



# **ERREG recommendations on the 10-year network development plan**

## Evaluation of Responses

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## 1. Introduction

The Regulation (EC) 715/2009 of 13/07/2009 on conditions for access to the natural gas transmission networks states that the European Network of Transmission System Operators for Gas (ENTSO-G) should adopt and publish a non-binding Community-wide 10-year network development plan (Article 8). ENTSO-G shall submit the draft Community-wide network development plan, including information regarding the consultation process to the Agency of Cooperation of Energy Regulators (Agency) for its opinion (Article 9).

Given the future involvement of the Agency in the Community-wide network development plan, ERGEG has launched a public consultation on "ERGEG recommendations on the 10-year network development plan" on 25<sup>th</sup> March 2009. This consultation aimed at initiating discussion and providing input to the Agency and to the ENTSO-G to work on long term infrastructure development in Europe.

ERGEG presented these recommendations to the stakeholders during a workshop held in Brussels on 29 April 2009 (same day as the 2nd GTE+ workshop on the European Ten Year Network Development Statement) which gathered more than 60 representatives of the European gas industry.

ERGEG received 22 responses to the online consultation, including a confidential one from a shipper. Respondents welcomed in general the ERGEG document. The non confidential responses, published on the website of the Council of European Energy Regulators (CEER)<sup>1</sup>, were received from:

- 13 shippers (Centrica, E.ON, EDF, EDISON, EnBW, ENI Gas & Power, Iberdrola, RWE, Scottish and Southern Energy, Shell Energy Europe, StatoilHydro & Yara), one confidential;
- 8 associations (BDEW, EFET, Energy Networks Association, Eurelectric, Eurogas, GEODE, OGP & UPRIGAZ);
- 1 TSO: GTE, representing the European TSOs.

Based on the results and findings of this consultation, a revised version of the ERGEG recommendations on the 10 year network development plan will be published end 2009.

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<sup>1</sup> [http://www.energy-regulators.eu/portal/page/portal/EER\\_HOME/EER\\_CONSULT/CLOSED%20PUBLIC%20CONSULTATIONS/GAS/E09-PC-36/RR](http://www.energy-regulators.eu/portal/page/portal/EER_HOME/EER_CONSULT/CLOSED%20PUBLIC%20CONSULTATIONS/GAS/E09-PC-36/RR)

## 2. Synthesis of the public consultation

The main messages provided by the 22 responses received to the public consultation can be classified among the four following categories:

### Scope:

- The 10-year network development plan (10 YNDP) should reflect the evidence of improved cooperation and coordination between TSOs and between regulators;
- The plan should recognise the difference between projects that have reached a final investment decision (FID) and other projects, which still have to be included in the plan for information purposes;
- Almost all respondents are in favour of a reporting on deviations from the precedent plan (monitoring report).

### Methodology:

- Broad agreement among respondents on the combination of top-down and bottom-up approaches;
- Respondents considered that sufficient flexibility should be given to ENTSOG in the development of the 10 YNDP to adapt and revise the methodology and contents;
- Assumptions should be clearly stated and agreed upon between the Agency, ENTSOG and the stakeholders. There is a need for harmonization of planning assumptions between Member States regarding the scenarios developed.

### Consultation and involvement of stakeholders:

- Many respondents required a better balance between the consultation on a European level and on a national level;
- Many respondents required for a clear involvement of the users in the 10 YNDP;
- An appropriate involvement should be allowed for all the market participants, for instance through the Madrid Forum. For many respondents, the Madrid Forum should indeed play a role in the development and management of the 10 YNDP.

### Security of supply:

- Most respondents considered that the 10-year network development plan will be beneficial to security of supply;
- There should be a clear coordination between the Gas Coordination Group and ENTSOG to provide a clear picture of the potential consequences of supply disruptions.

### Overview of GTE+ answer to the ERGEG consultation

Since GTE+ is preparing the first trial for drafting the Community wide ten-year network development plan, a special focus is given to its response. GTE+'s draft of European Ten Year Network Development Statement is structured in three phases: The Capacity Development Report was published in November 2008; The Demand Scenarios vs Capacity Report was published in

July 2009 and The European Ten Year Network Development Plan to be produced by December 2009<sup>2</sup>.

According to the Directive 2009/73EC and the Regulation (EC) 715/2009, ENTSOG and ACER will have a key role in the drafting process of the 10 year network development plan. In this perspective, ERGEG and GTE+ have been discussing together their respective approaches: they held several bilateral meetings and organised respectively too coordinated workshops on 29 April 2009.

The main elements of GTE's written comments on ERGEG recommendations are:

- GTE considers the plan as a valuable tool to facilitate the communication between ENTSOG and stakeholders on investments in the European gas grid.
- The most appropriate combination of the top-down and bottom-up methodology needs to be developed stepwise based on the experiences gained. GTE indeed supports developing and improving the drafting process of the European 10 YNDP on the basis of experience gained.
- GTE insists on the necessity of providing flexibility in the allocation of tasks between ENTSOG and national TSOs in order to reach the most efficient outcome. It also asks for sufficient flexibility about methodology and priority setting to best benefit from the interactions with stakeholders. GTE considers that the ERGEG recommendations should therefore be limited to overriding principles describing objectives, without specifying in too much details how ENTSOG and the TSOs reach these details.
- Concerning the coherence between national, regional and the European 10 YNDP, GTE considers that in case such development plans are not published at the same time, the latest plan should have the possibility to include the most up-to-date information even if they lead to apparent incoherence between national/regional and Community-wide 10 YNDP.
- GTE doubts that putting an obligation on TSOs to adopt the same structure for their individual investment plans would produce the most appropriate and efficient results.
- GTE does not support putting an obligation on market participants to communicate data on future projects. It prefers relying on good relations with shippers and producers, based on trust and understanding.
- Network modelling should be developed by GTE+/ENTSOG in consultation with stakeholders. Duplications of work should be avoided in this area.
- GTE supports the integration of a monitoring report within every 10 YNDP to explain deviations from the previous plan.

### **ERGEG views:**

ERGEG intends to focus on the legal aspects based on the 3<sup>rd</sup> Package requirements. It agrees that clarifying the objectives and overriding principles should be a dominant priority. ERGEG is also aware that the preparation of the 10 YNDP is a "learning by doing" process, which means that enough flexibility must be ensured. An appropriate balance between the level of prescrip-

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<sup>2</sup> Cf. GTE publications: [http://www.gie.eu.com/publications/indexframe\\_plus\\_tys.html](http://www.gie.eu.com/publications/indexframe_plus_tys.html)

tiveness and flexibility has therefore to be found to make sure that the final plan will provide the expected benefits.

Concerning the distribution of tasks, according to ERGEG, “ENTSOG” does not only relate to the so-called organisation but may include its members as contributors to develop the 10 YNDP. Concerning individual TSOs’ 10 year investment plans, ERGEG’s concern relates to the compatibility of data included in the various plans. Structures of individual TSOs investment plans may differ, however, the information they provide on gas systems evolution should be relatively the same.

### 3. Summary of ERGEG stakeholder workshop

On April 29 2009, ERGEG held a workshop<sup>3</sup> in Brussels in order to present its recommendations on the 10-year network development plan. Part of the consultation process, this workshop benefited from a speech from the EC DG TREN; it was opened to stakeholders who were invited to provide their views on ERGEG work and their expectations regarding the future network development plans. 66 representatives from the European gas industry participated to the workshop. ERGEG recommendations were presented by Mr Esnault (CRE), the ERGEG network simulation project was presented by Mr Dengel (BNetzA);

#### Communication from Mr Vinois, European Commission (DG TREN)

- The European perspective should be the driver of the 10 YNDP; it should not be a compilation of national plans.
- It is important to take into account more the external dimension of the EU, especially with regards to the impact of the development of new supply routes on the European network. This dimension is missing from the ERGEG recommendations according to the European Commission. ERGEG highlighted here that its recommendations give priority to the issues related to regulators competences (the internal market). The external dimension is present to a certain extent through the description of the context (investment framework, identification of LNG projects etc. ) and through the objectives.
- Mr Vinois reminded that the EC will soon publish a document on the diversification of energy supply sources and is working also on the revision of the Directive 2004 on security of supply, with the application of the N-1 rule in the gas sector.
- He added that the Commission is currently reviewing the TEN-E projects. The 10 YNDP should be based on the eligible projects. He also suggested that the plan could be considered as a basic tool to decide which projects can be financed in priority.

#### GTE+ comments on ERGEG recommendations, presented by Mr Schippers:

- It is important to clearly define the allocation of tasks between ENTSOG and the individual TSOs, especially with regards to data collection. The responsibilities and tasks of ENTSOG as proposed in the ERGEG recommendations need to be understood as joint tasks for ENT-SOG and its members.
- ERGEG should not be too much prescriptive in its recommendations; it should leave some flexibility to ENTSOG to provide best results.
- GTE does not support the ERGEG proposal concerning the obligation put on market participants to communicate relevant information about their future projects. It considers that relying on good relations with shippers based on dialogue and understanding should be preferred.
- GTE noted that the network modelling should be considered as a task for TSOs.

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<sup>3</sup> This event followed a GTE+ workshop on the same topic organised the same day where demand scenarios were presented.

- GTE considers including explanations on deviation from the previous plan (monitoring report) as a “natural” element of the 10 YNDP.

Eurogas comments on ERGEG recommendations, presented by Mr Hohaus:

- Eurogas considered that the 10 YNDP should be more than the sum of individual TSOs investment plans.
- The plan should reflect a European dimension and the evidence of improved cooperation and coordination between TSOs.
- Mr Hohaus however pointed out that even if security of supply is a EU priority, it is important not to focus only on this aspect in the selection of investment projects.
- Eurogas suggested merging the works carried out by ENTSOG and ERGEG on network simulation.

EFET comments on ERGEG recommendations, presented by Mr Lyle:

- EFET stated that the consistency of the top down and bottom up approach is subject to the publication of the assumptions used by the individual TSOs.
- The plan must recognise the difference between projects that have reached a final investment decision (FID) and all other projects all the projects (LNG, storage, pipelines etc..) should be included in the assessment while mentioning their level of advancement.
- Formal updates of the 10 YNDP should be published annually, with any major changes updated on an ongoing basis.

Reactions of the participants on the presentations

- Mr Vinois stated that the modelling of the network should be agreed upon by all stakeholders. He suggested organising a workshop on this issue, gathering the EC, ERGEG, GTE and stakeholders.
- OGP considered that demand and supply scenarios must be constructed with the inputs of all the stakeholders. He pointed out that these scenarios should be approved and endorsed by the Madrid Forum and the European Commission.
- BP asked for more details on the future role of regulators and public authorities in the investment decisions. ERGEG specified that according to the 3rd Package, the Agency should provide an opinion on the 10 YNDP and NRAs should review national investment plans. In case the Member State decided to adopt the ITO model, national regulators should organise a consultation on the plan and are entitled to take binding decisions regarding investments, such as a tendering procedure<sup>4</sup>.

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<sup>4</sup> Cf. Article 22, gas directive 2009/55/CE



#### 4. Lessons from respondents' answers to the questions

12 questions were asked from stakeholders which were all related to specific ERGEG proposals. This section presents a synthesis of respondents' comments and recaps the associated proposals extracted from the consultation document.

##### (1) What would be for you the benefits of the 10 year gas network development plan?

**ERGEG initial recommendation:** The 10 YNDP should ensure the objectives of non-discrimination, effective competition and the efficient functioning of the market. ERGEG sees the 10 YNDP as a key tool to improve competition and security of supply. The plan will provide regularly updated and reliable information about market needs and dynamics in a broader European context. ERGEG sees the 10 YNDP as an information tool that increases and ensures transparency for all market participants and facilitates the identification of bottlenecks and investment gaps to transport gas across Europe.

**15 respondents consider transparency/access to data** as the main benefit of the 10-year gas network development plan as suggested by ERGEG: Centrica, EnBW, EON, EFET, Edison, ENI, Eurelectric, Uprigaz, Eurogas, Iberdrola, RWE, Shell, StatoilHydro, Yara and BDEW. These respondents suggest that the availability of additional data/information will help companies to assess the market and will be used e.g. for optimising investments.

Centrica points out that the plan should provide market participants with useful information on capabilities of the EU system, which, along with the information users needs from individual TSOs and regulatory authorities, will help market participants to plan their future market activities.

According to EFET, the access to an agreed dataset showing the committed and possible projects and the resulting capacities, flows, bottlenecks and effects of supply disruptions throughout Europe would enable better investment decisions both in infrastructure and in supplies, enable longer-term trading risks to be better assessed and hence improve confidence, market efficiency and liquidity.

**13 respondents rate the pan-European perspective, market integration, co-operation and co-ordination as the main benefit of the plan.**

Eurogas believes that the main benefit of the plan should be the overview from a European perspective of needed network development.

From Shell's experience of national network development plans, the most immediate benefit would be the creation of a holistic view of pan-European grid development, which would help to underpin the development of a single market and enhance security of supply.

EnBW believes that the recommended approach will provide a pan-European overview of the predicted supply and demand of gas.

EON states that the coordinated development of the asset base could be facilitated in an efficient and transparent way.

StatoilHydro considers that the plan should facilitate coordination of investment activity at the European level, with due consideration for all existing and to be developed entry and exit points to the European grid, in order to eliminate bottlenecks, avoid congestion and ensure sufficient resilience of the network.

**Increased security of supply is seen by 12 respondents** (Centrica, EnBW, EFET, Edison, ENA, ENI, Eurelectric, Eurogas, a confidential shipper, OGP, Shell, Scottish and Southern Energy and StatoilHydro) as another main benefit of the 10 YNDP whereas one respondent (Yara) doubts that a plan can contribute to security of supply<sup>5</sup>.

Eurelectric sees many benefits for the whole gas market, such as offering a tool to assess and enhance security of supply, improve the development of the internal market, increase co-operation and co-ordination between TSOs and eliminate physical bottlenecks.

A confidential shipper sees the 10 YNDP as an important step that would identify key infrastructures for the internal energy market and for the security of supply of the EU. However, the shipper points out that investment decisions have to follow the plan, otherwise the whole process is useless.

Scottish and Southern Energy believes that the 10 YNDP will also have a role in ensuring effective competition and efficient market functioning. EnBW adds that the development plan should promote investments in order to advance a more liquid wholesale market.

**ERGEG views:**

*Responses confirm the important contribution of the 10 YNDP to improve transparency, market integration and security of supply at an EU level. ERGEG indeed considers it as a key tool for building a shared view of the EU gas system dynamics and network integration in a coherent way. This will be beneficial to strategy building by market participants as well as to identify where some additional cross border cooperation may be needed. The overall aim of the EU 10 YNDP will be to identify where infrastructure is required and encourage necessary investment in this regard. It will be very useful as well for the institutions which monitor gas issues, namely the European Commission, the Member States and the regulators, to progress towards the single gas market and to improve security of supply.*

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<sup>5</sup> Cf. Question 3 on the contribution of the 10 YNDP to security of supply.

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

**ERGEG initial recommendation:** The 10 YNDP must give a reliable picture of the European gas market and the evolution of infrastructure needs. The objective is to provide visibility to the stakeholders, TSOs, regulators and governments. All the main issues related to demand, supply, market participants' strategies and projects must be integrated. The uncertainty of the gas market dynamics must also be discussed, assessing, when possible, the probability of occurrences of different events. The 10 YNDP shall identify congestion at cross-border entry/exit points as well as internal bottlenecks that have/may have an impact on cross-border systems.

**15 respondents value an overview of current and future supply and demand balance as the most important information arising from the 10 YNDP:** Centrica, EON, EFET, EnBW, EDF, Edison, Eurelectric, Eurogas, a confidential shipper, GEODE, GTE, RWE, Uprigaz, Yara and ENA.

For Eurelectric, the 10 YNDP is an invaluable tool for gas users as it provides information on the prospective development of gas infrastructure. This information is for Eurelectric essential for forecasting the possible evolution of the European gas market in terms of sources of gas, location of markets, liquidity of different areas and eventually gas prices per area.

In the view of Centrica, the plan should provide current and forecast gas system capacities and flows under common scenarios.

In the view of Edison, the inclusion of demand/supply scenarios and a regular update of the projects will contribute to adopt a dynamic approach, which is useful for gas users who have to orient their strategies according to the development of transmission infrastructures.

**Availability of correct investment signals is seen as the most important information by 13 respondents** (Edison, EnBW, ENI, Eurelectric, Eurogas, a confidential shipper, GEODE, OGP, RWE, Shell, StatoilHydro, Yara and ENA).

Edison sees the most important contribution from the 10 YNDP is identifying the existing congestions, thus highlighting the risks for security of supply and providing correct investment signals.

Information on existing investment gaps at the national and regional level, as well as volume of required investment in the mid- and long-term under different supply and demand scenarios would be useful for RWE.

**12 respondents see an overview of committed and planned investment projects as important piece of information** (Centrica, EFET, Edison, ENI, Eurelectric, Eurogas, a confidential shipper, GEODE, OGP, RWE, StatoilHydro and ENA).

GEODE believes that the 10 YNDP's major advantage is the provision of a comprehensive picture of gas transmission networks, their functioning and planned development in Europe.

In the view of OGP, one of the most important information provided by the plan is an aggregated view at the EU level of opportunities and projects, both planned and proposed.

EFET sees the key information arising from the 10 YNDP as a set of consistent data on transmission capacities and the status of all possible future investment projects.

**The identification of existing and potential bottlenecks is as well very important information for 10 respondents** (Centrica, EnBW, Edison, ENI, Eurogas, OGP, Shell, StatoilHydro, Uprigaz and Yara).

Shell sees the identification of inter-TSO congestion or capacity shortfalls as the most important information arising from the 10 YNDP.

A review of existing or potential bottlenecks is necessary for Uprigaz.

**8 respondents believe that the 10 YNDP will give information on the resilience of the system and its ability to cope with supply disruptions** (Centrica, Edison, Eurelectric, Eurogas, Iberdrola, OGP, StatoilHydro and ENA).

Eurogas believes that the 10 YNDP can give – beneath other aspects - valuable signals regarding security of supply and test future demand and supply scenarios.

In the view of StatoilHydro, the plan can give an overview of the present and potential resilience of the European gas system and of its ability to cope with supply disruptions.

For some respondents (EON, EnBW, Eurogas, a confidential shipper, Iberdrola, ENA) the fact that a European 10 YNDP shows inconsistencies between national plans as well as national plans and the EU-wide plan is as well an important aspect.

**ERGEG views:**

*Respondents see the development of a shared vision of EU gas dynamics and EU gas system functioning, as well as their evolution, as the core benefit of the plan. Beyond the information on infrastructure developments, expectations about supply and demand are very high both for suppliers and big consumers. However, ERGEG considers that the 10 YNDP does not formally aim at influencing market dynamics.*

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

**ERGEG initial recommendation:** ERGEG sees the EU 10 YNDP as a key tool to improve competition and security of supply. The plan should be aimed at anticipating potential gas deficits and infrastructure bottlenecks, to assess the need to diversify current gas supplies as well as the capacity of the European gas system to cope with emergency procedures and solidarity mechanisms.

**19 respondents consider that the 10 YNDP will be a useful tool for security of supply:** EFET, BDEW, Centrica, E.ON, EDF, Edison, ENA, ENBW, ENI, Eurelectric, Eurogas, a confidential shipper, Geode, GTE, Iberdrola, RWE, Shell, StatoilHydro and Uprigaz. These respondents agree in general that the 10 YNDP will be a valuable source of information for the analysis of security of supply.

However, in order to improve security of supply, respondents consider that the 10 YNDP should:

- be updated and published annually: the project database, network model and key results must be accessible on a up to date basis (EFET);
- anticipate potential gas deficits and infrastructure bottlenecks, identify congestions at entry/exit points, assess the need to diversify current gas supplies and the need to overcome emergency procedures and solidarity mechanism (ENBW);
- include the analysis of security weaknesses throughout Europe, allowing the identification of strategic projects (ENI)
- and include storage facilities, LNG projects and total supplementary capacities (Geode).

StatoilHydro agrees that the 10 YNDP can contribute to the assessment of security of supply costs, but considers that the market has to send the signals that will lead to investment in new infrastructure, in order to avoid distortion and inefficiency.

Even if security of supply is essential, each project should remain economically feasible and allow a fair rate of return (BDEW, E.ON). ENA considers that it is important to avoid placing too much burden on TSOs.

Eurogas pointed out to the importance of coordinating this work on security of supply with the Gas Coordination Group to avoid duplication.

Concerning the ERGEG statement on the need to improve security of supply by developing more capacity than strictly needed for trading purposes, a confidential shipper considers that a slight over investment in the market could be more beneficial for consumers than the slight increase in the access tariffs.

On this matter, OGP considers that when projects involve over capacity for security of supply reasons, the EU should establish specific and transparency rules for its use.

GTE highlights here that the 10 YNDP is not the only relevant element to improve security of supply. Other important issues should also be worked on, such as the development of the European security of supply framework, the provision of appropriate investment conditions and the development of solutions to support investments in one country to the benefit of security of supply in another country.

**2 respondents disagreed with the ERGEG proposal regarding the contribution of the 10 YNDP to security of supply.**

OGP considers in general that the ERGEG proposal contains requirements that are in excess of those included in the 3<sup>rd</sup> Package. According to OGP, no evidence has been put forward that these additional requirements would provide any benefit to security of supply. Furthermore, it is

not appropriate for market participants to become involved in solidarity mechanisms between Member States. OGP adds that, before including such a statement within ERGEG recommendations, all stakeholders should agree that the promotion of security of supply should be a primary function of the 10 YNDP.

Yara expresses its worries about the efficacy of the approach for large infrastructure projects from outside Europe (Nabucco). For these large projects, TSOs should be in close contact with all market actors to ensure a broad and viable scope when deciding investment in infrastructure. Yara considers that it is important to include market actors and to ensure that there are sufficient numbers of purchasers and sufficient quantities of gas on the producer side to supply the purchasers.

**ERGEG views:**

*Beyond the respondents' dominant positive statement on security of supply, ERGEG reiterates to recall that the plan focuses on the development of regulated infrastructure regarding the evolution of the gas market (supply, demand, non-regulated infrastructures projects) while remaining neutral towards private initiatives, but informing about feasibility and state of progress of the projects.*

*Security of supply will not be the only element at stake for assessing the need for new infrastructure but has to be addressed. The main contribution to security of supply of the 10 YNDP shall be the identification of investments required for coping with supply disruptions and physical bottlenecks according to network simulations. The new gas Regulation indeed states that the 10 YNDP shall include a European supply adequacy outlook and an assessment of the resilience of the system. In addition the future regulation on security of supply will obviously have an impact on network development and, hence, on the 10 YNDP. This would justify coordinating the work with the activities of the Gas Coordination Group.*

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

**ERGEG initial recommendation:** According to ERGEG recommendations, the 10 YNDP should focus on congestion at cross border points and on internal bottlenecks having a cross border impact and include storage and LNG projects. The ERGEG recommendations also suggested that the plan should include all investments of a broader European dimension requiring a high level of coordination between two or more TSOs. The plan should also include regulated and exempted investments.

**8 respondents support the scope proposed by ERGEG**

E.ON, Edison, ENI, EFET, ENA, EnBW, GEODE and RWE support the scope proposed by ERGEG. The plan has to focus on projects with cross border and regional impact. Concerning the proposal to include TPA exempted investments, Edison considers that a minor degree of details should characterise the information requested to be provided on a voluntary basis.

**8 respondents suggest enlarging the scope proposed by ERGEG**

BDEW, Centrica, Eurelectric and Iberdrola agree that the focus of the 10 YNDP should be on projects with cross border and regional impact. However, Centrica's position is that in order to gain an accurate view of EU supply and demand, the plan should include all data on inputs and outputs from transmission grids. It should also include the whole gas network, import terminals, storage facilities and interconnectors (BDEW, EDF and Eurelectric) and the distribution network and smart grids to maintain security of supply (BDEW). Iberdrola suggests also taking account aspects linked to security of supply: make mandatory the construction of facilities to meet 10% interconnection capacity target, include the analysis of potential measures to address the failure of one main supplier (N-1 rule) and include some investments deemed as a priority for the European security of supply (even if funding is not sufficiently justified from a purely economic view).

EDF, ENI and Uprigaz consider that the scope should be enlarged; it should take into account investment and production plans of non-European countries, especially when they have an impact on the European security of supply (EDF, ENI) and include long distance pipelines, interconnectors, LNG terminals regulated and exempted (Uprigaz).

**5 respondents disagreed with the scope proposed by ERGEG: a confidential shipper, OGP, Shell, StatoilHydro, Yara and GTE**

A confidential shipper believes that the 10 YNDP should only focus on interconnections, not on storage or LNG facilities, as they tend to be national projects rather than cross border ones. This confidential shipper considers also that the plan should only focus on regulated infrastructures.

OGP and Shell find that ERGEG requirements for the European 10 YNDP go beyond those presented in the 3<sup>rd</sup> Package. According to OGP, the scope of the 10 YNDP should be as set out in the 3<sup>rd</sup> Package and any proposal to enlarge the scope of the 10 YNDP should be put forward by ENTSOG, endorsed by the Madrid Forum and approved by the European Commission. Uprigaz agrees also that any modification of the scope should be decided after consultation with stakeholders. Shell states that information provided by import terminals, storage facilities and interconnectors should be limited to what is required to determine the impact on network capability.

The view of StatoilHydro is to include in the 10 YNDP the development of LNG facilities, storage facilities and import pipelines, in order to avoid mismatch of schedules and to keep the network in balance between transmission investments and the other infrastructures. StatoilHydro suggest establishing a consultation between parties leading to appropriate commitments from TSOs.

In Yara's view, it is important not to limit the scope of the 10 YNDP to a certain number of TSOs.

**3 respondents suggest introducing a flexible approach in determining the scope**

Some respondents suggested providing a more flexible approach regarding the potential to enlarge the scope if necessary. There should be sufficient flexibility to adjust and to provide the most efficient results (Centrica, GTE, Eurogas). GTE suggested to add new elements if revealed through the dialogue with stakeholders. GEODE considers that the scope should remain open for new definitions and adoptable to new developments.

**EREG views:**

*The scope defined by ERGEG is based on the Regulation (EC) 715/2009 provisions (article 8). The objective is to gather all the relevant information regarding the development of the EU transmission system. Even if not explicitly mentioned in the Regulation, ERGEG considers that the scope must include projects such as LNG terminals and storage facilities, as stipulated notably in Article 22 (3) of Regulation (EC) 715/2009 for ITOs (for individual TSOs 10 YNDP), since they have an impact on cross border gas flows. In addition, the 10 YNDP shall include an integrated modelling of the EU gas network; such analysis requires taking into account all these projects. Concerning investment and production plans of non-European countries, ERGEG recommends to keep them out of the scope because this information may not be comprehensive and reliable enough. However, the supply adequacy outlook shall be built upon a picture of international projects.*

**(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?**

**EREGEG initial recommendation:** The 10 YNDP will be built upon and influence, and be influenced by the national and regional investment plans, combining bottom-up and top-down approaches. The top down approach will require ENTSSOG to address the general methodology of the plan, provide the elements related to the context and broad gas dynamics in Europe, as well as the issues related to security of supply, market integration and competition development. The bottom-up related to the collection of information required for the identification of the projects, estimation of costs as well as the probability of investment.

There is a broad agreement among the responses concerning the need to combine bottom up and top down approach. **16 respondents support explicitly the combination of the two approaches.** Many respondents consider that the combined approach will ensure consistency and coherence between national, regional and EU-wide plans. Respondents point out to the following issues:

Some respondents stress that the top-down approach should be conducted by ENTSSOG in close cooperation with stakeholders (BDEW, E.ON, Eurelectric). The views of all stakeholders (governments, regulators, TSO, shippers etc.) should be taken account and incorporated in the plan (Centrica, Eurogas, ENBW). All the steps of the top-down approach should be the outcome of a process, including stakeholder's participation at a European level in form of stakeholder's consultation (GEODE).

According to some respondents, **the top-down approach** should be achieved independently from the national plan. It should reflect a truly TSO coordinated network development plan. Respondents agree that a European plan should not be the sum of all national plans (EDF, Eurogas and Eurelectric); it should consider the EU as a whole when undertaking the European plan according to a previous set of working hypotheses. Eurelectric and Eurogas also add that the 10 YNDP should reflect the cooperation and coordination between TSOs. According to RWE, the consolidation of the national investment plans prepared by individual TSOs must clearly reflect a European perspective depicting investment requirements.



**Regarding the assumptions**, when possible, TSOs should use harmonised planning assumptions for the scenarios developed as an input to the 10-year network development plan (EDF, Uprigaz). These assumptions should not represent the aggregation of all individual TSOs investment plans. These assumptions can concern macroeconomic trends, energy prices, exchange rates etc... EFET and EnBW suggest also that the TSOs publish as a first step the existing assumptions and methodologies (peak demand, critical day assumptions) at a national level. The second step would be to publish afterwards consistent regional and EU models.

Regarding the inputs to the 10 YNDP, the new gas **security of supply** regulation of the European Commission as well as the revised **TEN-E** guidelines expected in 2010 will provide additional elements for the top down approach (ENA, GTE, Statoilhydro). However, Eurelectric adds that few of the projects in the TEN-E have been built. According to Edison, it is also very important to have a common understanding of security of supply definitions, beyond the national definitions and referring to Directive 2004/67/EC. GTE agrees also with the need of harmonising security of supply definitions on the European level. The plan should not only identify bottlenecks but also how they can be removed.

OGP considers that ENTSOG should not be required to select priorities between projects. The 10 YNDP should identify the incremental benefit provided by each project. The 10 YNDP should include all potential network development projects notified to ENTSOG by the TSOs. ENTSOG should not propose alternative routes for such projects as part of the plan. OGP and Shell believe that the **identification of priority projects** for network investment is a task for the market.

In the same manner, Edison pointed out to the fact that the process should not lead single TSOs to be influenced by ENTSOG's recommendations on the identification of priority projects when making their investment decisions. The identification of priorities and the selection of the most efficient option could be discretionary.

On priority interconnection projects, Eurogas notices that these projects should be identified and ENTSOG should require that they projects are advocated urgently within clearly established deadlines.

Concerning **the bottom-up approach**, ENI highlights that the **collection of data** should concern both gas flows and shippers' capacity needs (non binding information). Data should be collected with a strong coordination among adjacent TSOs in terms of timescale and avoid duplication of requests (even with other institutional bodies, such as Eurostat and NRAs). Several respondents have highlighted the need to avoid duplication of information and of activities conducted by TSOs (BDEW, ENI, Eurogas, RWE, ENA).

GTE does not consider that the assessment of probability of investments for each project is a task for ENTSOG. It should be left to the project sponsor to develop his view and take his decisions on the project.

The bottom-up approach should focus on determining the real capacity needs of the European system, taking into account the implications for European projects of new routes into the European market (Eurogas). The elements to be taken into account for the bottom-up approach are

national security of supply definitions, national investment processes, investment projects developed on a national or regional level and stakeholder's consultations on a national or regional level (GTE). More generally, EnBW stresses that bottom-up measures have to be designed in an efficient way in order to avoid delays of necessary developments. According to Shell, the bottom-up approach should prevail on the top down approach.

### **Other remarks**

Eurogas would not like to see a too bureaucratic approach for the development of the non binding 10-year network development plan. The main goal should be to achieve a practicable outcome which delivers results needed for the development of the internal energy market.

ENA pointed out here that there is a need for a clear **distinction of the tasks** to be accomplished with regards to the efficient division of work between the TSOs and ENTSOs. As underlined above, this issue was also mentioned by GTE during the workshop and in their response.

OGP however criticized ERGEG's proposal with regards to the top down approach. This approach is seen by OGP as too complex and bureaucratic. OGP recommends that the methodology for producing the 10-year network development plan should be as currently envisaged by GTE. Each proposal to change the methodology should be discussed and endorsed by the Madrid Forum.

### **Need for flexibility in the process**

ENA highlights that the process should be flexible and not too heavy for the TSOs, in order to enable them dealing with unexpected developments not envisaged when the plan was first submitted.

According to Statoilhydro, it is important that the plan maintains its flexibility to adjust over time to trends in the European gas supply and demand.

GTE considers that the most appropriate combination of the two approaches needs to be developed stepwise based on the experiences gained.

A confidential shipper considers that the need to invest in cross border interconnections is clearly identified in the framework of the GRI. The 10 YNDP should include investments already identified at a regional level.

### **ERGEG views:**

*Responses broadly confirm the interest to combine top-down and bottom-up approaches to have both a comprehensive and consistent picture of the EU gas system. ERGEG considers that, however, the methodology should not be too heavy. For that purpose, the bulk of data should be gathered at a national level, taking into account gas environment's circumstances that may affect the national market. On top of methodology definition and the identification of general European gas dynamics, top-down should therefore consist of homogenising the data, reviewing its coherence at an EU level and avoiding duplication of procedures. The consultation of stakeholders shall play an important role in this process.*

ERGEG recommends harmonising the assumptions; in some cases (i.e. official data) this harmonisation may not be possible.

ERGEG recognises that ENTSOG is not in a position to arbitrate between infrastructure projects but considers that it is necessary to include in the EU 10 YNDP a technical and economic description of the projects. Priority projects should be covered by the guidelines on Trans European Energy Networks (TEN-E).

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

**ERGEG initial recommendation:** According to ERGEG recommendations, stakeholders should within a reasonable period of time, make available to ENTSOG, upon written request, the data required for drawing up the 10-year gas network development plan and assess the existing and potential capacity bottlenecks.

**5 respondents consider that an obligation is a necessary condition to provide an accurate picture of the investment needs.** Without such an obligation, the underlying objective of the 10 YNDP would be compromised: BDEW, ENA, GEODE, RWE and a confidential shipper.

**7 respondents consider that information should be provided on a voluntary basis:** OGP, Eurogas, Eurelectric, GTE, StatoilHydro, Shell and Edison.

For StatoilHydro and OGP, all market participants should be encouraged to provide the needed information. For GTE and Eurelectric, data on projects should be actively provided by the respective sponsors, sometimes in complement of already publicly available information (Eurelectric). Eurogas and Shell admit that if the voluntary approach is not successful, a form of obligation on data might be necessary as a second step.

**2 respondents strongly reject the idea of an obligation:** Uprigaz and EDF.

Relevant information should be limited to publicly available data and for EDF, market players should even have the right to decide what information is relevant.

**Confidentiality of information:** A majority of market players (BDEW, EFET, Eurelectric, Eurogas, GEODE, OGP, E.ON, EDF, Edison, a confidential shipper, RWE, Shell, StatoilHydro, Iberdrola and Uprigaz) underlines the importance of preserving the confidentiality of commercially sensitive information. BDEW and Shell suggest publishing data at an aggregate and not shipper specific level. Commercial sensitive data have to be guaranteed by national and European authorities (BDEW, E.ON).

Eurogas also highlights that the data collection system should not require the publication of sensitive data from shippers or imply that any given data at the collection stage is binding (Eurogas). ENBW states that stakeholders can not be obliged to submit confidential data or information bought by stakeholders from the market from information providers.

Edison believes that the publication of some sensitive information in addition to current transparency requirements, such as the level of booking and duration of allocation, could result in damages to gas users' competitiveness. Furthermore, as the regulatory framework of TPA exempted

infrastructures is subject to specific standards, commercially sensitive information related to this type of infrastructure should not be communicated to ENTSOG for any reason (Edison).

Moreover, respondents pointed out the following issues:

- E.ON and Eurogas consider that ENSTOG should be as precise as possible vis-à-vis stakeholders, preparing any questionnaire in close consultation with them.
- For 5 respondents (EFET, OGP, Uprigaz, Centrica and the confidential shipper), the notion of “relevant information” should be clearly defined by ERGEG.
- EFET underlines that care must be taken to ensure that information requests are not duplicated (for national, regional and European requirements).
- Eurelectric suggests that the 10 YNDP should be based on data provided by public authorities based on official information collected in the authorisation process. Market participants could provide information on their own projects on a voluntary basis. This implies identifying projects planned, from those which received regulatory legal approval and those supported by form of bond or guarantee.
- Centrica mentions that regular processes by which TSOs collect information from market participants are already in place and should be used for the 10 YNDP.
- The methodology used by ENTSOG should be displayed (EFET).
- An obligation on market participants to communicate all the relevant information about their future projects has already been indicated in the 3<sup>rd</sup> Package (EnBW).
- ENBW is worried about the impact of such reporting criteria on the market position of buyers and on the security of supply within the EU, as the investment plans of potential and strategic projects would also be disclosed to non EU natural gas producers. Furthermore, according to ENBW, the potential trends based on the 10 YNDP that are not to be materialised could lead to stranded investments.
- For RWE, it is important that projects that are not yet reflected in the national or in the European 10 YNDP are acknowledged by the TSOs and ENTSOG upon the provision of relevant market information, especially in the time between the updates of the plan.

#### **ERGEG views:**

*ERGEG is looking for the appropriate way of gathering all the relevant information on infrastructure projects and potential developments necessary for building the 10YNDP. Relevant information covers all the decided infrastructure projects (FID taken and planned projects). It also covers announced projects related to regulated and non-regulated infrastructures which have an impact on transmission systems. Projects may be classified in different categories. ERGEG considers that this information is necessary for developing sound infrastructure development scenarios. The concept of relevant data will be further developed accordingly in ERGEG's revised recommendations.*

*ERGEG is keen on giving priority to voluntary processes based on trust and confidence. However, market actors should be aware that, if such an approach appears to be inefficient, an obligation might be put on them. ERGEG recognises that some information can legitimately be kept as confidential by market participants; it recommends to publish commercially sensitive information on an aggregated basis and only if this information is necessary.*

**(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?**

**ERGEG initial recommendation:** ERGEG proposed that stakeholders are required to complete a questionnaire prepared by ENTSOG, which includes their expected investment projects and their need for transportation across the European market.

**10 respondents consider that ENTSOG should collect data via national and individual TSOs**, who collect data from stakeholders for national 10 YNDP: BDEW, Centrica, E.ON, EFET, ENI, Iberdrola, ENBW, RWE, Shell and StatoilHydro,

**3 respondents suggest collecting information at a regional or European level.**

Edison agrees with ERGEG proposal to have stakeholders to complete a questionnaire prepared by ENTSOG.

A confidential shipper considers that it is more coherent to request information at a regional or at a European level, but not at a national level.

Geode believes that the regional level is the most appropriate to collect data from stakeholders.

**3 respondents suggest combining the collection of data at a national and European level.**

Shell and Uprigaz considers that the national level should be selected for data deriving from the national planning processes. Data should be collected at a European level only for cross border and EU wide projects.

Yara supports the collection of data on the three levels (national, regional and European), depending on the scope, aim and level of decision making.

**6 respondents consider that sufficient flexibility should be left for ENTSOG and TSOs to develop with stakeholders an efficient way of collecting data** (E.ON, EDF, Eurogas, GTE, OGP, Shell).

**2 respondents consider that collecting data at a regional level is unnecessary** (BDEW, RWE).

In addition, respondents pointed out the following issues:

- In order to have homogeneity between data, the questions to stakeholders should be harmonised and based on standardised assumptions (BDEW, E.ON, Edison, Eurogas, Iberdrola, ENBW). The data need to be collected using a common EU format, based on common definitions and methodologies (Edison, Eurelectric). ENI suggests that data should be gathered through coordinated timescale and methodology.
- The NRAs should approve the data before forwarding them to ENTSOG (BDEW, RWE).
- The EU wide aggregated data could be discussed and consulted on in European fora such as the Madrid Forum (BDEW, E.ON, Eurogas).
- Duplication of requests should be avoided (EDF, Edison, ENI, Eurogas).
- EFET proposes that any major change in the EU 10 YNDP should be updated on a continuous basis (more regular update than the national or regional TSOs investment plans). ENTSOG should justify and explain any delays or changes in the plan. In this case, it would be necessary for ENTSOG to collect data directly from stakeholders.

**EREG views:**

*The bulk of information shall be collected at a national level, but it is necessary to ensure its consistency at a cross border level and, hence, to develop a regional and a European assessment of data collected. ERGEG considers that ENTSOG and its members are best placed to carry out this task and considers it useful to consult the market on the final harmonised aggregated data. According to ERGEG, the regular organisation of workshops by GTE+ during the drafting process of the preliminary 10-year network development statement has been a useful way to get a sound feedback from the market.*

**(8) Are the scenarios mentioned appropriate? Would you have other proposals?**

**ERGEG initial recommendation:** ERGEG proposes to develop a “reference case” scenario, a business as usual based on evidence from market dynamics and alternative scenarios (with low/high demand/supply and dynamic market). The two scenarios should include security of supply simulations.

**11 respondents support ERGEG proposal on scenarios:** BDEW, EDF, Edison, ENI, Eurelectric, Geode, Iberdrola, RWE, Shell, Uprigaz and Yara.

Respondents pointed out the following issues:

- Assumptions and definitions should be clearly published and agreed upon between the TSOs and ENTSOG especially peak day and severe winter assumptions (BDEW, Centrica, E.ON, EFET, Eurogas and ENBW). EFET, ENBW and Statoilhydro suggest that ACER and ENTSOG should agree on these assumptions and consult stakeholders on the assumptions. According to EFET, ACER should ensure that ENTSOG produces a comprehensive explanation of the assumptions and check the consistency and integrity of the dataset, model runs and resulting plan.
- ENBW and EFET view is that the need of relevant competence in ENTSOG has to fully incorporate and use the information supplied by the market. ENBW also adds that national regulators must ensure that all extra accruing costs of TSOs are fully covered in the tariffs.
- OGP requests that scenarios should be endorsed by the Madrid Forum and approved by the European Commission.
- Flexibility and discretion is needed for ENTSOG and TSOs to develop scenarios for the 10 YNDP (BDEW, E.ON and GTE).
- In addition to the items identified in the paper, the 10 YNDP should examine the response of the network to a peak day and extended severe weather event (Centrica).
- Governments or national competent authorities should be involved in the draft of the scenarios. The 10 YNDP has to consider the impact of national energy and environmental policies on the development of the European gas markets (Edison and Eurelectric). In the same manner, OGP and StatoilHydro consider that with regard to supply planning, it should be ERGEG's role to engage the relevant ministries of Member States to ensure that the officially endorsed aggregated production information is supplied as an input to the 10 YNDP.
- Some respondents points out to the consistent scenarios already provided by international organisations such as the International Energy Agency, which could be used as an input for the 10 YNDP, especially with regards to the world wide context (Edison, Eurelectric, OGP

- and Statoilhydro). Shell suggests that ERGEG considers how the DG TREN long term energy scenarios (Primes) could be adapted to take into account peak demand.
- RWE questions the necessity of having such high level of detailed data to achieve the main purpose of the plan of indicating further cross border capacity needs.
  - Shell, OGP and ENBW asks for a clarification of the data required from stakeholders for the scenarios.
  - According to Shell, some clarifications are needed on the item “gas price dynamics” requested by ERGEG in the scenarios, especially that this item can not be examined at a national level, but at a pan European level.
  - StatoilHydro requests more clarifications on the Business as Usual and alternative scenarios.
  - Uprigaz believes that the timeframe for the evaluation of the scenarios should not be limited to a yearly basis.

**Other scenarios proposed by respondents:**

Only few respondents suggested other scenarios to be included in the 10 YNDP:

- According to EFET and ENBW, the 10 YNDP should include a reference case (best expectation for the agreed expectations) and a high case (with all possible projects).
- Geode proposes to introduce a third “crisis scenario”.

**ERGEG views:**

*Ideally, scenarios shall include all the elements impacting gas demand and supply in Europe. Developing fine tuned supply/demand scenarios is essential to effectively assess the EU gas system but this may be too complex to achieve. ERGEG therefore recommends selecting a small number of scenarios including one based on national forecasts and others on Community wide models.*

*ERGEG supports the harmonisation of definitions and assumptions. For that purpose ERGEG recommends to associate the governments within the drafting process. In any case, assumptions on peak day and severe winter conditions should at least be published.*

**(9) What are your views on the proposed EU network modelling and simulation of supply disruption?**

**ERGEG initial recommendation:** The model should be capable of simulating the utilisation of all major European gas infrastructures (pipelines, LNG terminals, storage facilities) under the employed scenarios. Based on the model-based analysis of the infrastructure projects, ENTSOG shall interpret the data provided by the model to evaluate potential bottlenecks and the resulting lack of market integration under the identified scenarios. The model shall be a European gas infrastructure model which is able to evaluate infrastructure projects within the framework of complex systems. A description of the model itself, as well as the employed assumptions and scenarios, must be provided in an Annex to the 10-year gas network development plan. To ensure consistency between national, regional and Community-wide 10-year gas network development plans, compatible assumptions and modelling must be used for all three types of 10-year gas network development plans. The Agency needs to be involved in the modelling method of the integrated network from the outset.

**7 respondents support ERGEG proposal on network modelling:** Centrica, EDF, ENA, ENI, Eurogas, Geode, Uprigaz.

The respondents' views on the modelling and simulation of supply disruption are:

- As each Member State has its own individual gas supply situation, only a national approach, coordinated by the Gas Coordination Group and ENTSOG can provide a clear picture of supply disruption and enable modelling (BDEW and RWE).
- Security of supply simulations and solidarity mechanisms should be introduced with a dynamic approach and should be implemented on a regional level as a first step, then, as a second step, on a European level (Edison, Eurelectric).
- Before considering specific investment projects serving mainly security of supply, the analysis of EU networks should include the potential of reconfiguration of pipeline systems through a concerted TSO action. It is also necessary to analyse the improved market integration and its potential for tackling supply disruptions (BDEW, E.ON, EFET and Eurogas).
- BDEW, RWE and Edison suggest including the N-1 rule in the 10 YNDP.
- Some respondents stress the necessity of avoiding duplication of works with the Gas Coordination Group.
- Modelling include many combinations of technical and economic parameters. According to GTE, the modelling should be developed further by GTE/ ENTSOG on consultation with stakeholders.
- In order to avoid mismatches, national, regional and European 10 YNDP should integrate equally the modelling of network. A coherent approach should be developed in order to conduct efficiently the network modelling in the framework of all three investment plans (ENBW).
- According to StatoilHydro, the modelling could improve the transparency level on the use of infrastructure and enhance the predictability of the impact of a new investment on the European grid.
- Yara recommends including measures of transparency, such as on-line publication of gas flows and other relevant market information for traders and purchasers.
- For ENA, there could be a need for ERGEG to have a scenario planning role, to model Member State plans in aggregate, and, in particular, gas and electricity interaction.

OGP and StatoilHydro question the added value of such a model as a dynamic simulation on an EU-wide scale would be an extremely expensive model to produce. In the same manner, Shell requests for further details from ERGEG on the modelling of the European network. StatoilHydro suggests that if the costs were too high for developing such a model, the modelling should concentrate on checking that all upstream gas from undisrupted sources are able to enter the EU network, as well as projects for which a FID has already been taken.

According to OGP, Member States should identify their natural gas supply points of vulnerability and elaborate emergency plans based on market mechanisms responses and a clear cost/benefit analysis. The components of the 10 YNDP as set in the 3<sup>rd</sup> Package will aid EU Member States, as users of the plan to do this.

**ERGEG views:**

*ERGEG reiterates that this model is requested by Regulation (EC) 715/2009 (article 8); the purpose of the model is to assess the resilience of the EU gas system and its evolution regarding the supply/demand scenarios and investment projects. ERGEG considers that the model should*



be developed by ENTSOG in consultation with the stakeholders and consistently with the Gas Coordination Group.

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

**ERGEG initial recommendation:** The 10 YNDP should provide a picture of worldwide and EU gas demand and supply trends, describe and analyse the functioning of the integrated network, include a summary of investment plans, as well as investment gaps drafted at national level and of any additional input submitted through the GRIs, include a supply and demand adequacy report, a technical and economic descriptions of the projects, an identification of alternative projects and implement a monitoring report.

**15 respondents agree in general with the drafting methodology and content proposed by ERGEG:** BDEW, Centrica, EON, EDF, ENA, ENI, Eurogas, Geode, Iberdrola, ENBW, RWE, Shell, Statoilhydro, Uprigaz and Yara.

**2 respondents formally disagree with the drafting methodology and content proposed in the ERGEG paper.**

For EDF, the drafting methodology should be adapted to the scope enlargement as stated in question 4. According to OGP, the ownership and accountability for the 10 YNDP should rest with ENTSOG. Again, OGP stated here that the 10 YNDP should conform to the requirements of the 3<sup>rd</sup> package. Any change of addition to the plan should be discussed and endorsed by the Madrid Forum.

**9 respondents are in favour of more flexibility**

BDEW, Centrica, E.ON, EFET, Eurogas, Geode, GTE, ENBW and Shell consider that ENTSOG should have the flexibility to revise and adjust the drafting methodology and content, which may need to be further elaborated by ENTSOG.

According to GTE, the ERGEG recommendations should be limited to overriding principles, describing objectives, without specifying in too much details how ENTSOG and the TSO reach these details.

**3 respondents are in favour of more prescriptiveness**

BDEW and Centrica consider that ERGEG should be prescriptive about the data that should be made available to the stakeholders. Geode supports the level of prescriptiveness of the ERGEG paper, as long as flexibility is provided for adjustments.

**4 respondents consider that ERGEG should be less prescriptive on the methodology and content (EDF, ENA, Edison, OGP)**

EDF and ENA consider that the ERGEG document is too prescriptive about the methodology and the content especially that this plan is indicative and not binding. More prescriptive powers of ERGEG can influence the ability of TSOs and ENTSOG to adapt easily to new situations and circumstances. Edison believes that ERGEG should be less prescriptive and comply with the provisions present in the 3<sup>rd</sup> Package, where there is no obligation for TSOs and stakeholders to communicate data and information.

**Remarks on the description and analysis of the functioning of the integrated network:**

- Edison and Geode support the provision of a map of existing and decided infrastructure, including interconnections with LNG terminals, adjacent transmission operators and storage facilities.
- GTE supports also the map provision but questions the practicability of including one map containing all existing and decided infrastructure, in a DIN A4 sized report. GTE thinks that another mean to publish this information could be more appropriate. GTE also wonders if the 10 YNDP is the appropriate platform to publish rates of uses on an annual and monthly basis for all European interconnection points. These are examples of why GTE requires more flexibility in the development of the 10 YNDP.
- OGP supports the inclusion of a supply and demand adequacy report in the 10 YNDP and proposes also that the current winter outlook produced by GTE be expanded to fulfil this requirement.
- For Edison, TPA exempted infrastructures should not be obliged to publish all capacity information, such as the level of bookings by shippers and duration of allocation.

**Remarks on the technical and economic description of the projects:**

- Shell requests for a confirmation from ERGEG that the details required for each project (technical aspects, cost components, expansion costs etc. ) should only be given for transmission projects and not to non-TSO investments in storage, import terminals and interconnectors.
- OGP and Edison support the inclusion of a technical description of existing and decided infrastructure, including interconnectors and transit infrastructure. OGP suggests however to exclude the economic description of the project, considering that a number of economic data are commercially sensitive (such as costs components), and that the 10 YNDP is a publicly available document. For OGP, the economic aspects should only be advised for to the national authorities, where appropriate. This problem arises in particular with reference to TPA exempted infrastructures, not subject to the obligation of communicate capital value information to NRAs (issue pointed out also by Edison<sup>6</sup>).
- Eurogas states that the evaluation of technical and economic feasibility has to be made by project investors. In the same manner, Edison recommends not to consider the economic and technical feasibility of the projects when developing the scenarios. This respondent agrees that the evaluation of feasibility is an extremely difficult task, due to the huge amount of variables impacting a project realization, which could result in a discretionary assessment of the projects and mislead the investment strategies of network users.
- According to Edison, the identification of alternative projects could result in a discretionary judgment and should be left to the interaction of market participants according to the price signals given by the market. ENTSOG intervention in this sense could result thus in distortions, providing the investors and the producers with misleading information.
- GTE states that cost estimated for projects can only be included in the plan if the project sponsor provides such costs estimated to ENTSOG. Several reasons may withhold the project sponsor from providing this data to ENTSOG (business and competition reasons).

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<sup>6</sup> See answer to question 6.

**EREG views:**

EREG welcomes the dominant positive opinion of respondents on methodology and content. EREG does not intend to be too much prescriptive about the contents of the 10 YNDP but mentioned in the consultation document the important information to provide. Nevertheless, EREG agrees that the 10 YNDP development is a learning by doing process which requires some flexibility: the drafting methodology and the content should be adapted according to the experience gained by ENTSOG and market participants.

Concerning projects description, higher level of details shall be required for regulated transmission infrastructure. Other projects and facilities will only be requested to publish the information relevant for assessing the functioning of the EU gas system. More details shall be given in the revised version of EREG recommendations.

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

**EREG initial recommendation:** EREG recommends that a monitoring report should be included in the 10 YNDP to identify deviations from the precedent plan. The report should also include explanations for any known reasons for deviations and should provide an update on delays affecting any investment included in the plan. EREG would also like that TSOs provide reasons for not proceeding with certain investments.

**20 respondents are in favour of a reporting on deviations:** BDEW, Centrica, E.ON, Edison, EFET, ENA, ENI, Eurelectric, Eurogas, confidential shipper, GEODE, GTE, Iberdrola, Shell, OGP, ENBW, RWE, StatoilHydro, Uprigaz and Yara.

**Reasons to support such a reporting**

- Determining the progress made in carrying out the originally planned investments (BDEW, RWE)
- Improving the robustness of the new plan and validating the methodology used (Centrica)
- Providing a major degree of dynamicity to the plan (Edison)
- Detecting changes in trends, demand patterns, changed conditions for investments, discovering bottlenecks (Eurelectric)
- Ensuring transparency on all levels of grid developments (EnBW, Uprigaz)
- Giving the opportunity to stakeholders to state their opinions on deviations (EnBW)
- Improving the confidence of the market in the effectiveness of the EU plan (Shell; StatoilHydro)

**Content of the reporting on deviations**

- Reasons for delay or cancellation of individual projects (BDEW, confidential shipper, ENA, Eurelectric, Iberdrola and RWE)
- Analysis of the overall impact on security of supply at national and regional levels (BDEW, GEODE)
- Suggestions of clear resolution mechanisms when investments have not been taken on time (Eurelectric)

**5 respondents suggest an annual update of the monitoring report:** EFET, Eurelectric, OGP, GEODE and EDF.

For EFET, this can minimise the effort by providing a continuously updated database. Formal changes to the scenarios might be only biannual.

#### **Other remarks**

- Deviations should be presented and explained in detail in quantitative terms (BDEW, RWE, Shell)
- Centrica and EFET consider there should be processes for ENTSOG to continuously update the database with new information or major changes.
- According to Edison, TSOs shall not be obliged to publish reasons for not proceeding with certain investments. Communication of causes for delays should be left on a voluntary basis.

#### **ERGEG views:**

*There is a broad consensus about the relevance of including a report on the deviations between realised and planned investments. Concerning the proposals to have annual updates, ERGEG would recommend to keep the 2 years frequency for practical reasons and to avoid putting too much burden on TSOs. However, given the importance of the 10 YNDP for transparency, a note should be made on the website alongside the document to inform the market if a major investment project with substantial cross-border implications is cancelled or delayed by more than a year (for avoidance of doubt, this is not intended to require the TSOs to recalculate or re-issue the plan but just to provide supplementary information).*

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

**ERGEG initial recommendation:** The consultation process as proposed by ERGEG should be developed on national and cross border levels. A first level of consultation should be organised on the national level, on national 10-year network development plans. In the first phase, stakeholders will have to express their needs for transportation capacity on national and cross-border levels. This information will be included in the drafting of national and regional plans. On a local level, the consultation process may be conducted by the NRA or by the TSO, under NRA oversight (according to the Third Package requirements). For the consultation on the European level, the EU 10 YNDP will be based on national plans and circulated among the representatives of traders, shippers, gas suppliers, customers and other relevant Stakeholders. The plan may be discussed within the Madrid Forum and among representative organisations, such as DG TREN and DG COMP.

**8 respondents request a better balance between the consultation on the European and on the national level:** BDEW, EFET, Eurogas, E.ON, Edison, ENBW, Shell and Iberdrola.

According to them, the process described reflects a national approach. A more detailed procedure is needed on a European level (such as organising regular stakeholders workshop etc..). ENBW and Shell call for a closer link between national and regional consultations in order to develop a real pan-European gas market.

**Suggestions on the consultation process:**

- 4 respondents require enough flexibility for ENTSOG and the TSOs to develop an efficient process (BDEW, Eurogas, GTE and E.ON).
- In order to have a better balanced a top-down / bottom-up approach, some stakeholders suggest the following process: (i) identification of investments at a national level; (ii) conception of the EU / regional plan on that basis (iii) adjust national plans if necessary and feasible (BDEW, E.ON, Eurogas).
- A more detailed consultation procedure (Centrica, Eurogas) with stakeholders being consulted on a more regular basis is needed: why not quarterly stakeholder workshops? (Centrica)
- According to Statoilhydro, an appropriate involvement should be given for all the market participants through the Madrid Forum. Edison requests a clarification if the discussion within the Madrid Forum is a real consultation process or just an informative circulation.
- The process suggested by ERGEG does not reflect enough the essential “two-way” nature of a consultation between market participants and ENTSOG (OGP).
- Important gas buyers / large industrial companies such as power producer should be invited to participate in the consultation procedure (Eurelectric, Yara).
- According to ENBW, a multitude of consultations bears the risk of causing opacity. ENBW calls for a closer link between national and regional consultations, which should be applied at the same time and involve stakeholders actively.
- ENTSOG, as owner of the TYDP, should be accountable for the consultation process (OGP, Shell).

**ERGEG views:**

*ERGEG agrees that a relevant balance has to be found between the consultations at national and European levels. The Gas Regulation (EC) 715/2009 states that ENTSOG shall conduct an extensive consultation process, at an early stage involving all the market participants (article 10). ERGEG therefore recommends that stakeholders are consulted on the data collected and harmonised by ENTSOG. ERGEG even encourages ENTSOG to organise workshops regularly during the drafting process.*

**(13) Other remarks to the ERGEG recommendations**

Besides the themes addressed by ERGEG in the consultation’s questions, some respondents made also several remarks on broad themes mentioned in the ERGEG recommendations related to the drafting of the 10 YNDP, such as the status of the plan (non binding vs binding), the role of the Agency and of the NRA and the diversity of investment processes and national investment plans.

## **Status of the EU 10 Year Network Development Plan**

Although the 3<sup>rd</sup> Package talks about a non-binding European 10 YNDP and ERGEG recommendations clearly states that the plan is an information tool to the market, some respondents had some remarks on the non-binding nature of the 10 YNDP.

- Uprigaz considers that the non-binding nature of the plan is important in order to maintain the flexibility required to adjust investment, over time, to changes on the pattern of EU gas supplies and demands.
- According to OGP, a non binding 10 YNDP will have the benefit of identifying openly potential gas network projects, by removing the threat that potential projects in the early stages of an investment process will be come binding before they have reached an appropriate state of maturity.
- Shell questions if the 10 YNDP is not actually indirectly binding, given the need for the national plans to be consistent with the 10 YNDP and the fact that NRAs can require action to remedy any differences and force the TSO to make the necessary investments.
- Statoilhydro points out to the importance of reflecting the non-binding nature of the 10 YNDP, by recognising the difference between projects that have a reached a FID and other projects, which should be part of the plan for information purpose only. The importance for the plan of recognizing the difference between FID projects and other projects was also underlined by Edison, who believes that this distinction gives evidence to the different level of maturity reached by planned infrastructures. This will reduce the risk for network users, but also for potential network developers to plan strategies and investment without the reasonable certainty that the infrastructure contained in the plan would be completed.
- RWE: 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.

### ***ERGEG's views:***

*The Regulation (EC) 715/2009 clearly states that the 10 YNDP shall be non-binding. However, ERGEG recognises that the monitoring report puts a commitment on TSOs to explain the reasons why a project would be delayed or cancelled.*

*Concerning the powers and role of the NRA in the individual TSOs 10 year network development plans, many respondents requested more details and clarifications. Some respondents questioned how TSOs applying different models (OU, ISO or ITO) will comply with their investment plans and contribute to the European 10 YNDP. ERGEG will develop a more detailed analysis in the revised recommendations and would like to state that, according to Directive 2009/73/EC, the obligations of the TSOs vary with regards to the unbundling model chosen by the Member State.*

- *In case the Member State chooses the ISO model, the ISO has “to comply with a ten-year network development plan monitored by the regulatory authority” (article 14, directive 2009/73/EC);*

- *For Member States applying the ITO model for their TSO, NRAs are more involved in the drafting process of the national 10 YNDP. The NRA has to consult the users on the 10 YNDP, examine whether it is consistent with the European 10 YNDP and monitor and evaluate the implementation of the plan. Furthermore, the NRA is also entitled to take measures to ensure the realisation of an investment supposed to be executed in the following three years (and if the TSO does not execute this investment) (Article 22, directive 2009/73/EC).*
- *The Directive does not specify the obligations of the TSO, in case the Member States chooses the Ownership unbundling option.*
- *More generally, as specified in Article 41, the NRA shall monitor TSOs investment plans and provide an assessment of the investment plan of the TSOs as regards to their consistency with the European 10 YNDP. This assessment may include recommendations to amend those investment plans. For the ISO option, for the first 10 YNDP, the NRA shall approve the investment planning and the multi-annual network development plan presented annually by the ISO.*

*In addition, the Regulation (EC) 715/2009 refers to national 10 YNDP (article 8). Legally speaking, it has to be clarified whether national plans correspond to the aggregation of national TSOs plans (when Member states have several TSOs). Furthermore, the Regulation (EC) 715/2009 refers to community 10 YNDP building on regional investment plans (article 8, paragraph 10 (a) and Article 12 paragraph 1). Under these regional plans published every two years, TSOs “may” take investment decisions.*

### **Role of the Agency and of Stakeholders in the drafting process of the 10 YNDP**

Many respondents expressed their views regarding the role of the Agency and the role of stakeholders in the drafting process of the 10 YNDP.

- For OGP, the 10 YNDP should be owned by ENTSOG, receive input from all market stakeholders, be endorsed by the Madrid Forum and approved by the European Commission. The roles of NRAs and of the Agency should be as a facilitator for information provision to the plan, should help shape scenario planning where they involve national policy and as a user of the plan to help guide policy decisions. OGP proposes that, where appropriate, smaller multi stakeholder working groups should be formed by the Madrid Forum to provide input to the plan and recommendations to the Madrid Forum plenary.
- For Eurelectric, the 10 YNDP should be evaluated and formally approved by ACER, taking into account the opinion of the different market parties and its contribution to enhance security of supply and optimize market functioning at the European level.
- GTE sees the role of ACER as a body to facilitate investments. ACER should seek for making regulatory frameworks compatible to stimulate investments and support the development of the European gas market. This of course includes the formal ACER task to decide in case two regulators can not agree on a cross border investment.
- Finally, Eurogas requires the definition of the approval role of the Agency.

**EREGEG views:**

*The involvement and the role of the Agency in the drafting process of the 10 YNDP have been provided for in the 3rd Package. According to Article 6 of the Regulation (EC) 713/2009 establishing an Agency for the Cooperation of Energy Regulators:*

- *Within two months from the day of receipt, the Agency shall provide a duly reasoned opinion, as well as recommendations to the ENTSOG on the draft Community wide network development plan, where it considers that the plan does not contribute to non-discrimination, effective competition and the efficient functioning of the market or a sufficient level of cross-border interconnection open to third party access.*
- *The Agency shall monitor the implementation of the Community-wide network development plans. If it identifies inconsistencies between such a plan and its implementation, it shall investigate the reasons for those inconsistencies and make recommendations to the TSOs, NRAs or other competent bodies concerned with a view of implementing the investments in accordance with the Community-wide network development plans.*

*Article 8 (paragraph 11) of the Gas Regulation (EC) 715/2009 states also that the Agency shall review national ten-year network development plans to assess their consistency with the Community wide network development plan. If the Agency identifies inconsistencies between a national 10 YNDP and the Community wide network development plan, it shall recommend amending the national 10 YNDP or the Community wide network development plan as appropriate. If such national 10 YNDP is elaborated under Article 22 of the Directive 2009/73/EC, the Agency shall recommend that the competent NRA amend the national 10 YNDP in accordance with Article 22 (7) of that Directive and inform the Commission thereof.*



## 5. Appendix 1. Responses Received

Responses were received from the following organisations:

	Organisation	Abbreviated name
<b>Shippers</b>	Centrica	Centrica
	E.ON	E.ON
	EDF	EDF
	Edison Spa	Edison
	EnBW Energie Baden-Württemberg	EnBW
	Eni Gas &Power	Eni
	IBERDROLA	IBERDROLA
	RWE	RWE
	Scottish and Southern Energy	Scottish and Southern Energy
	Shell Energy Europe	Shell
	StatoilHydro ASA	StatoilHydro
	Yara International	Yara
	Confidential	Shipper 1
<b>Associations</b>	Bundesverband der Energie- und Wasserwirtschaft e.V.	BDEW
	Energy Network Association	ENA
	EURELECTRIC	EURELECTRIC
	EUROGAS	EUROGAS
	European Federation of Energy Traders	EFET
	GEODE	GEODE
	International Association of Oil and Gas Producers	OGP
	Union Professionnelle des Industries Privées du Gaz	Uprigaz
<b>TSO</b>	GTE	GTE