

May 29, 2009

**ERGEG recommendations on the
10-year gas network development plan**

ERGEG Public Consultation

Ref.: E08-GNM-04-03

Statement of RWE

Introduction and General Comments

RWE welcomes the opportunity to comment on ERGEG's public consultation paper on the 10-year gas network development plan (NDP) as outlined in the Third Energy Package, and sees this plan as a major contributor to the overall functioning of the European gas market.

In the questionnaire point 2.5: "*Diversity of investment processes in Member States*" the examples of Austria, France, Italy, Spain and the U.K., ERGEG correctly points out that a 10-year Network Development Plan is not a new approach. Yet, the challenging task is to combine the investment plans developed by the individual TSOs to a non-binding European Network Development Plan (NDP). The consolidation of the investment plans individually prepared by the TSOs, on a Member State level, shall be executed by ENTSOG. This consolidation, however, must clearly reflect a European perspective depicting investment requirements. Furthermore, it is crucial that investment projects not yet reflected either in the non-binding 10-Year European Network Development Plan or in the individually prepared annual investment plans on Member State level shall be acknowledged by the TSOs as well as by ENTSOG upon the provision of relevant market information.

Questions:

Annex - Questions for stakeholders

1. What would be for you the benefits of the 10-year gas network development plan?

The 10-year NDP should in particular identify capacity gaps and bottlenecks requiring action. However, since it is a long term forecasting tool, it can be only non-binding as demand and supply, the political environment, and technology constantly evolve which needs to be reflected accordingly. Generally speaking, the 10-Year NDP could provide a useful source of information for investment planning purposes within RWE because it identifies network shortcomings, such as capacity gaps or missing interconnectors.

2. What is the most important information you expect from the 10-year gas network development plan?

As the TSOs are the ones managing capacity contracts, they have the best overview of long(er) term capacity needs. Therefore, the regularly updated capacity development report for all relevant interconnection points will be very useful for market participants. Furthermore, information on existing investment gaps at both the national and regional levels, as well as volume of required investment in mid- and long-term terms under different supply and demand scenarios, would be useful. Based on the individual investment plans, a consolidated European NDP should provide all network users and operators with transparent information also in regard to the necessity to improve demand forecasting. Therefore, the plan should include average historic gas flow-, and pipeline utilization. Information (planned capacity, schedule maintenance for existing infrastructures, etc.) on ongoing and announced investment projects and their implication for individual Member States should be provided.

At last, information on the fulfillment of the 10-year NDP (e.g. number of projects completed in time, number of projects dropped or delayed, etc.) should be provided for the purpose of monitoring development of the European gas network.

3. Do you consider that the 10-year gas network development plan, as proposed by ERGEG, will be beneficial to security of supply?

The 10-year NDP, as proposed by the 3rd Energy Package, in a broader sense can enhance security of supply as it easier depicts areas requiring attention. Missing interconnectors, pipeline capacity constraints or unused possibilities of reverse flow might be addressed through the NDP calling for action. The plan will serve as a valuable source of information for further analysis of security challenges facing both the individual Member States and the EU as a whole, particularly if various supply and demand scenarios are taken into account.

The European NDP as the non-binding analysis and outlook tool for the pan-European capacity demand will have to be complemented by the binding national investment plans that will cover the actual investment needs. Yet, the investment plans appear to be only binding for those TSOs applying the "ITO-approach". It is

unclear how those TSOs applying different regimes will comply with their investment plans and contribute to the European NDP.

4. Do you consider that the scope proposed by ERGEG is appropriate? Should it be enlarged?

The scope of the proposal in general is appropriate. Nevertheless, it is necessary to limit bureaucracy which might outweigh benefits of a European 10-year NDP. Ultimately it is ENTSOG, as laid out in the 3rd Energy Package, which has to prepare the plan. Yet, we **would** like to make a comment to the following sentence, cf. 3.1, page 15/16 "*As a general rule, **all** investments that have a potential impact on adjacent networks and on the development of the European network should be included*" (into the NDP).

As highlighted in our introduction, it is important that especially in the time between the updates of the plans also those projects that are not yet reflected either in the national investment plan or in ENTSOG's 10-Year NDP will be acknowledged and treated equally by Regulators and TSOs.

5. Do you agree with the combined bottom-up / top down methodology proposed in the document? What would be the most efficient process to achieve the top down approach?

The top-down and bottom-up approach is appropriate as long as it does not duplicate the activities conducted by TSOs in relation to drawing up the national investment plan to reflect the European view.

Top-down can only work when the investment plans prepared on TSO level contain an appropriate level of detailed information that can be further used by ENTSOG as puzzle pieces for the purpose of assembling a non-binding European 10-year NDP, clearly depicting the needs for infrastructure improvement.

6. Would you agree with putting an obligation on market participants to communicate all the relevant information about their future projects?

Without the obligation to provide necessary information, the underlying objective of the investment plan (i.e. to draw an accurate picture of the investment needs) will be compromised as some market participants may refuse to share information. (Confidentiality needs to be assured in order to protect commercial secrets, subject to approval by the National Regulatory Agencies.)

7. What would be the best way for ENTSOG (including its members) to collect data from stakeholders? Should that be carried out at a national, regional or European level?

Most of the data collection should take place on Member State level, partially reflecting the process involved in drawing the individual investment plans. Once approved by the national regulatory authorities, every other year ENTSOG reconciles the national investment plans to build a European Network Development Plan. In our opinion a regional level in this respect is unnecessary

as the tasks of ENTSOG are clearly defined in the proposed European legislation.

This approach reduces the administrative burden on the market participants, keeps the national regulator informed and makes sure that the national and Community-wide investment plans are in line.

8. Are the scenarios mentioned appropriate? Would you have other proposals?

The listed scenarios are appropriate, yet difficult to fulfill. Information required to apply all of the scenarios require input from several stakeholders. Yet, in practice, it will be difficult to force all the stakeholders to submit the required data to compile an all-embracing 10-year NDP, especially where it is questionable whether such high level of detail is really necessary to achieve the plan's main purpose of indicating further cross border capacity needs.

9. What are your views on the proposed EU network modeling and simulation of supply disruption?

In principle, the ideas proposed by the European Commission to model and simulate supply scenarios in order to evaluate security of supply and to effectively apply the so-called N-1 rule might be of use. However, the preliminary N-1 questionnaire issued by the Gas Coordination Group (GCG) to the Member States to analyze supply concerns lacks flexibility mechanism important for MS to reflect their individual supply requirements. As each Member State has its own individual gas supply situation, level of supply diversification, energy policy portfolio, and not to forget the climatic conditions, only a national approach, coordinated by the GCG and ENTSOG, can provide a clear picture of supply disruption and enable modeling.

10. Do you consider the drafting methodology and content relevant? In your view, should ERGEG be more or less prescriptive?

We consider the drafting methodology and content acceptable and useful.

11. Do you consider it important to have a monitoring report assessing and explaining deviations from the previous plan?

A monitoring report is essential in order to determine the progress made in carrying out the originally planned investments and hence fulfilling the underlying objectives of the 10-year NDP. The report should be part of each updated 10-year NDP and indicate why individual projects have been delayed or cancelled. Deviations from the original plan should be presented and explained in detail in quantitative terms (i.e., with reference to capacity and other needs).

12. Is the consultation procedure for the EU-wide 10-year gas network development plan proposed in section 3.5 appropriate?

The questionnaire described in section 3.5 could prove an additional administrative burden for market players, particularly as this information will already be collected by the national regulatory authorities for the purpose of drawing up the national investment plan.