

EUROGAS VIEWS ON ERGEG'S PUBLIC CONSULTATION DOCUMENT ERGEG RECOMMENDATIONS 10-YEAR GAS NETWORK DEVELOPMENT PLAN

Introduction

Eurogas supports the approach to the 10-year plan outlined in the Third Package and a stronger role for regulators compared to the initial draft of the European Commission. Eurogas advocates

- Clear involvement of users
- Transparency of assumptions and scenarios used in the plan
- Defined approval role for the Agency
- The importance of opening investment opportunities to the largest number of investors
- Priority interconnection projects should be identified, and ENTSO-G should require that those are advanced urgently within clearly established deadlines
- Clear resolution mechanisms are needed if investments are not undertaken in time, and Eurogas is confident that a pragmatic implementation of the new Gas Directive will deliver these.

Eurogas welcomes the fact that ERGEG, in its recommendations to the 10-year network development plan, proposes to focus on the European perspectives of the plan. The 10-year plan should be more than the sum of individual TSOs' investment plans. It should reflect

- A European dimension
- Evidence of co-operation and co-ordination between TSOs.

Nevertheless, Eurogas would not like to see too bureaucratic an approach towards the development of the 10-year network development plan which will be, it is recalled, non-binding. The main goal should be to achieve a practicable outcome which delivers results which the market needs for the development of the internal energy market.

Answers to specific questions

ERGEG welcome respondents' views on suggested approach, in particular views on:

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

The main benefit of the plan should be the overview from a European perspective of needed network development. Eurogas welcomes the fact that ERGEG is proposing a plan that will be much more than the sum of individual TSOs' investment plans. It is necessary that a European plan reflects not only a European dimension, but should give evidence of cooperation and co-ordination between TSOs and NRAs.

At the same time, a 10-year gas network development plan will give insight into the planned projects of individual European TSOs and therefore could facilitate the coordinated development of the asset base in an efficient and transparent way. Furthermore, the 10-year network development plan can be a useful tool for security of supply as well as for the development of the internal market.

The plan should highlight existing and potential network bottlenecks as well as the plans to overcome these. The plan (including its development and review with stakeholders) will help

identify market investment signals to overcome these hurdles on the path to a fully working internal market.

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

In Eurogas' view the most important information from a truly European 10-year network development plan is the overview of the existing network, the identification of bottlenecks and thus investment needs, a picture and overview of the mid-term European supply and demand balance as well as a notice of planned investments. The plan's European dimension, moreover, should increase the awareness of potential inconsistencies between national investment plans in view of an integrated European gas infrastructure as prerequisite for a single European gas market.

If the development plan is to be beneficial in a way to allocate the resources to develop the European network in an efficient and transparent way, harmonisation of its input and central assumptions on scenarios is necessary. Besides this information the plan can also give valuable signals regarding security of supply and test future demand and supply scenarios. The 10-year network development plan, as outlined by ERGEG, might also give very useful information and therefore give further impetus to the market.

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

Security of supply depends on properly functioning energy markets, sending clear price signals to all market participants. Security of supply has to be a shared responsibility taking into account that there are several actors in the market, with different objectives, and roles. At the same time at European level, an integrated approach has to be taken to security of supply.

Eurogas welcomes the attempt of ERGEG in including security of supply aspects in their recommendations towards the 10-year network development plan. Nevertheless, Eurogas fears that work is being duplicated if the Gas Coordination Group as well as Regulators work on this issue at the same time. Eurogas would welcome if these efforts are to a certain extent coordinated to avoid duplication.

Eurogas agrees that the 10-year network development plan, as outlined by the Third Package, is an appropriate tool to consider security of supply issues with regard to network development. Information generated by the 10-year network development plan, as outlined by ERGEG, can be useful for policy-makers to analyse the ways in which the system contributes to security of supply. Furthermore, although the plan is non-binding, Eurogas would welcome if it can increase understanding and confidence regarding the likely development of the system.

The plan can also make an assessment of the future capability of the European network to meet demands under a number of possible scenarios using coherent and consistent assumptions.

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

The scope of the proposal is appropriate in general as a first step. Nevertheless, in Eurogas' view it is necessary to avoid too much bureaucracy which might outweigh benefits of a European 10-year network development plan. Ultimately ENTSO-G, according to the Third Package, has to prepare the plan with a focus on projects with cross-border and regional impact. For Eurogas, as the association of the natural gas industry, it is of utmost importance to receive every two years a plan from ENTSO-G which works, which delivers the needed information. In this respect, Eurogas would eventually welcome a more flexible approach in the development of the plan including the potential to widen the scope if required.

In ERGEG's document, the importance of considering technical and economic feasibility is mentioned. In practical terms, however, ERGEG can only look at these in a broad, general way. Ultimately, the evaluation has to be made by project investors.

- 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?

Eurogas agrees with the combined bottom-up / top down methodology proposed, since in Eurogas' view it is necessary to have also a European perspective in the plan and it should avoid duplication with national TSOs' activities. It is extremely important that the views of all stakeholders (governments, regulators, TSOs, shippers etc) are taken into account and incorporated in the plan which gives clear signals on the needs for infrastructure improvement.

The bottom-up approach should avoid duplication of information, and focus on determining in its ultimate output what are the real capacity needs of the European system, taking into account where appropriate, the implications for European projects of new routes into the European market.

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

From Eurogas experience in developing forecasts it can be stated that collecting adequate data is an extremely challenging task. Moreover, although Eurogas supports EU-wide harmonized transparency requirements for infrastructure facilities, it considers that mandatory communications on future projects within competitive settings may raise difficulties. As a first step we prefer a voluntary approach to collect data, but if this is not successful, then some form of obligation on data delivery may be necessary, provided that confidentiality for commercially sensitive data is assured by national and European authorities. Also ERGEG needs to give more thought to the issue of at what stage in project development participants could be asked to provide latest information.

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

The process should leave ENTSO-G and TSOs the flexibility to develop, together with stakeholders, an efficient way of conducting data collection.

Eurogas acknowledges the difficulties regarding data collection for such a big project as the 10-year network development plan. The Third Package puts additional transparency requirements on TSOs as well as LNG Operators and SSOs. Eurogas, together with other system users organisations, would appreciate if eventually this additional information would be used for the development of a 10-year network development plan as well.

In general Eurogas would strongly recommend having a coherent and consistent way for collecting data on supply and demand flows on the national, cross-border, regional and EU level. The questionnaires to stakeholders should be harmonized and based on standardized assumptions. The EU-wide aggregated data might be discussed in the Madrid Forum. For the development of the questionnaire eligible stakeholders might be consulted in order to ensure the quality of the questions and increase the return rate and the quality of the received data. The data collection system should not involve duplication of effort for stakeholders, and should not require publication of sensitive data from shippers or imply that any of their data given at the collection stage is binding.

Eurogas would envisage that information on future projects would be provided, when the planning stage is sufficiently mature.

- Are the scenarios mentioned appropriate? Would you have other proposals?

In Eurogas's view the 10-year plan is not about absolute levels of demand, but demand patterns and European market further requirements on cross-border capacity. In this respect it is important that sufficient information on assumptions and definitions (ex: peak day demand) are given. Furthermore, it is necessary to ensure coherence with existing scenarios (i.e.: present EU27 totals), recognizing that they will present a range of demand forecasts, depending on the different assumptions they use.

Eurogas welcomes that ERGEG proposes to have European wide scenarios and the idea that assumptions and scenarios for the national 10-year network development plans have to be in line with the EU scenarios. This will provide the necessary European dimension of the plan.

- What are your views on the proposed EU network modelling and simulation of supply disruption?

In general Eurogas welcomes EU network modelling since this tool will give important insights to the dynamics of the complex European network and will allow more efficient investment decisions. A simulation of supply disruption might be a useful tool especially in light of possible supply disruptions (via e.g. not incoming LNG cargos or pipeline accidents).

The analysis of EU networks should include the potential of reconfiguration of pipeline systems through concerted TSO action in the first place. Further analysis of improved market integration and its potential for tackling supply disruptions is also necessary. After these two steps have been taken specific investment projects serving 'mainly' security of supply reasons could be investigated if necessary. The work can also contribute to crisis modelling in the Gas Coordination Group but should not duplicate it.

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

Eurogas agrees with the content outlined, although some detailed elaboration is needed. ENTSO-G and TSOs should have the flexibility to develop an efficient way of drafting the 10-year network development plan. ENTSO-G then, when collecting data, should be as precise as feasible vis-à-vis stakeholders, preparing any questionnaire in close consultation with them.

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

Eurogas welcomes in general a reviewing tool for the 10-year network development plan. It is important that reasons are given when there are changes in projects. Any deviation from the previous plan should be assessed in the 10-year gas network development plan every two years.

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

Eurogas welcomes that ERGEG proposes different forms of consultations and allows thus for some kind of flexibility regarding the appropriate way of consulting stakeholders depending on the national, regional and EU level. Eurogas agrees that stakeholder involvement is very important in the preparation of 10-year network development plans. Nevertheless, Eurogas would welcome for the European level a clearly defined consultation process. The outcome of initial European consultations might be used as an input for the regional and national work as well.

A better balance might be needed between top-down and bottom-up approaches: assess the need for investment on national level first, then let the assumptions, inputs and outputs from these models form the basis of the main consultations at regional and/or EU level. At step three go back and adjust national plans if necessary and feasible. In all this, it is important that there is enough flexibility for ENTSO-G and TSOs to develop an efficient process.