

Energy Networks Association – ENA

**Response to ERGEG's recommendations on the 10 year gas network
development plan**

29 May 2009

ENA - BACKGROUND

The Energy Networks Association (ENA) is the trade association for UK energy (gas and electricity) transmission and distribution licence holders and operators.

ENA welcomes this opportunity to comment on ERGEG recommendations on the elements of the proposed EU 10 year gas network development plan.

We see clear benefits in the development of the EU plan, as an authoritative, agreed overview of European gas network development, and future supply/demand scenarios. We anticipate that the plan will highlight both short term and long term security issues, and aid the co-ordination of the necessary responses by the TSOs, regulators and other stakeholders to address them.

However, combining the various elements to make the EU plan a coherent view will not be easy. The new 3rd package legislative proposals for TSO co-operation are untested, and we know that the national network plans currently vary, not least in consistency. Accordingly, ERGEG's proactive approach to provide guidance to ENTSOG in this area at this very early stage is welcomed.

ROLES

Under the 3rd Package proposals, ENTSOG and the national TSOs, consulting stakeholders where needed, will have the main responsibility for preparing the 10 year network development plan.

The Agency will review the plan, provide an independent opinion to the Commission, and then monitor its implementation by the TSOs.

This seems to us a sensible division of effort.

A crucial element of the EU network plan will be the development of supply and demand scenarios. We agree with the regulators that an obligation should be placed on all market participants, including distribution companies, gas shippers, producers, traders, LNG system operators and gas storage developers, to communicate all relevant information about their future projects to ENTSOG. We would expect this to include an assessment of capacity investment needs, and the requirement for transmission availability across the European market. We would propose that this information is made available, upon written request from ENTSOG, and that a response would be required within a "reasonable" period of time. All stakeholders would provide the requested data to ENTSOG according to their legal obligations. We would encourage an open and transparent process of co-operation so as not to spoil the good working relationships that presently exist between TSOs and stakeholders.

METHODOLOGY

ERGEG's view is that, as far as the ENTSOG drafting of the 10 year plan is concerned, two complementary processes will be needed – a "top down" approach through a broad vision of European energy dynamics and strategy, and a "bottom up" approach through a more precise assessment of infrastructure and projects, country by country.

In that context, we agree with the regulators that the current proposals from GTE+, (the precursor to ENTSOG) to collect and synthesise national investment plans and

national supply/demand data, whilst consulting with stakeholders at a national level, throughout plan development, would probably only satisfy the “bottom up” part of the process.

ERGEG’s point, that the 10 year plan should include a longer term vision of gas market dynamics, taking into account EU security of supply issues, certainly warrants further consideration. The new Gas Security of Supply Regulation expected from the Commission this summer, and the revised TEN-E funding guidelines expected early in 2010, will provide some of the elements needed for this top down approach.

But care should be taken not to place too onerous a burden on the TSOs. They will need to be allowed some flexibility in the process, to deal with unexpected developments that were not envisaged when the plan was first submitted. There is also potentially a resourcing issue, concerning the efficient division of work between the TSOs, and ENTSOG, which may change as the process evolves.

SCOPE AND OBJECTIVES OF THE DEVELOPMENT PLAN

The proposed, ambitious, scope of the EU plan as envisaged by the regulators includes identifying investments of a broader European dimension and investment gaps, notably with respect to cross border capacities. These proposals will require a greater level of co-ordination between TSOs.

We agree with ERGEG that the focus for the plan should be on congestion at cross-border entry/exit points and on any internal bottlenecks, which have a cross border impact, including storage and LNG projects.

ENA recognises clear benefits in having a long term, 10 year network development plan for the gas networks, at EU level. The plan should provide an “early warning” system, to identify the relevant investments needed to strengthen EU gas infrastructure to avoid short term disruptions, and ensure long term supply/demand requirements.

The regulators have indicated that, as a general rule, all investments that have a potential impact on the development of the European network should be included in the plan, including both regulated and non-regulated investments.

We note that the regulators do not think the plan should be required to cover secondary transmission networks (to consumers and distribution networks not directly connected to the main network) or investments linked to security of operations, or for environmental reasons, which TSOs are obliged to effect. We support this proposal.

PROPOSED CONTENT OF THE DEVELOPMENT PLAN

The EU plan should include: description, analysis and modelling of the integrated network, taking into account gas storage and LNG facilities; technical and economic description of potential and planned projects; the identification of alternative projects; long term scenario development; a supply and demand adequacy report; and an assessment of the resilience of the system.

We agree with the regulators that the TSO focus should be on:

- Development of entry points into the European market
- Main cross border issues

- Congestion points
- Removal of internal bottlenecks and development of interconnection between Member States
- Development of exit points (notably storage facility connections)
- Risks of disruption – diagnosis and scenarios
- Security of supply and ‘solidarity’ mechanisms among countries.

The regulators want the TSOs, as far as is possible, to identify alternative projects and routes, including the costs, implementation risks, and environmental impacts of them. We need to be clear what the scope and timing for this additional work would be, to avoid placing an unnecessary burden on the TSOs.

The plan should include a summary of all the national investment plans as well as any investment gaps identified. The national plans will help identify investment needs with an EU-wide significance. There will need to be consistency between national plans, and coherence between the national and EU investment plans. However, ENA would say there will also be a requirement to ensure that there is no duplication with what is presently done within Member States, including the timetables for doing this work, and that, if information is already being provided to other bodies, this information can and should be re-used.

The drafting methodology and content of the 10 year plan suggested by ERGEG is certainly comprehensive, however it may be overly prescriptive.

It is worth highlighting that the 10 year plan will be, necessarily, indicative and not binding. ENA considers it is very important that there is a regular progress report from ENTSOG, as the regulators suggest every 2 years, identifying, assessing and explaining what has been achieved, reporting any deviations from the precedent plan, and updating on potential delays.

We also agree with the regulators that there should be simulations of disruption of supply, using a model of the integrated network. ENA believes there could also be a need for ERGEG to itself have a scenario planning role, to model Member State plans in aggregate, and, in particular, gas and electricity interaction.

DIVERSITY OF INVESTMENT PROCESSES IN MEMBER STATES

ERGEG has revealed a mix of investment processes in Member States, from heavily centralised planning to the fully market based approach adopted in the UK.

For this reason, clearly, consideration of issues related to investment processes and procedures cannot be part of the process of developing the EU development plan, which is really assessing infrastructure needs at a very early stage.

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