

## AGTM METRICS UPDATE FOR AUSTRIA'S EASTERN MARKET AREA

Non-binding English summary of a study conducted by Wagner, Elbling  
& Company (WECOM) for E-Control Austria

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## BACKGROUND AND SCOPE OF STUDY

The ACER Gas Target Model (AGTM) is an instrument designed to drive the development of the European Internal Energy Market (IEM) for gas. To this end, the AGTM provides that national energy regulators conduct self evaluations at regular intervals. It defines the indicators to be used across Europe but at the same allows for taking into account specific characteristics of individual markets. The self-evaluations conducted in accordance with this model make it possible to verify whether we are making progress towards the IEM.

Two key dimensions are wholesale market liquidity and upstream competition, expressed through the following types of metrics:

- *Market Health Metrics*, which serve to assess whether there is sufficient upstream competition; and
- *Market Participants' Needs Metrics*, which serve to evaluate wholesale market liquidity.

The study calculates these metrics for the eastern market area in Austria. It verifies whether the relevant thresholds were reached in 2014 and 2015 and whether the thresholds of the Market Participants' Needs Metrics will likely be fulfilled in the medium term (2018). WECOM start by explaining the underlying calculation methodology from Annex 3 of the AGTM<sup>1</sup> and then go on to a presentation and interpretation of the results.


## EXECUTIVE SUMMARY

### Calculation of AGTM metrics for 2014 and 2015

An application of the Market Health Metrics reveals that the eastern market area fulfils the AGTM thresholds in most respects. The sole exception is the HHI, which does not reach the required threshold for either year, though diversification has improved since the AGTM evaluation of 2013.

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<sup>1</sup> s. annex 3 of the AGTM: [http://www.acer.europa.eu/Events/Presentation-of-ACER-Gas-Target-Model/Documents/A14-AGTM-13-03a\\_GTM\\_Annex%203%20-%20Calculation%20specification%20Metrics\\_final.pdf](http://www.acer.europa.eu/Events/Presentation-of-ACER-Gas-Target-Model/Documents/A14-AGTM-13-03a_GTM_Annex%203%20-%20Calculation%20specification%20Metrics_final.pdf)



The Market Participants' Needs Metrics show a different picture. As already in 2013, the eastern market area does not reach the required thresholds for three of the four metrics (with the bid-offer spread for the spot market being the only exception). While the situation for the spot market improved between 2014 and 2015, both the prompt and forward markets deteriorated (except for metric 4, number of trades / trading horizon). For several metrics, there are simply not enough order book volume on the prompt and forward markets in Austria's eastern market area, i.e. they do not fulfil the AGTM's minimum data point requirements. (The AGTM requires that metrics 2 and 3 be calculable for at least 80% of trading days for shorter time horizons and for at least 60% of trading days for longer time horizons.) This indicates a central lack of stable and sufficient order book volume. Calculating the metrics even though they do not fulfil the AGTM's minimum data point requirements yields results that are close to the thresholds, which again points to insufficient order book volume.

Please note that the results calculated for the Market Participants' Needs Metrics (s. details in chapter 2.2 in the German version) refer to OTC volumes exclusively for two reasons. Firstly, exchange trade only accounted for a total of 5% of volumes in all market segments in 2015;<sup>2</sup> secondly, the 2013 AGTM calculations also excluded exchange trading and including it now would have interfered with comparability.

Given that 22% of spot market volumes were exchange traded in 2015, WECOM ran a separate calculation of the Market Participants' Needs Metrics for the spot market that included exchange trades at CEGHEX. This resulted in better scores across the board, but still the AGTM thresholds were not reached.

## Perspectives for the Market Participants' Needs Metrics in 2018

Projecting the Market Participants' Needs Metrics to 2018 shows that Austria's eastern market area is unlikely to reach the thresholds for most metrics in the medium term. WECOM expect the spot market to improve (while still falling short of AGTM thresholds, particularly in terms of volume and number of trades), but liquidity on the prompt and forward markets, which was already far off the marks in 2014 and 2015, will likely deteriorate even further. Seeing these results, the study does not assume that the situation in the eastern market area will considerably improve if left to develop on its own, particularly as far as the prompt and forward markets are concerned.

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<sup>2</sup> Based on available aggregate numbers for OTC (mainly LEBA brokers) and CEGHEX traded volumes in 2015.

## Development of other continental European gas markets

A market integration study WECOM conducted on behalf of by Bundesnetzagentur<sup>3</sup> included calculations of AGTM metrics for the German market areas NCG and GPL for 2014, as well as a sliding 12-month calculation for the period from 01/2013 to 09/2015 as basis for projections to 2017. The same estimates (sliding 12-month calculations, 01/2013-09/2015) were made for Dutch hub TTF to establish comparability, but TTF numbers were not projected. These calculations can be compared with the results for Austria's eastern market area.

The German market areas and Austria's eastern market area display the same overall trends, i.e. a positive development of the spot segment and a negative one for the prompt and forward markets.

Particularly for the prompt and forward markets, not even TTF manages to produce continuous positive developments throughout the observation period and in some cases does not reach AGTM thresholds. Still, TTF further consolidates its position as main continental venue for prompt and forward trading. Other venues, such as the German markets or the eastern market area in Austria, fail to catch up with TTF's levels of liquidity.

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[https://www.bundesnetzagentur.de/SharedDocs/Downloads/DE/Sachgebiete/Energie/Unternehmen\\_Institutionen/NetzzugangUndMesswesen/Gas/GutachtenBNetzAMarktintegrationWECOM.pdf;jsessionid=A8C503E1C0B72F0496F62784DDAAD695?\\_\\_blob=publicationFile&v=3](https://www.bundesnetzagentur.de/SharedDocs/Downloads/DE/Sachgebiete/Energie/Unternehmen_Institutionen/NetzzugangUndMesswesen/Gas/GutachtenBNetzAMarktintegrationWECOM.pdf;jsessionid=A8C503E1C0B72F0496F62784DDAAD695?__blob=publicationFile&v=3) (full German version)  
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