



Gas Pricing

SPM 9541
December 2010
Aad Correljé

Programme

Visions on gas prices

Pricing and economic theory

Gasmarkets

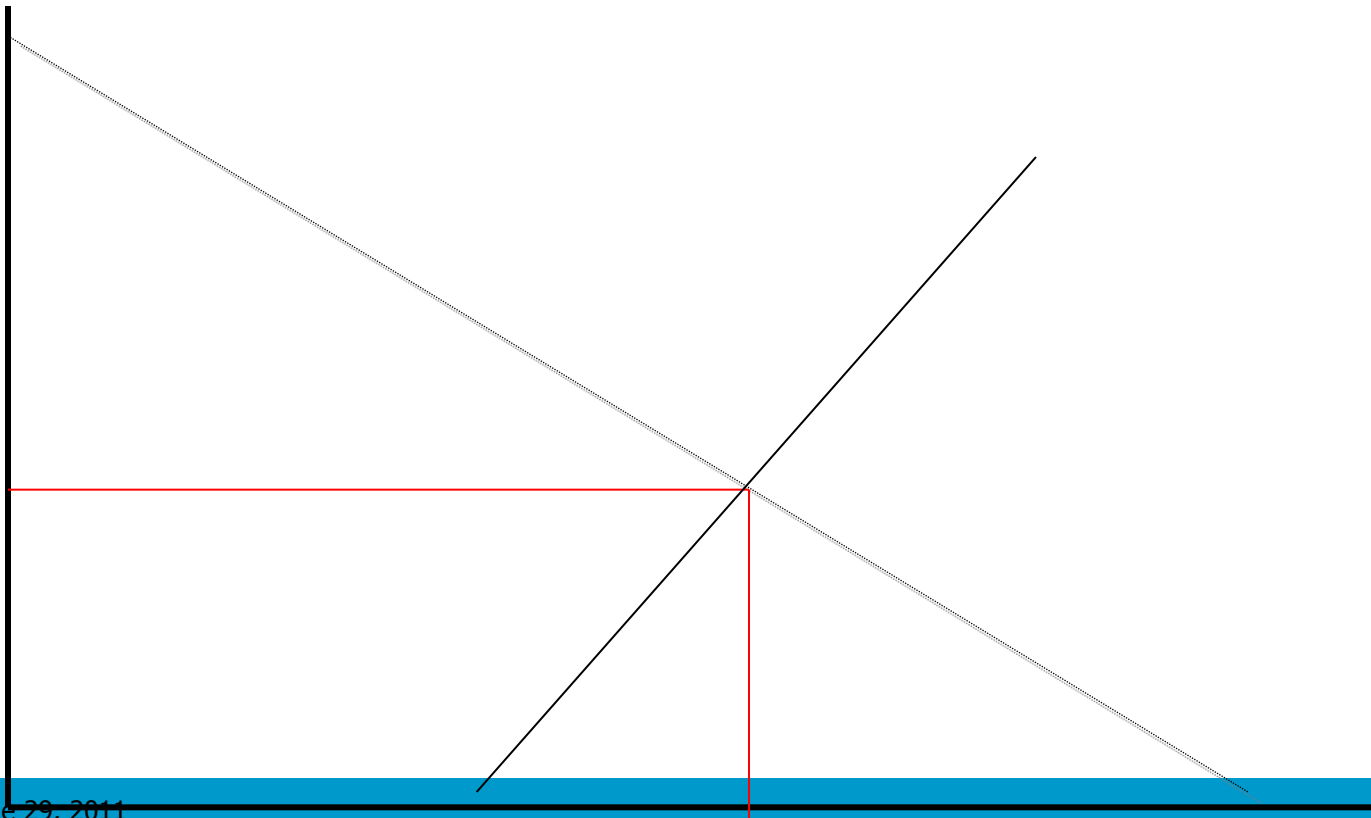
Discussion: market prices?

Pricing systems

Contracts

Price , Supply and Demand

Price (p)



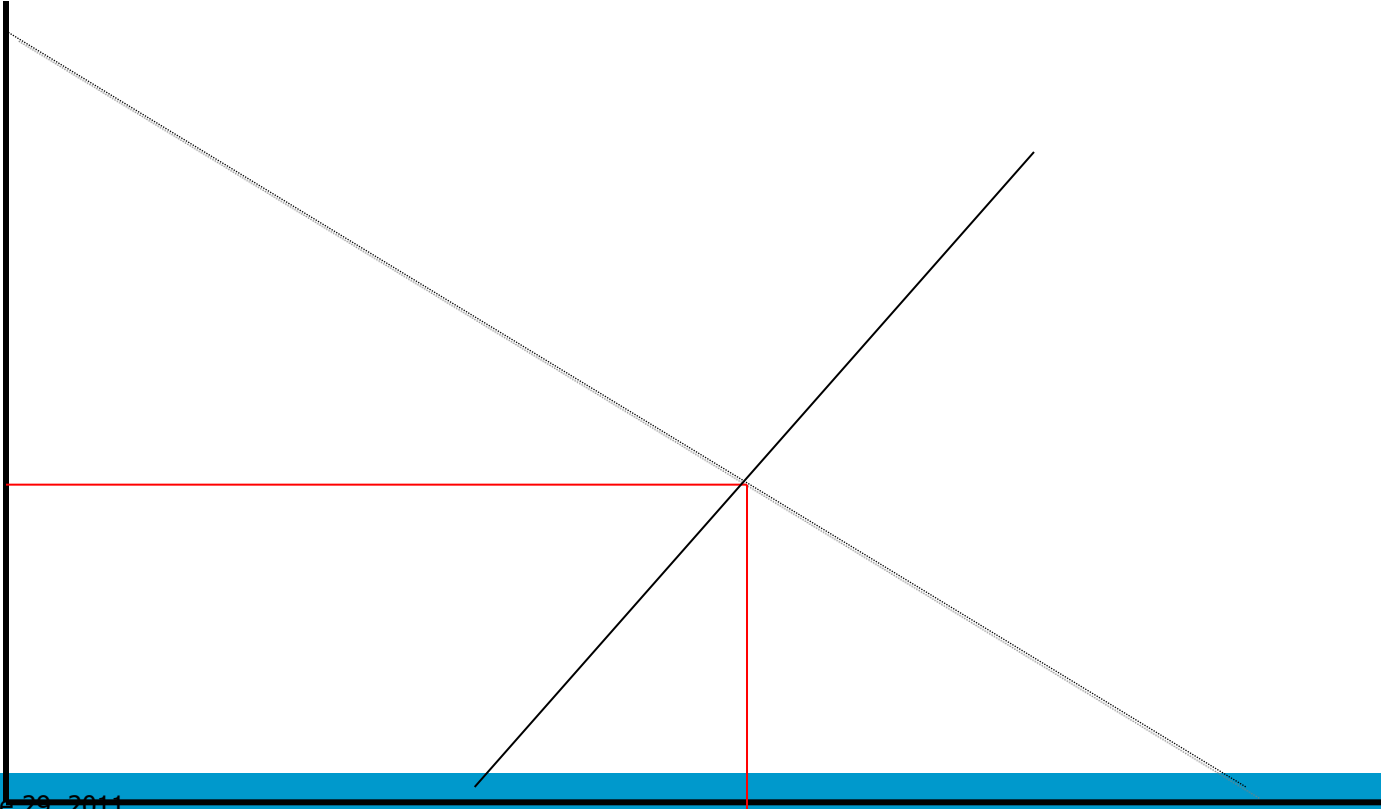
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Demand less elastic??

Price (p)

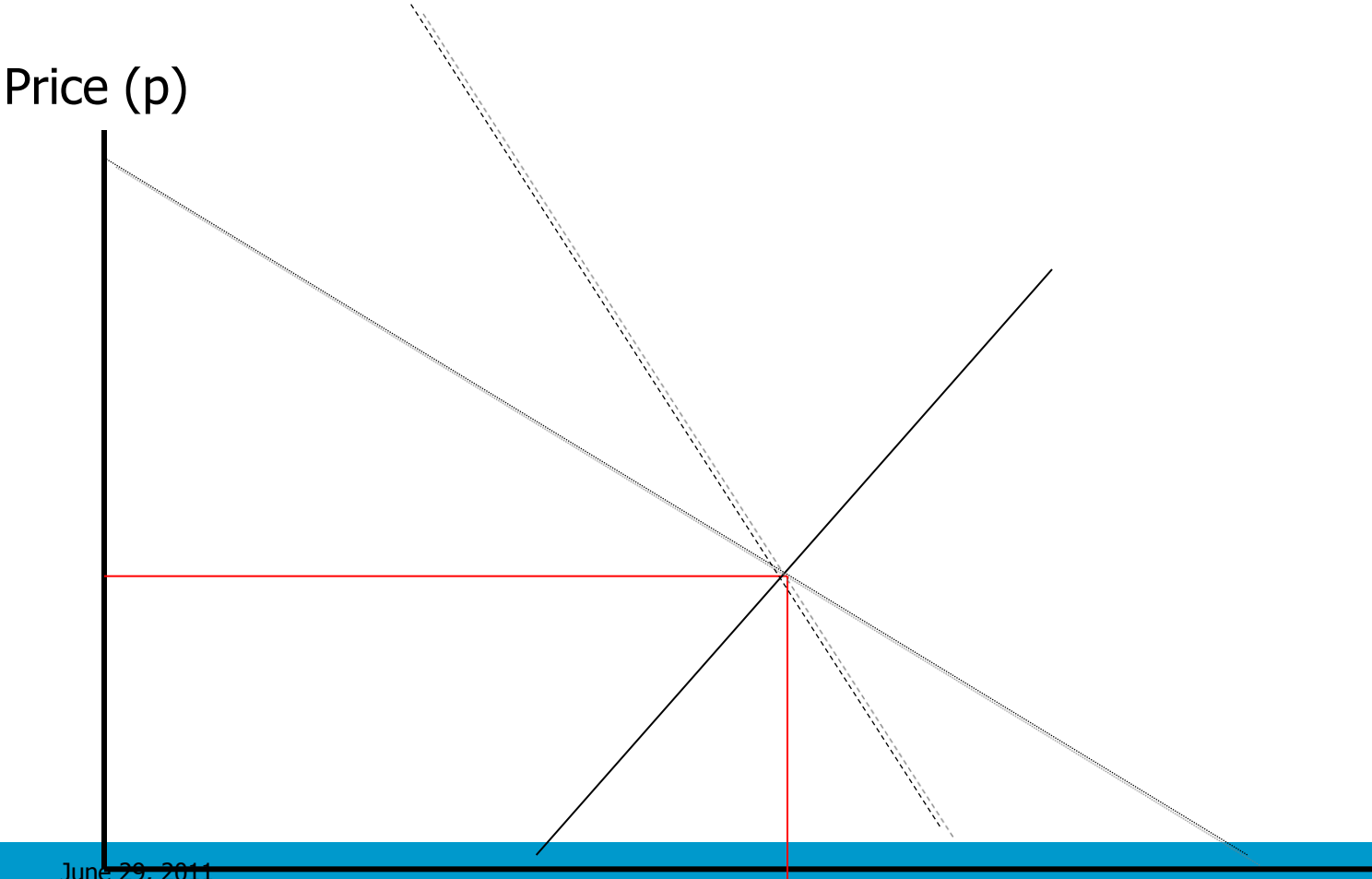


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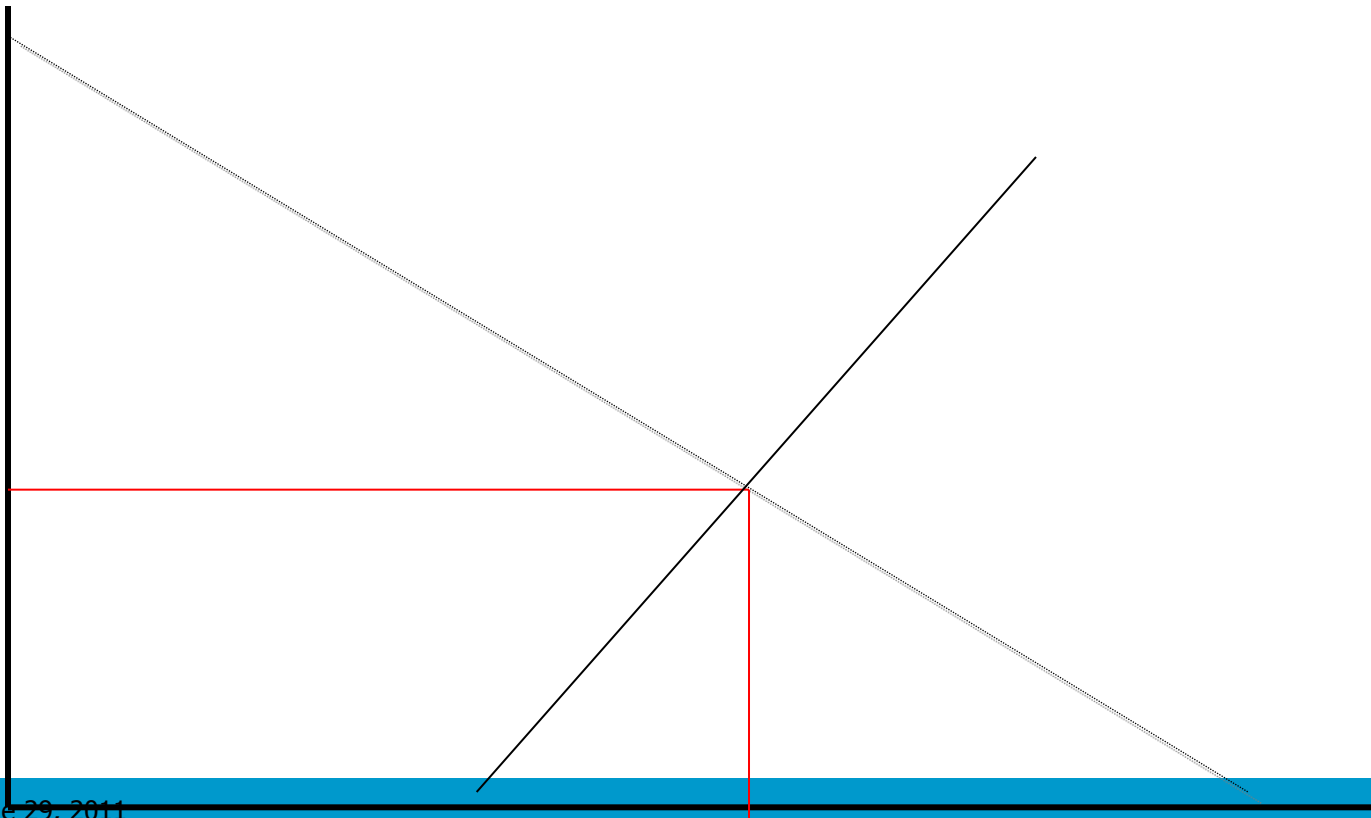
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Demand less elastic??



Supply less elastic ??

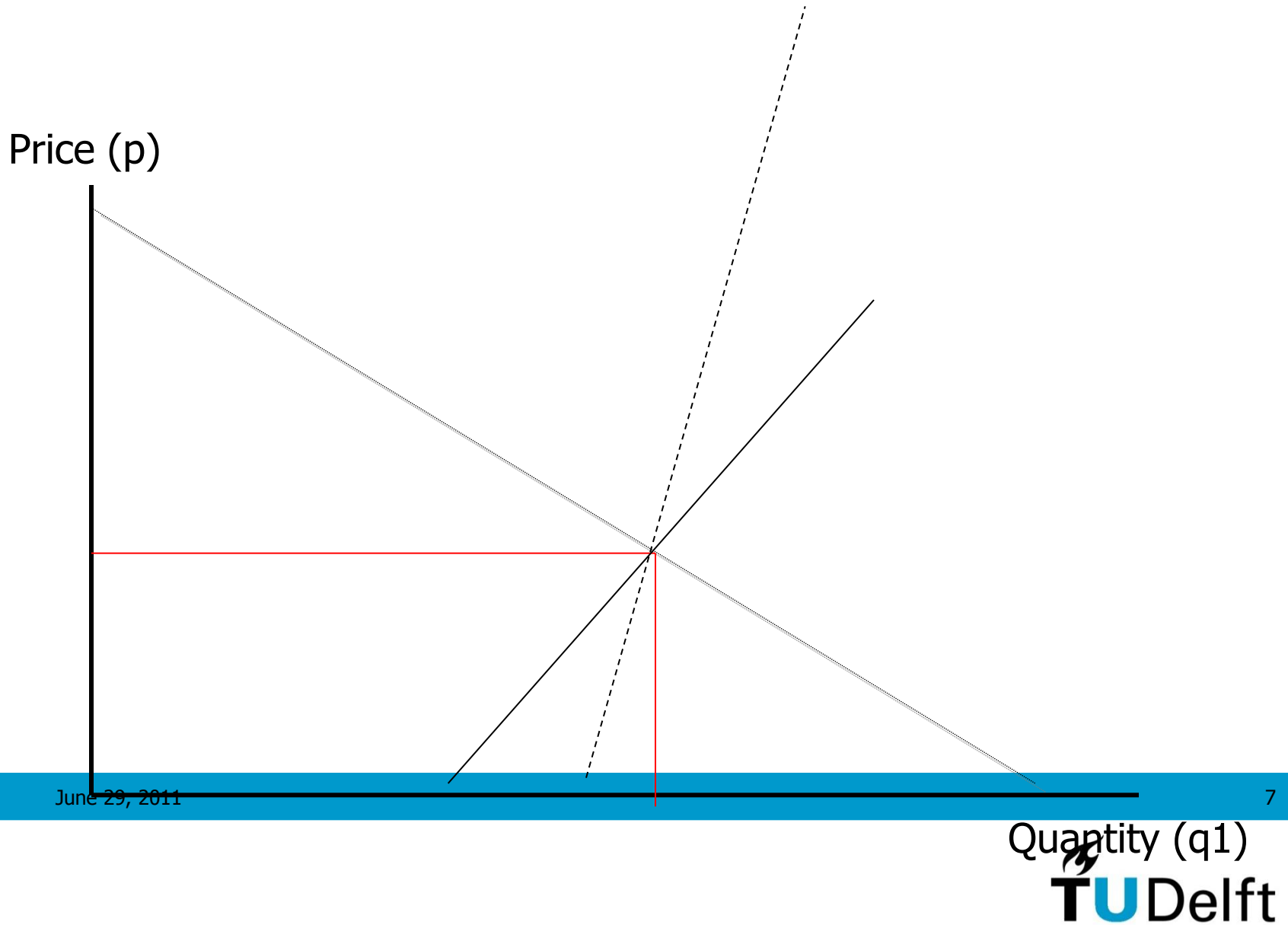
Price (p)



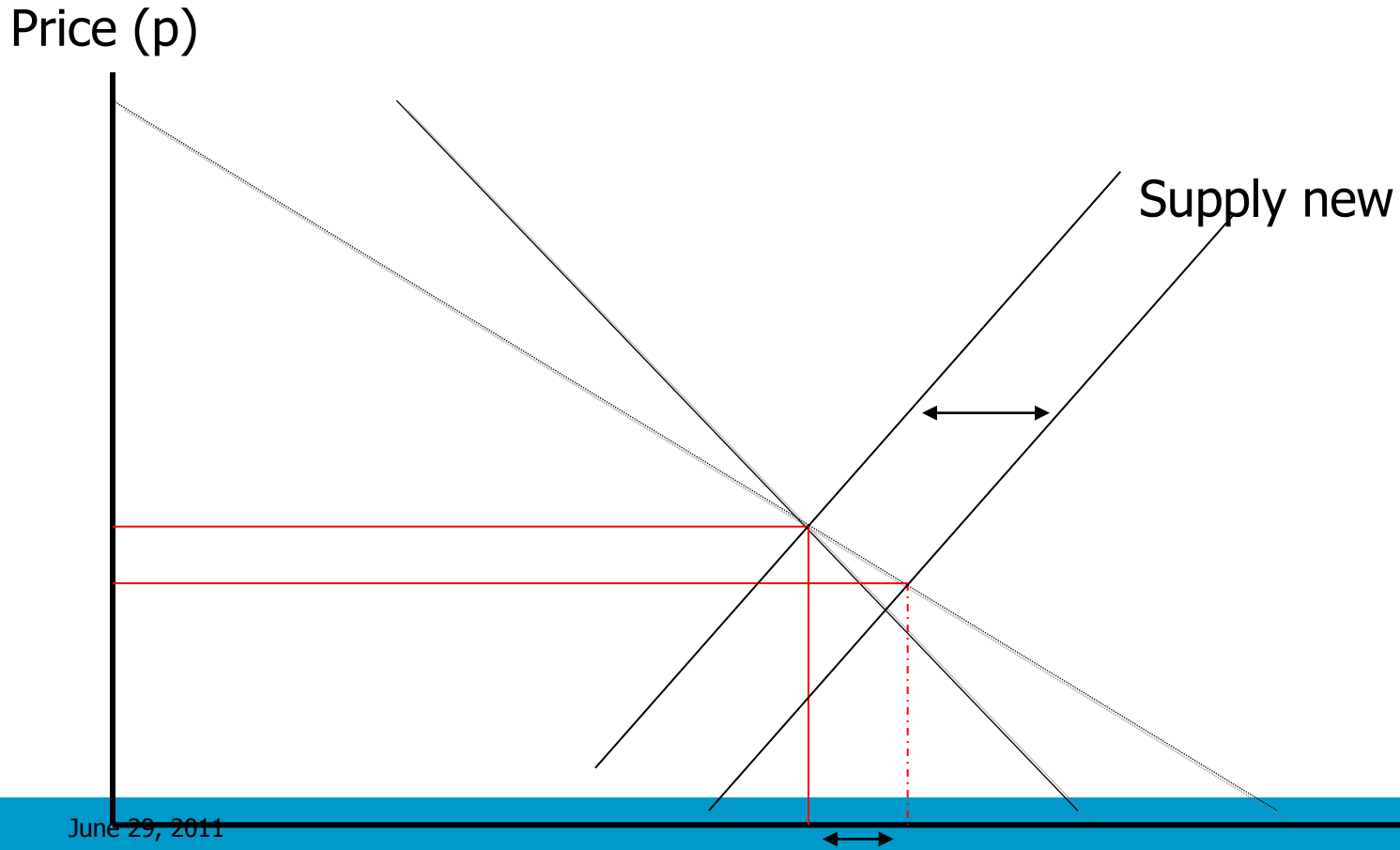
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Supply less elastic ??



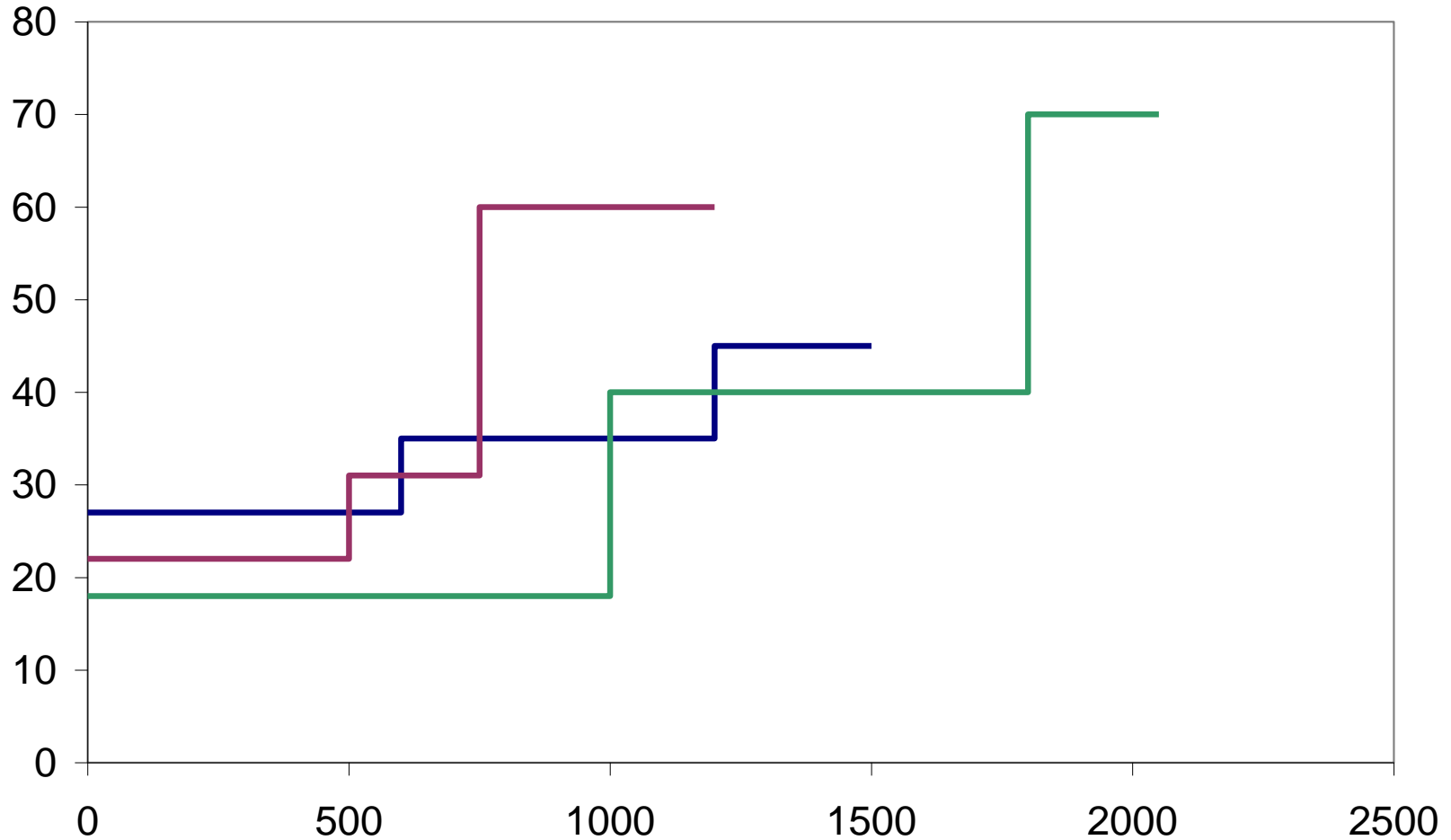
Oversupply?



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Individual supply curves: what's behind????



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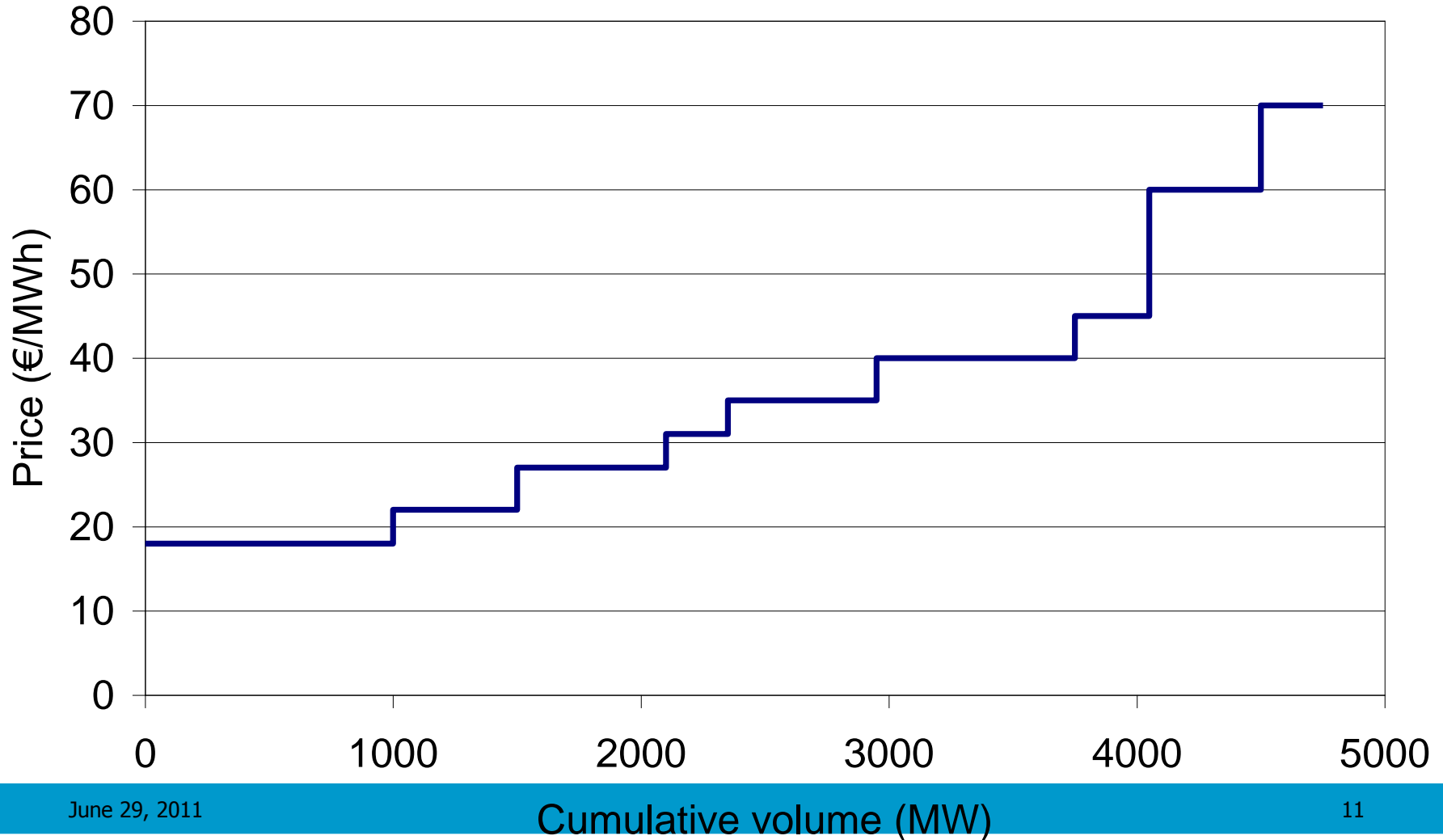
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What's behind supply

- Supply curve: volumes offered at specific price
- Impact of fixed, variable and marginal cost?
- In/decreasing additional revenues
- Strategy and marktstructure
- Market mechanism

Aggregated supply curve (theory)

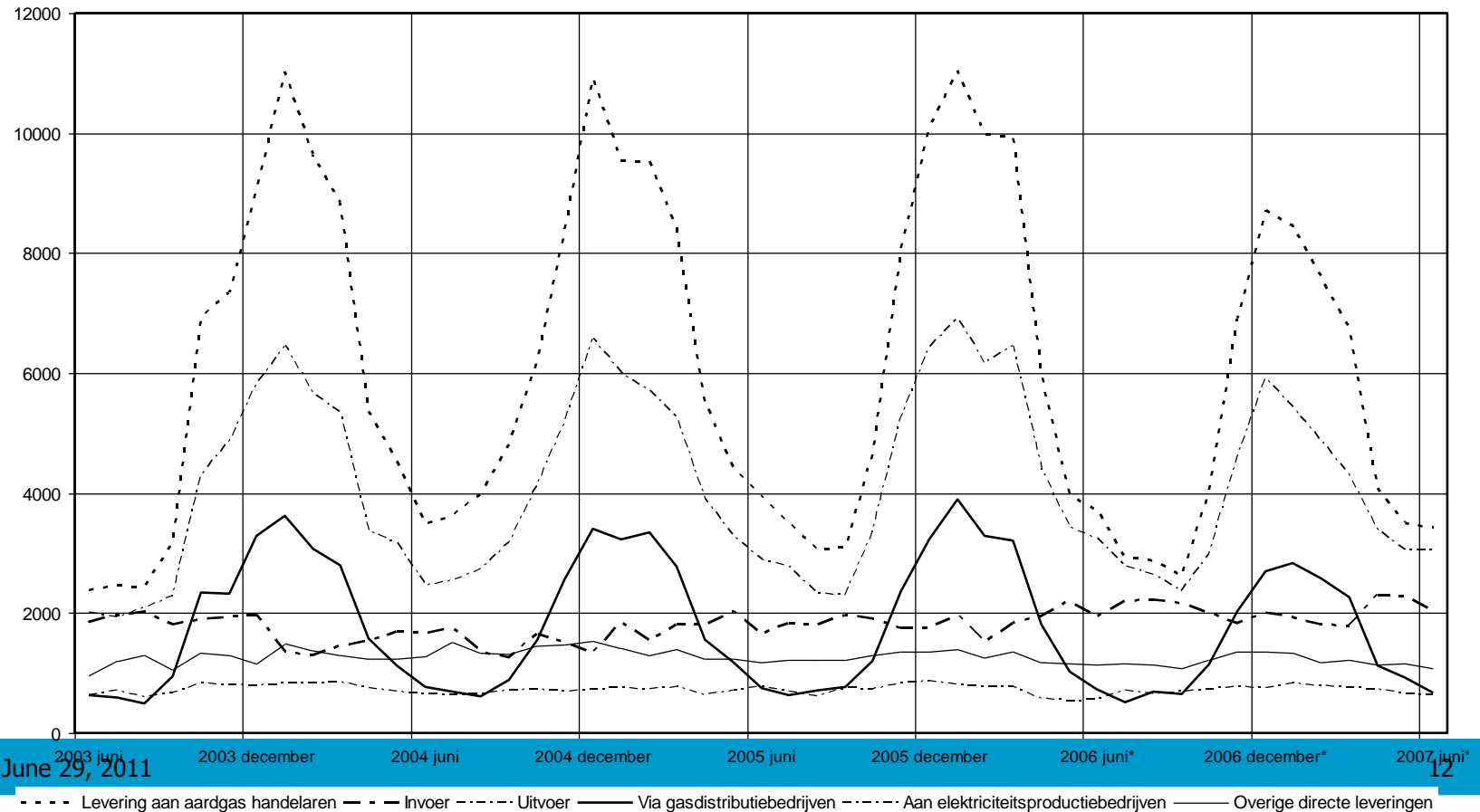


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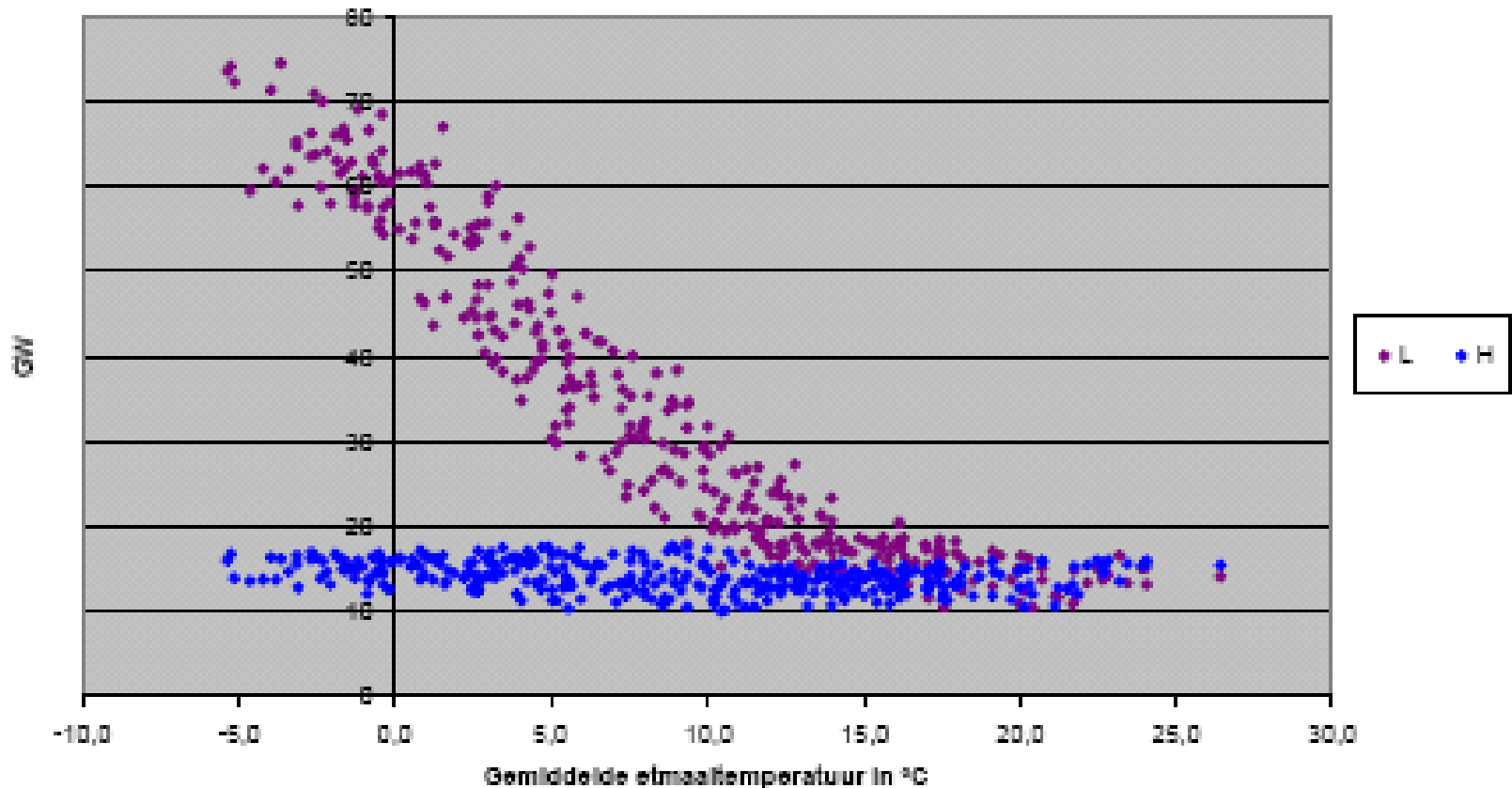
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Gas demand per user segment



Temperature and natural gas consumption



Supply and demand

- In-elastic demand (per time slot)
 - In-elastic supply
 - Lead times new capacity
 - Continuous Balancing
-
- Volatility?
 - Market power?
 - Investments?

Which Economic Perspectives will determine the gas price?

- Structure Conduct Performance
 - Degree of Concentration > Competition > Efficiency:
 - Unbundling, free entry plus regulation of monopoly elements
- Transaction Costs and Institutions
 - Transaction > Risk > Coordination > Efficiency:
 - Vertical integration and contracting structures, ex post/ex ante regulation

Hybrid gas pricing

- Production: Long term term Take or Pay, Destination clause, Net Back contracts
- Transmission: *Cost plus*
- Storage: *Cost plus or....*
- Distribution: *Cost plus or....*
- Retail: Oil parity pricing, market segmentation...

- En *Title Transfer Facility*

Market places NL

- GOS: bilateral, long term (1 y.), specific oil parity based contract
- TTF: bilateral, short term (1 m.), standard contract, gas-to-gas price
- TTF: APX, short term (1 d.), standard contract, gas-to-gas price
- TTF: Endex, Long term future (1 j.), standard contract, gas-to-gas prijzen