customers)
What was the percentage of natural gas consumption in the liberalized gas market, in the end of 2014 (31st December 2014)?	3,5 bcm (94,8%)
What was the percentage of household natural gas consumption in the liberalized gas market, in the end of 2014 (31st December 2014)?	0,2 bcm (53,7% of total household customers)
What was the percentage of non-household natural gas consumption in the liberalized gas market, in the end of 2014 (31st December 2014)?	3,3 bcm (98,4% of total non-household customers)

3. Competition indicators and market prices within MEDREG countries - Questionnaire

Questionnaire – response example from Portugal

Portugal -Eurostat S2 2014

Household end-user	Annual gas consumption (GJ)		Gas Annual Consumption (GJ)	Retail gas prices (€/kWh)		
	Lowest	Highest		Prices excluding taxes and levies	Prices excluding VAT and other recoverable taxes	Prices including all taxes, levies and VAT
Band D1		< 20	7.974.552	0,0966	0,1021	0,1256
Band D2	20	200	2.111.656	0,0802	0,0845	0,1039
Band D3	< 200		159.792	0,0709	0,0751	0,0923

Industrial end-user	Annual gas consumption (GJ)		Gas Annual Consumption (GJ)	Retail gas prices (€/kWh)		
	Lowest	Highest		Prices excluding taxes and levies	Prices excluding VAT and other recoverable taxes	Prices including all taxes, levies and VAT
Band I1		< 1 000	1.313.946	0,0726	0,0781	0,0961
Band I2	1.000	10.000	2.419.315	0,0590	0,0607	0,0746
Band I3	10.000	100.000	8.999.013	0,0437	0,0444	0,0546
Band I4	100.000	1.000.000	21.765.297	0,0377	0,0381	0,0469
Band I5	1.000.000	4.000.000	10.866.429	0,0358	0,0358	0,0441
Band I6	> 4 000 000		0	-	-	-

See annexed presentation with complete response answer for Portugal

Issues for discussion

- How to reflect current situations and different stages of market development and penetration of natural gas?
- How to weight the impact and importance of the indicators when assessing competition?
- Which regulatory instruments can help to support competition development?
- Any lessons for the Mediterranean from the EU's Gas Target Model?

MedReg
Mediterranean Regulators for electricity and gas

Tel: +39 02 65565 557/524
Fax: +39 02 65565 342
Piazza Cavour 5, Milan 20121 (Italy)
www.medreg-regulators.org
info@medreg-regulators.org

Thank you for your attention!

info@medreg-regulators.org
www.medreg-regulators.org

Supported by the European Union

Annex:
Additional sample responses by Portugal to the questionnaire

A. Competition indicators and market prices within MEDREG countries - Questionnaire

Questionnaire – response example from Portugal

Number of active suppliers	
How many natural gas active suppliers you have in your country (31st December 2014)?	7 Market Suppliers + 11 Last Resourse Suppliers (LRS)
How many natural gas active suppliers you have for household segment (31st December 2014)?	3 Market Suppliers + 11 Last Resourse Suppliers (LRS)
For household segment how many active suppliers have nationwide activity and how many have only local activity (31st December 2014)?	The 3 Market Suppliers have nationwide activity and the 11 LRS have local activity.
How many natural gas active suppliers you have for non-household (non-household) segment (31st December 2014)?	7 Market Suppliers + 11 Last Resourse Suppliers
For non-household segment how many active suppliers have nationwide activity and how many have only local activity (31st December 2014)?	The 7 Market Suppliers have nationwide activity and the 11 LRS have local activity.

Supported by the European Union

A. Competition indicators and market prices within MEDREG countries - Questionnaire

Questionnaire – response example from Portugal

Market concentration index	
At the local level there are network operators that are also natural gas suppliers? In these cases, the customers from these regions may choose a different supplier? If yes, please describe the number of suppliers with market shares equal to or higher than 5% (household and non household segment), at the end of 2014 (31st December 2014)?	Yes, 11 distribution network operators are also natural gas suppliers (LRS). In these regions the costumers can choose the nationwide market suppliers. For the household segment there are 3 market suppliers and also 1 LRS with market share higher than 5%. For the non-household segment there are 3 market suppliers with market share higher than 5%.
What was the market share of the largest natural gas supplier, in percentage of total national gas consumption, at the end of 2014 (31st December 2014)?	54%
What was the market share of the three largest natural gas suppliers, at the end of 2014 (31st December 2014)?	80% (excluding LRS)
What was the market share of the three largest natural gas suppliers (household segment), at the end of 2014 (31st December 2014)?	54% (excluding LRS)
What was the market share of the three largest natural gas suppliers (non household segment), at the end of 2014 (31st December 2014)?	84% (excluding LRS)
How many natural gas suppliers existed with market shares equal to or higher than 5%, at the end of 2014 (31st December 2014)?	3 market suppliers
How many natural gas suppliers existed with market shares equal to or higher than 5% (household segment), at the end of 2014 (31st December 2014)?	3 market suppliers
How many natural gas suppliers existed with market shares equal to or higher than 5% (non-household segment), at the end of 2014 (31st December 2014)?	3 market suppliers

Supported by the European Union

MedReg Mediterranean Energy Regulators

A. Competition indicators and market prices within MEDREG countries - Questionnaire

Questionnaire – response example from Portugal

Product differentiation	
How many natural gas coomercial offers existed at the end of December 2014, for household segment (total offers)?	24
How many of those offers are single product (just commercial offer for gas)?	7
How many of those offers are dual (natural gas and electricity offers)?	11
How many of those offers include services (power quality services, energy efficiency services, engineering services to ensure complience with environmental regulation,...)?	6

Consumer switching activity	
How many customers changed gas suppliers in the total number of customers, for the household segment, at the end of 2014 (31st December 2014)?	794 000 household customers (this number includes just the entries in the liberalized market).
How many customers changed gas suppliers in the total number of customers, for the non-household segment, at the end of 2014 (31st December 2014)?	2 600 non-household customers (this number includes just the entries in the liberalized market).

A. Competition indicators and market prices within MEDREG countries - Questionnaire

Questionnaire – response example from Portugal

Additional indicators	
Are there in place effective means of dispute settlement for all consumers?	In Portugal there are different means of dispute settlement: - Law No. 23/96 of July 26 (Law No. 10/2013) refers mechanisms to protect essential public services' users (which include gas and electricity consumers). By the choice of the essential public services' users (singular person, excluding companies) disputes under the essential public services are subject to compulsory arbitration.Singular persons may require that the dispute is submitted to arbitration of consumer disputes arbitration centers legally authorized. Under the law, arbitration can only exist if there is agreement between the parties. In the particular situation the service provider of essential services does not have to give his consent, it depends only on the consumer's decision. - In addition to the compulsory arbitration, they are available the Justices of Peace, which are courts of 1st instance, who decide civil actions up to 15 000 €. These courts can be used by singular and colective persons and in the end of the process there is a final payment of 70 € if the part miss the action in court. For filing an action in this court is not required to appoint a lawyer. This court resolves conflicts through mediation, if that is the option of both parties, with the intervention of a mediator of conflicts or judgment, performed by a Justice of the Peace. - ERSE, as a regulator entity, also makes the mediation of conflicts of civil nature.
Are there in place promptly, inexpensive and effective complaint handling procedures?	Any citizen can present a complaint to ERSE (electricity and natural gas complaints), writing a letter or an e-mail (on the external site of ERSE), for which ERSE informs and mediates. If there is an identification of an ilicit act, which has sanctioning competence, ERSE may impose a payment. ERSE has skills to resource level, to situations that have been already submitted directly to the natural gas supplier. The natural gas suppliers and network operators have the obligation to receive complaints and requests for information, its treatment and disclosure of the numbers of complaints and requests for information received and answered (annually). There are specific rules for Last Resource Supplier and network operator which require to provide various channels of access and response (written, personal and telephone). For supplierss under the market regime is mandatory the provision of information on the website and the receipt of complaints and inquiries.
It is defined what is understood by vulnerable customers? If so, please describe it and display the eligibility criteria.	Yes, it is. - The Decree-Law No. 101/2011 defines natural gas customers vulnerable consumers as consumers with social and economic needs, having the right to access to essential natural gas service supply. These vulnerable consumers thatmust be protected, in particular relating to price. - The elegible criterias for natural gas customers vulnerable consumers are the following: a) Beneficiaries of the solidarity supplement for the elderly; b) Beneficiaries of social integration income; c) Recipients of unemployment assistance; d) Beneficiaries of the 1st category of family allowance; e) Beneficiaries of social disability pension. - Eligible customers for application of the natural gas social tariff can also benefit from the social electricity tariff and can accumulate with other social supports.
Are there in place an integrated approach aiming the decreasing of energy poverty, such as social policies, energy efficiency improvements or social gas tariffs?	There is in practice an integrated approach the support the natural gas vulnerable customers. The definition of vulnerable customers is directly linked to the economic shortage in access to essential goods and the costs are suported by the State (all taxes payers) and the natural gas sector. Taking into account the need to protect the vulnerable customer in the natural gas sector, the Decree-Law No. 101/2011 defines the social tariff, opting for eligibility criterias that matches the benefits awarded under the social security system.
Are there last resort suppliers in your country? If so, please describe what market segment it covers (household/non-household), how many customers are supplied, if the applicable tariffs have some penalty or discount depending of the consumers vulnerability.	In Portugal there is a last resource natural gas supplier for the natural gas vulnerable customers (household segment) and also for all the customers (household and nonhousehold segments) that until the present moment didn't changed to a market supplier. Access tarifs and end users tariffs for the natural gas vulnerable consumers have a discount. The rules are defined in the Decree-Law No. 101/2011: - The natural gas social tariff is calculated by applying a discount on the grid access tariff at low pressure (for natural gas consumption lower than 500 m3/year). - The discount is determined by the Regulatory Authority Services Energy (ERSE). - The discount value is calculated taking into account the ceiling of the social end tariff, fixed annually by the Portuguese Government, taking into account the evolution of the expected costs for the natural gas sector.

A. Competition indicators and market prices within MEDREG countries - Questionnaire

Questionnaire – response example from Portugal

Portugal -Eurostat S2 2014

Household end-user	Annual gas consumption (GJ)		Gas Annual Consumption (GJ)	Retail gas prices (€/kWh)		
	Lowest	Highest		Prices excluding taxes and levies	Prices excluding VAT and other recoverable taxes	Prices including all taxes, levies and VAT
Band D1		< 20	7.974.552	0,0966	0,1021	0,1256
Band D2	20	200	2.111.656	0,0802	0,0845	0,1039
Band D3	< 200		159.792	0,0709	0,0751	0,0923

Industrial end-user	Annual gas consumption (GJ)		Gas Annual Consumption (GJ)	Retail gas prices (€/kWh)		
	Lowest	Highest		Prices excluding taxes and levies	Prices excluding VAT and other recoverable taxes	Prices including all taxes, levies and VAT
Band I1		< 1 000	1.313.946	0,0726	0,0781	0,0961
Band I2	1.000	10.000	2.419.315	0,0590	0,0607	0,0746
Band I3	10.000	100.000	8.999.013	0,0437	0,0444	0,0546
Band I4	100.000	1.000.000	21.765.297	0,0377	0,0381	0,0469
Band I5	1.000.000	4.000.000	10.866.429	0,0358	0,0358	0,0441
Band I6	> 4 000 000		0	-	-	-

Supported by the European Union