As an overall point, I think that as a set of conclusions there is some inconsistency between them and perhaps not reflective of the overall balance of the presentations. On this basis, if these conclusions are to be presented externally, I would kindly ask that they are not presented as the position of the panelists.

Notwithstanding the above points, I have some more detailed personal reactions to each of the conclusions put forward. In addition, my presentation provides information on the key points of focus under the UK regime.

"1. Liberalisation jeopardises security of gas supplies.
* diluted responsibility for SOS: suppliers no longer responsible; regulator only in charge of providing a framework for SOS; obligation for companies to invest equivalent to expropriation, prompts appeals, delays, discourages investors
* factual uncertainty to determine SOS benchmark ("N-1"?)"

Disagree with this point. Competitive markets are a key plank to ensuring security of supply. There may have been a simpler relationship under the old organisation of markets with a vertically integrated company either responsible for all parts of the supply-chain or involved in largely one-to-one interactions with upstream producers. However, such market arrangements do not typically deliver the most efficient outcome for consumers, and cost of fuels ultimately a key factor in security of supply. Nor is it clear that such a regime is particularly flexible or responsive to changing market requirements, and it necessarily relies on a single market view as to where gas infrastructure and demand/supply is required. While liberalised markets perhaps provide greater challenges to market parties in terms of information flows and risk management, ultimately, competitive markets provide for a diversity of views and these processes are far more conducive to the discovery of outcomes in line with the needs of consumers. Hence, liberalisation is key to security of supply.

"2. Remedial regulation inherently leads to overregulation:"

Disagree with this point. Regulation of energy is necessary due to the natural monopoly tendencies of network industries. This calls for specific regulation to keep prices down but also the right incentives to ensure investment. In turn for other parts of the industry to be competitive, it is very important to have the right industry structures in place, so that market dominance cannot be passed to other parts of the supply chain. All of these factors point to the need for a regulatory regime, as they are unlikely to emerge from market outcomes alone.

In the case of the UK, the regulator regime's focus has been to define appropriately certain security of supply objectives/outcomes and to ensure that the right regulatory incentives are in place for market parties to deliver against those objectives. But fundamentally, where the regulator is confident that the market is effectively structured, there is a trust in that market - leaving many decisions for the market to deliver. For example, it should be expected that in reaction to a predicted short-fall in supply the market should provide signals for new generation or sources of gas.

Would agree however that the wrong regulatory regime can poses risk. Within this framework, if the market thinks that government/regulators will intervene in markets before the has a chance to respond to market signals, then this will distort investment decisions and lead to market not undertaking investment they otherwise would have. As I noted in my presentation the UK government's recent White Paper on energy strongly emphasised the importance of letting markets work. Prices should also be allowed to increase in times of shortage to provide the right signals to markets (though regulators need to monitor that price spikes are consistent with fundamentals and do not emerge from anti-competitive behaviour).

" 3.	There seems to be no, but ought to be, more confidence in the self-regulatory forces of markets.

* ever greater complexity: enlarged scope, detail, exceptions, adjustments, transitory rules, national differences lead necessarily towards regulatory volatility and unpredictability
* regulatory cost and bureaucracy rise
* inconsistency between el. and gas regulation creates competitive bias
* Welcome: central planning!
* Lawyers instead of entrepreneurs?"

There is confidence in the role of markets - but some regulation is necessary to put an effective framework around the market arrangements so that the right incentives are in place for the market to deliver competitive and efficient outcomes. But self-regulatory mechanisms will only be effective for those activites that can be seen to be "contestable" such as trading and retail activities. Monopoly network activities do not fall into this category. Relying on "competition" between integrated large natural monopolies is unlikely to provide sufficient self-regulation, and results in higher prices without necessarily delivering security of supply and would prevent the entry of new players.

"4.	Those would unfold by the creation of an all-European, integrated, open (globalising) ENERGY market

* encouraging competition from non-European sources, gas-to-gas competition, competition between gas, district heat, LNG, (imported) coal, efficiency (demand side management) and, later: new nuclear
* reducing the market power even of major (consolidated) gas majors
* allowing for public service obligations which, however, should be compensated for
* enabling a futures market"

Priority focus for Europe is on the separation (unbundling) of integrated entities and competitive market structures. This should be combined with promotion of effective third party access regimes and facilitating the development of trading hubs that provide a liquid and deep market for gas - providing secure demand sources for upstream producers, reducing the need for traditional take-or-pay arrangements; a diversity of contract durations to meet market needs (both long and short-term); and financial tools to help manage risks.

"5. Regulations are, though, necessary, but only with regards to the

* protection of captive (residential) customers and
* control of transmission fees
* minimum stocks
* but certainly not on investments (= expropriation) and commercial contracts (confidential information, take-or-pay, territorial limitations)"

Partly agree, see points 2 and 3 above - as regulation has a role in particular due to the natural monopoly and market structure issues described above. However, do not agree prescribing "minimum fuel stocks" is appropriate, as it is one of many factors - e.g. demand side responses from the market; import flexibility etc that can be used to ensure security of supply. It should be for the market to decide how to deliver a set of overall security of supply outputs or objectives. On regulation of commercial contracts - subject to those contracts being consistent with promoting trade and competition (i.e. consistent with competition law) - would agree with no intervention. But do not think that territorial restrictions are consistent with the free movement of goods and I would support the Commission's efforts to promote secondary trade in gas markets - which is surely beneficial for gas-to-gas competition, as suggested in point 4. On investment in networks, would generally agree that the regulators main role is on providing right balance of incentives/efficiency, it should be for regulated companies and signals emerging from markets to determine the right places to invest.

I hope you find this comments clear and helpful. If you have any further questions please do not hesitate to contact me.

Best regards,

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