Using evaluation criteria derived from the performativity of the GTM visions as a relatively new policy instrument. Updated version was produced in 2015. In this paper, we analyze the market for natural gas, European regulators created a future vision in guidelines for ownership unbundling between gas trading and regulated.

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ABSTRACT

In 2010 an initiative was launched to realize a competitive single EU market for natural gas through the use of a future vision. This Gas Target Model (GTM) aimed to provide direction for concrete market development through regulatory structures as well as an overarching scope of what a functioning gas market would entail. This paper assesses the use and impact of such sectoral visions. We develop a framework that builds on the sociology of expectations and foresight studies and distinguish between the envisioning process, vision content, and vision use (output). The analysis follows the development of two versions of the GTM: 2011 and 2015. We find that the GTM has a contradictory nature. The vision that feeds into regulatory structures requires a stable and uniform rule set. The overarching vision requires incorporation of long-term uncertainty and adaptability. Moreover, the sectoral focus requires alignment to adjacent sectors and wider policy considerations. This makes it difficult to set boundaries, to identify relevant actors, and to ensure commitment from these actors. We conclude that the former vision was actively pursued and materialized in Framework Guidelines and Network Codes, while the latter vision is just being identified and framed.

1. Introduction—the European gas market and the gas target model

To facilitate the implementation of European Union (EU) directives and regulations aimed at establishing a well-functioning European market for natural gas, European regulators created a future vision in the form of the Gas Target Model (GTM) in the period 2010–11. An updated version was produced in 2015. In this paper, we analyze the performativity of the GTM visions as a relatively new policy instrument. Using evaluation criteria derived from the sociology of expectations and foresight studies we examine the envisioning process, the content of the visions, and the use of the visions in policymaking and implementation.

From the end of the 1990s onwards, European national natural gas markets have been subject to liberalization, (re)regulation, and unbundling. Institutional developments gained new momentum in 2009 with the Third Energy Package, which aimed to realize a well-integrated internal gas market by 2014. This package included stringent guidelines for ownership unbundling between gas trading and regulated gas transmission activities, while requiring Member States to establish National Regulatory Authorities (NRA). To bring about EU-wide coordination, the Agency for the Cooperation of Energy Regulators (ACER) and the European Network of Transmission System Operators for Gas (ENTSOG) were founded.1

By ordering mandatory organizational changes, the Third Energy Package set out a path for creating an internal gas market. However, it did not provide sufficiently detailed arrangements to facilitate uniform EU-wide implementation, leaving room for incompatibilities between Member States’ institutions and market arrangements [1]. To create “a coherent framework from the various streams of policy under development by European energy regulators and the European Commission, with a view to implementing the Third Energy Package and establishing a functioning internal market” [2], 7, the Council of European Energy Regulators (CEER) initiated development of the Gas Target Model (GTM) at the 18th Madrid Forum in 20102 [4]. The GTM process was chaired by the regulators and developed in cooperation with the European Commission, system operators, and other stakeholders.3

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2 Transmission System Operators (TSOs) are responsible for the management, the operation and the development of the national gas pipeline systems in Europe.
3 The Madrid Forum is an influential high-level forum consisting of the European Commission (EC), National regulatory authorities (NRA’s), Member State governments, TSOs, gas suppliers and traders, network users, consumers, and gas exchanges. The forum aims “to provide an informal EU level framework for the discussion of issues and the exchange of experience concerning the establishment of a competitive internal market for natural gas” (Madrid Forum, 1999, Minutes first meeting, (see Madrid Forum archive)).
4 Both GTM 2011 and 2015 were created with rounds of stakeholder involvement, (publicly accessible) workshops, and discussions.

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The GTM sets out the following vision of the European gas market:

“[R]egulators see a competitive European gas market as a combination of entry-exit zones with virtual hubs. Their vision suggests that the development of competition should be based on the development of liquid hubs across Europe at which gas can be traded (these may be national or cross-border). Market integration should be served by efficient use of infrastructures, allowing market players to freely ship gas between market areas and respond to price signals to help gas flowing to where it is valued most. The target model has to allow for sufficient and efficient levels of infrastructure investment, in particular where physical congestions hinder market integration” [4], 5 and [2], 8

The GTM, as a vision, aimed to provide an overarching “big picture” of what a functioning gas market in Europe should be, while also guiding the harmonization and integration of the national markets and transport systems via detailed regulation, formalized in so-called Framework Guidelines (FGs) and Network Codes (NCs), to be implemented uniformly [5]. FGs and NCs form the most detailed level of the regulatory framework for the European gas market, covering aspects such as tariff structures, capacity management, network connections, and third party access. The overarching perspective and creation of the detailed NCs can be considered as two nested visions.

The creation of the GTM vision is interesting, as it appears to be a new type of policy instrument, alongside the EU directives and regulations that form part of the Third Energy Package. A similar approach has been applied in the European electricity sector, via the Florence Forum [6]. As a vision, the GTM aims to combine overarching and concrete policy goals, while also providing flexibility and adaption by means of (foreseen) updates. Moreover, it is attempted to seek maximum legitimation and cooperation for the concrete measures decided upon by involving a large circle of stakeholders in the creation of the GTM. Furthermore, the GTM involved the creation of measures and standards by which the achievements in the interconnected national markets could be assessed. As such, it could be argued that the GTM visionary process is a formalization and extension of the prevailing ‘layered’ style of EU energy policy-making, in which new regulatory layers (i.e. directives and regulations) are attached to existing institutions, at the national and European Commission level [7].

The use of future visions in policy-making is well established. A vision forms a social construct that can be used to guide contemporary developments towards a shared future. Visions align thought patterns, create cognitive possibility spaces, and allow the allocation of means (foreseen) updates. Moreover, it is attempted to seek maximum legitimation and cooperation for the concrete measures decided upon by involving a large circle of stakeholders in the creation of the GTM. Furthermore, the GTM involved the creation of measures and standards by which the achievements in the interconnected national markets could be assessed. As such, it could be argued that the GTM visionary process is a formalization and extension of the prevailing ‘layered’ style of EU energy policy-making, in which new regulatory layers (i.e. directives and regulations) are attached to existing institutions, at the national and European Commission level [7].

The use of future visions in policy-making is well established. A vision forms a social construct that can be used to guide contemporary developments towards a shared future. Visions align thought patterns, create cognitive possibility spaces, and allow the allocation of means [8,9,10,13]. These shaping characteristics of visions start in the envisioning phase and continue when the vision becomes accepted and is actively pursued [11]. This shaping property is called performativity [12,13,14]. A common way to use visions in policy-making is the foresight method, which aims to create a shared horizon for structural transformation [84]. Normative foresight implies an active engagement with the future and a prescriptive way of looking into the future [15,16]. The sociology of expectations, as a descriptive approach, analyzes the way in which visions become performative and consequently looks at the future [15,10]. We are interested in analyzing the development and use of the GTM as a vision. We argue that both perspectives on visions are important in evaluating the performativity of policy visions in sectors with high complexity.

Indeed, the energy sector is a highly complex. Development of the GTM involved a diversity of actors in the context of wider EU policy goals, particularly sustainability, affordability, and reliability [17,18]. Over the past 20 years a large body of literature has emerged on the development of the European gas market, focusing on the (lack of) integration [19], regulatory developments and governance [20,21,22,23], security of supply and dependency issues [24,25], the position of the European market in the global context [26,27], the Energy Union, and related topics. Yet, with few exceptions [5,28,1], there has been little attention for understanding the workings of the GTM as a policy instrument, and its effects. Those studies, however, focused on the degree to which inherent criteria or policy objectives, like price convergence and market integration, have been achieved in the market. The GTM has not been analyzed as a multi-layered vision and policy instrument, so far.

This paper analyzes the GTM as a nested vision by using and combining evaluation criteria derived from the sociology of expectations and foresight studies. This enables us to examine (i) the envisioning process, (ii) the content of the vision, and (iii) the output, that is, use of the vision in policymaking and implementation. This provides insights regarding the performativity of the GTM and its development over time, as well as shedding light on the interactions between actors and their perspectives, contextual developments, and regulatory solutions.

The analysis is based on desk research of policy documents, including EU documents, the online archives of the Madrid Forum, GTM workshop presentations (and audio when available) of CEER and ACER, GTM reports (preliminary, intermediate, and final versions), public inputs, and discussions. For reflexive purposes, and to contextualize the documents and audio recordings, the desk research was complemented by five semi-structured expert interviews held from June 2014 to January 2015. These focused on the process of establishing and realizing the GTM. The vision analysis illuminates assumptions underlying the problem perceptions and the line of thought that led to the proposed solutions. The combination of actors, vision, and processes provides insights on the formation of a dominant vision and use of that vision in shaping regulatory developments, which is currently understudied [29].

Section 2 reviews the development of GTM 2011 and 2015. Section 3 introduces the concept of visions as a form of reflexive governance. It outlines the sociology of expectations and foresight studies and introduces the evaluation criteria of the analytical framework. Section 4 presents and discusses the results. Section 5 concludes.

2. Developing GTM 2011 and 2015

Development of the first GTM started in 2010. However, the need for a long-term vision for achieving a single competitive European gas market was expressed earlier, at the third European Gas Regulatory Forum on 26–27 October 2000. This forum is referred to as the Madrid Forum and formed a series of meetings among regulators, the industry, and stakeholders aimed at implementing the EU gas market directives in the Member States’ gas sectors. The 2010 initiative was preceded by a long history of failed attempts to have Member States comply with a series of voluntary guidelines. As stated in Forum proceedings, the guidelines were either not sufficiently clear and detailed, or they were considered outdated, or lacking in some other aspect [4].

The 2009 Energy Package, with its 2014 deadline for a single EU gas market, and the mandatory establishment of transmission system operators (TSOs) in all Member States, gave new impetus to the development of a vision during the 18th meeting of the Madrid Forum, in the form of the GTM. This vision was expected to guide, on a voluntary basis, the development of a practical, step-by-step roadmap and to provide operational guidelines for good practice to ensure competitively priced, efficient, safe, and reliable provision of natural gas. Creating competition between suppliers by interconnecting market areas formed the core objective. It depended on the TSOs to create a transparent transmission system with non-discriminatory access, which should attract new entrants, thus enhancing competition [5].

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4 See Madrid Forum archive: https://ec.europa.eu/energy/en/madrid-forum-previous-meetings. Consulted 24 July 2017.

5 Derived from Madrid Forum archive: https://ec.europa.eu/energy/en/madrid-forum-previous-meetings. Consulted 24 July 2017. At the time of analysis consultation and preparatory documentation were available at the CEER website: https://www.ceer.eu/er Consulted Public Consultations/gas/gas_target_model.
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