CEER

Council of European Energy Regulators

Fostering energy markets, empowering **consumers**.

CEER follow-up to the study on "Future role of gas from a regulatory perspective"

31st Meeting of the European Gas Regulatory Forum

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Background

- **Green technologies and energy vectors** need to be developed and diffused in the next decades if the gas sector wants to play a role in a low carbon economy, in particular
  - renewable gas sources (biomethane)
  - power-to-gas to couple the electric and gas sectors
  - hydrogen to be injected into the gas grid

- In parallel, flow patterns across EU may significantly change (locally decreasing consumption or production, new supply routes, new gas sources), and **some gas infrastructures might become less used** but peak demand could remain high

- The **regulatory framework might need to be adjusted** to **facilitate the energy transition** while **preserving the achievements** of the (still ongoing) implementation of the **gas target model**

CEER work for a Sustainable Gas Sector

- After the **FROG study,** within the **3D Strategy,** CEER is now focusing on:
  - the **regulatory challenges** for an efficient transition of the gas sector towards a low-carbon scenario
  - **opportunities for regulatory actions** to make this transition possible

- CEER is addressing:
  - **Potential regulatory barriers** to green gases development
  - **Infrastructure** investment framework including stranded assets issues

- Ongoing work:
  - August 2018: **NRA questionnaire**, first results in the following slides
  - Beginning of 2019: **public consultation** document
  - Spring 2019: final document

- **Note**: these slides **do not reflect a final CEER position;** they introduce the main topics for the next public consultation

I. DEVELOPMENT OF GREEN GASES:
New business models for TSOs/DSOs should be in line with principles of unbundling

- First evidence from NRAs
  - In a number of MS, TSOs/DSOs are active in the construction and operation of CNG/LNG fueling and power-to-gas infrastructures
- Challenges
  - Avoiding unintended interactions between the regulated and contestable sectors in terms of cost and revenue allocation and information advantage
- Opportunities
  - Ensure a proper market environment for contestable activities through a clear separation between
    - ownership/operation of the infrastructure; and
    - production, buying and selling of gas
  - Enable “traditional” gas sector companies to actively contribute to energy transition
  - As a general rule, TSOs/DSOs should act as neutral market facilitators, unless the market is not able to deliver

I. DEVELOPMENT OF GREEN GASES:
Power-to-gas as enabler of sector coupling

- First evidence from NRAs
  - Electricity and gas tariff systems do not acknowledge the specific role of power-to-gas infrastructure as a sector coupling enabling technology

- Challenges
  - Risk of distortive charging for network access by sector coupling technologies

- Opportunities
  - Gas infrastructure could contribute to sector coupling and to cost-effective decarbonisation
  - Since sector coupling benefits both the gas and electricity systems, the respective tariffs should reflect the overall system value
  - Network fees could be waived if electricity is stored and re-fed into the (same) electricity connection

I. DEVELOPMENT OF GREEN GASES:
Moving towards hydrogen networks in the future

- First evidence from NRAs
  - In most MS, existing hydrogen pipelines are mainly owned by companies which produce gases for industrial purposes
  - In most MS, currently, only small quantities of hydrogen may be injected into the gas network
- Challenges
  - Defining the regulatory framework for hydrogen infrastructure
  - The transition to hydrogen requires intensive coordination between sectors and adequate regulatory oversight
- Opportunities
  - Given that hydrogen networks have similar economic characteristics to gas networks, they could be regulated according to the same criteria
  - Pipelines for pure hydrogen that constitute a supply network could be subject to TPA obligations
  - Gas quality definition which could be reconsidered to facilitate the injection of renewable gases

I. DEVELOPMENT OF GREEN GASES:
EU system for trading renewable gas guarantees of origin to facilitate cross-border trade

- First evidence from NRAs
  - Some guarantees of origin (GO) initiatives for renewable gases at national level
  - In some MS, NRAs are responsible for issuing GO for electricity

- Challenges
  - Need to extend the GO as from the revised renewable energy directive, also to renewable gases injected into the network

- Opportunities
  - GO are important to allow renewable gas product differentiation for consumers
  - Discussions could be started on establishing a EU-wide GO system for renewable gas to enable cross-border trade
  - Lessons learned from electricity and pilot projects should be taken into consideration

I. DEVELOPMENT OF GREEN GASES:
Fair billing of energy becomes more relevant with increased share of renewable gases

- First evidence from NRAs
  - Renewable gases may have different calorific values (CV) from natural gas (but still within natural gas standards)

- Challenges
  - This could create problems for fair energy billing if injection of renewable gases increases to substantial level

- Opportunities
  - Identifying charging areas with different CV within an entry-exit zone could be explored at national level
  - Sharing of best practices

II. INFRASTRUCTURES
Carefully assessing the need for gas infrastructure

- First evidence from NRAs
  - The EU framework for investment in gas infrastructure was designed over time and it is now scattered across several pieces of legislation (Directive 2009/73, Regulations 715/2009, 347/2013 and 459/2017)

- Challenges
  - New investment decisions shall be carefully assessed in an environment where an efficient coupling between electricity and gas systems is required
  - Lack of coherence in some areas of EU legislation: a better streamline is needed

- Opportunities
  - Better coordination between the incremental capacity framework (based on market test) and the PCI framework (based on CBA)
  - A stronger oversight by ACER and the NRAs of ENTSOG and ENTSOE TYNDPs, CBA methodology and underlying scenarios might be necessary

II. INFRASTRUCTURES
Carefully assessing the need for gas infrastructure

- First evidence from NRAs
  - Regulation provides a framework for existing and new infrastructures, but lacks cross-border instruments to address the decreasing use of some infrastructures

- Challenges
  - Although it is not certain if and to what extent gas consumption will decrease, at least locally, some infrastructures could be less used
  - Decommissioning of gas infrastructures might have relevant cross-border impacts

- Opportunities
  - NRAs could consider designing regulatory tools to deal with the risk of stranded assets, for example:
    - for new assets, the depreciation periods might be shortened and non-linear
    - a coordinated framework for the decommissioning of cross-border assets might be needed