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Study about models for integration of the Spanish and Portuguese gas markets in a common Iberian Natural Gas Market

TIGF Contribution

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As adjacent TSO, TIGF welcomes the opportunity to take part to this consultation regarding the different models for Iberian gas market integration.

At European level, TSOs are committed, within ENTSOG, into important works in order to create the conditions for gas market integration. CAM and BALANCING are, among the other network codes, strong tools that will facilitate the development of liquid market places.

At French level, significant results have been achieved in terms of market integration with the progressive reduction of balancing zones. The three existing zones (North, South & TIGF) are all connected to a virtual market place producing a transparent price reference to the market.

This integration process is still running and both French TSOs, **TIGF and GRTgaz, are now involved in the project of merging South and TIGF Virtual Trading Point** (PEG South and PEG TIGF) into a Common South VTP. The main objective is to increase liquidity of the market place in the south of France while giving access to the same VTP to a larger number of customers.

As described in successive CRE decisions, this **market place merging will be realized through a Trading Region model** which creates a Trading Region Area attached to a single VTP and two separated balancing zones managed by each TSO.

This model, which creates a high level of integration, will **go live on the 1st of April 2015**. It is the first step of the French integration process with an objective, announced by CRE, of a single market place in France in 2018.

From TIGF point of view, we think that the **short term priority of Iberian Peninsula could be to create a Virtual Trading Point in Spain** in order to introduce a transparent market price. As described in the point 3.a of this consultation, Spain meets the conditions to develop a liquid hub.

The emergence of a Spanish hub would facilitate cross border trades with France, would increase flexibility options offered to the market, and would then better value the developments of capacities realized at the French-Spanish border.

Regarding the different models described in this consultation, TIGF understands the difficulty of implementing a Market Area Model between two different countries. However we think Implicit Allocation is more an optimization between two existing markets than a real mechanism for market integration process. Furthermore, the experience of market coupling in France at North-South link has been realized in specific conditions (a VTP on each side with one of them liquid, congestion).

TIGF believes that Trading Region Model could be seen as a midterm objective of integration that could come after the achievement of a Spanish VTP. French return of experience in the implementation of the Trading Region Model in the South of France could also benefit Iberian Peninsula to faster this implementation within South GRI initiative.
