



Response to Public Consultation Paper
ERGEG recommendations on the 10-year gas network development plan
Ref: E08-GNM-04-03. 11 March 2009.

OGP Europe would like to thank ERGEG for the opportunity to respond to the public consultation on ERGEG's recommendations on the 10-year network development plan.

The key points of the OGP response are as follows:

- The purpose of the 10-year network development plan is to provide a regularly updated overview of the European gas network that will facilitate investment. It should be recognised that the delivery of such investment will remain within the competence of companies and their shareholders.
- The EU should not become involved in pre-selecting priority projects. As any infrastructure project of cross-border relevance is important to creating a liquid, well-interconnected and, hence, secure market, the eligibility for EU support of an infrastructure project benefiting the supply of gas in more than one Member State should, subject to fulfilling the conditions laid down in TEN legislation, be assessed against and ranked according to a set of pre-defined, objective, security of supply measures.
- When projects involve the provision of extra, non economic, capacity for the purpose of security of supply, the EU should establish specific and transparent rules for its use. In addition, the EU should support any applications made at national level for higher tariff mechanisms in conjunction with investments that will provide additional network flexibility
- Transparency within the internal gas market is beneficial when it fits the purpose of supporting a functioning market. Any additional data sharing requirements should respect the confidentiality of business sensitive information and not contravene competition law.
- In preparing the 10-year network development plan, the European Network of Transmission System Operators for Gas should involve all appropriate market participants, which include segments such as supply undertakings, customers, system users, producers, traders, transmission and distribution system operators, LNG and storage system operators and technical bodies.
- The Madrid Forum, a body in which all parties in the European natural gas market are represented, should play an important role in the development and management of the 10-year gas network development plan. 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.

OGP response to the questions posed by ERGEG in the annex – questions for stakeholders are as follows:

- *What would be for you the benefits of the 10-year gas network development plan?*
 - To promote the development of a truly European gas market, through a European connected grid.
 - To stimulate investment in major new infrastructure in order to ensure the proper functioning of the internal market in natural gas and to enhance European security of natural gas supply.
 - To provide a level playing field for existing and potential investors in major gas infrastructure in order to identify investment opportunities.

- *What is the most important information you expect from the 10-year gas network development plan?*
 - To provide an aggregated view at EU level of opportunities and projects, both planned and proposed.
 - To identify investment gaps, notably with respect to cross border capacities and potential supply opportunities.
 - To provide a review of the barriers to increasing the flexibility of the network arising from different approval procedures or practices.
 - To provide a view of the resilience of the European gas network to potential supply disruptions.

- *Do you consider that the 10-year gas network development plan, as proposed by ERGEG, will be beneficial to security of supply?*
 - OGP considers that the scope of the 10-year network development plan should be as defined in the draft Regulation of the European Parliament and of the Council on conditions for access to the natural gas transmission networks and repealing Regulation (EC) No 1775/2005.
 - Any guidelines that are required for ENTSOG to work on long-term infrastructure development in Europe should be developed in conjunction with all market stakeholders. Such guidelines should be endorsed by the Madrid Forum and approved by the European Commission.
 - The role of National Regulators and the Agency should be to ensure that any guidelines approved by the European Commission and endorsed by the Madrid Forum are complied with.
 - ERGEG's proposals for the 10-year gas network development plan contain requirements that are in excess of those called for in the draft Regulation of the European Parliament and of the Council on conditions for access to the natural gas transmission networks and repealing Regulation (EC) No 1775/2005 or the draft Directive of the European Parliament and of the Council amending Directive 2003/55/EC concerning common rules for the internal market in natural gas. No evidence has been put forward that these additional requirements would provide any benefit to security of natural gas supply.
 - The proposals make a linkage between security of supply and solidarity in a number of instances. Whilst it is appropriate for all market participants, including TSOs, to develop gas market opportunities to supply, transport and trade gas throughout Europe, which will result in an increase of security of supply, it is not appropriate for market participants to become involved in solidarity mechanisms between Member States.

- All stakeholders should agree that the promotion of security of natural gas supply should be a primary function of the 10-year network development plan. The primary role of 10-year network development plan should not be to provide an EU-wide investment plan.
- 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-year gas network development statement.
- *Do you consider that the scope proposed by ERGEG is appropriate? Should it be enlarged?*
 - ERGEG's proposals for the 10-year gas network development plan contain requirements that are in excess of those called for in the draft Regulation of the European Parliament and of the Council on conditions for access to the natural gas transmission networks and repealing Regulation (EC) No 1775/2005 or the draft Directive of the European Parliament and of the Council amending Directive 2003/55/EC concerning common rules for the internal market in natural gas.
 - It should be emphasised that there should only be one 10-year gas network development plan and that the accountability for and ownership of this plan should rest with ENTSOG. The proposal of ERGEG makes a number of references to plans with a different name such as an ENTSOG 10-year gas network development plan, an EU-wide 10-year gas network development plan and an EU-wide investment plan; such different references are confusing and should be avoided.
 - The 10-year gas network development plan should be non-binding as stated in the draft Regulation of the European Parliament and of the Council on conditions for access to the natural gas transmission networks and repealing Regulation (EC) No 1775/2005. A non-binding 10-year gas network development plan at EU level 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 become binding before they have reached an appropriate state of maturity.
 - The 10-year gas network development plan 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 for National Regulators and 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.
 - Any proposals for enlarging the scope of the 10-year gas network development plan should be put forward by ENTSOG or other market participants. The view of OGP is that the scope of the 10-year development plan should be as set out in the draft Regulation of the European Parliament and of the Council on conditions for access to the natural gas transmission networks and repealing Regulation (EC) No 1775/2005. Any proposed expansion of this scope should be endorsed by the Madrid Forum and approved by the European Commission.

- *Do you agree with the combined bottom up / top down methodology proposed in the document? What would be the most efficient process to achieve the top down approach?*
 - The process as described in section 3.3 of the ERGEG proposal appears to imply that the bottom up approach will be the ENTSOG 10-year gas network development plan and that another layer, the top down approach will be placed with the bottom up approach and the result will be the EU 10-year gas network development plan. This is not the basis of the plan as described in the draft Regulation of the European Parliament and of the Council on conditions for access to the natural gas transmission networks and repealing Regulation (EC) No 1775/2005. The understanding of OGP is that the 10-year network development plan as described in the draft Regulation of the European Parliament and of the Council on conditions for access to the natural gas transmission networks and repealing Regulation (EC) No 1775/2005 and as currently envisaged by GTE+ will give the information necessary for stakeholders to access which areas of the natural gas network would benefit from de-congestion projects or additional sources of gas supplies. The position of OGP is that the market should decide the priority for network investment and that it is not the role of regulators or TSOs to prioritise potential projects based upon undefined criteria or perceived benefits. Such prioritisation may result in a lack of network investment rather than stimulating investment.
 - The top down approach as outlined in section 3.3 of the ERGEG recommendations calls for modelling of the integrated network. In section 3.6.2 of the recommendation it is suggested that a model should be used to provide a dynamic analysis of gas flows and simulations. OGP would like to question the added value of such a model as a dynamic simulation on an EU-wide scale will be an extremely expensive model to produce. Furthermore, OGP would like to enquire if such a model on this scale and with such a multiplicity of inputs has ever been produced?
 - OGP questions the benefit of the top down approach as outlined by ERGEG. Whilst the goal of this approach is understood and OGP accepts that the introduction of “network intelligence” into the plan is desirable, our position is that the top down approach as envisaged by ERGEG will be overly complex and bureaucratic.
 - OGP recommends that the methodology for producing the 10-year network development plan should be as currently envisaged by GTE+ in order to fulfil the requirements as set out in the draft Regulation of the European Parliament and of the Council on conditions for access to the natural gas transmission networks and repealing Regulation (EC) No 1775/2005. As the 10-year network development plan evolves through time, the methodology for drafting can be adapted in order to suit the requirements of the market. Through time, all market participants should be encouraged to make proposals for changes to the methodology and such changes should be discussed and endorsed by the Madrid Forum.

- *Would you agree with putting an obligation on market participants to communicate all the relevant information about the future projects?*
 - It is desirable that the 10-year network development plan should give as an accurate a picture of the current and future gas infrastructure network.

- To this end, all market participants should be encouraged to provide the information that is necessary to provide this clarity.
- “Relevant information” should be defined and, as it will be issued as part of a publicly available plan, the information expected should be restricted to public available information that will enhance understanding of the influence of potential projects upon the European gas network.
 - Any commercially sensitive information obtained by ENTSOG, national regulatory authorities or the Agency should be respected and not shared with any other party without the authorisation of those parties involved.
- *What would the best way for ENTSOG (including its members) to collect data from stakeholders? Should it be carried out at national, regional or European level?*
 - Given that the 10-year network development plan is non binding and that “relevant information” has been defined in the manner described above, project sponsors should be keen to share information on potential network enhancing projects. The process by which the data are collected is a matter for ENTSOG to define. Projects that have reached the required state of maturity are advised nationally and therefore additional reporting at a European level should not be required.
 - *Are the scenarios mentioned appropriate? Would you have other proposals?*
 - Section 3.6.1 of the ERGEG recommendations suggests that the scenarios development should provide a picture of world-wide and EU gas demand and supply trends. OGP would agree that the world-wide context is important if an accurate assessment of European trends is to be obtained, but suggests that world-wide supply and demand trends are likely to be outside the scope of ENTSOG. OGP would propose that IEA world-wide data are used as an input to the 10-year gas network development plan.
 - Data requirements should be clearly defined in order to achieve consistency.
 - All market stakeholders, as the users of the 10-year network development plan, should have an input into defining the scenarios and the data requirements. The scenarios should be endorsed by the Madrid Forum and approved by the European Commission.
 - *What are your views on the proposed EU network modelling and simulation of supply disruption?*
 - OGP would support the inclusion of a technical description of infrastructure, both existing and where investment decisions have been taken, including inter-connector and transit infrastructure. In addition OGP would also support a supply and demand adequacy report being part of the 10-year network development plan and would propose that the current winter outlook report produced by GTE+ be expanded to fulfil this requirement.
 - In section 3.6.2 of the ERGEG recommendations it is suggested that a model should be used to provide a dynamic analysis of gas flows and simulations. OGP would like to 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. Furthermore, OGP would like to enquire if

- such a model on this scale and with such a multiplicity of inputs has ever been produced?
- The title of section 3.6.3 of the ERGEG recommendations calls for a technical and economic description of the projects. As a number of the of the economic components of a project are likely to be commercially sensitive and the 10-year network development plan will be a publicly available document, we would propose that only a technical description of the projects is called for. Economic aspects of a project should only be advised to the national authorities, where appropriate.
 - To provide secure European gas supplies EU Member States should identify their natural gas supply points of vulnerability and the measures that are required to rectify them. In addition, EU Member States should put emergency response plans in place to mitigate possible losses from areas of vulnerability and ensure that such emergency response plans use a diverse mix of responses based on market mechanisms and a clear cost/benefit analysis. The components of the 10-year network development plan as set in the draft Regulation of the European Parliament and of the Council on conditions for access to the natural gas transmission networks and repealing Regulation (EC) No 1775/2005 will aid EU Member States, as users of the plan, to do this.
 - As previously stated, the proposed recommendations make a linkage between security of supply and solidarity in a number of instances. Whilst it is appropriate for all market participants, including TSOs, to develop gas market opportunities to supply, transport and trade gas throughout Europe, which will result in an increase of security of supply, it is not appropriate for ENTSOG or any market participants to become involved in solidarity mechanisms between Member States.
- *Do you consider the drafting methodology and content relevant? In your view, should ERGEG be more or less prescriptive?*
 - The ownership and accountability for the 10-year network development plan should rest with ENTSOG.
 - The 10-year network development plan should conform to the requirements as laid down in the draft Regulation of the European Parliament and of the Council on conditions for access to the natural gas transmission networks and repealing Regulation (EC) No 1775/2005.
 - The 10-year network development plan in draft form should be presented to the Madrid Forum as the forum where all the market stakeholders, including consumers, are represented. Changes or additions to the 10-year network development plan should be discussed and endorsed by the Madrid Forum.
 - The Agency should not seek powers with regard to the 10-year network development plan that exceed those laid down in EU legislation.
 - ENTSOG as owner of the 10-year network development plan should not be required to select priorities between projects. However, it will be legitimate for the 10-year network development plan to attempt to quantify the incremental benefit that each project will provide to the European gas network. Such quantification will provide a useful tool for investors in assessing project risk profiles.
 - The 10-year network development plan should include all potential network development projects that have been notified to ENTSOG. It

should not be a requirement for ENTSOG to propose alternative routes for such projects as part of the plan.

- *Do you consider it important to have a monitoring report assessing and explaining deviations from the previous plan?*
 - OGP considers that monitoring and review are integral stages within any planning exercise. Whilst emphasising that the 10-year network development plan should be non-binding at the European level, we would propose that an annual review is carried out, involving all market participants and the sponsors of potential projects in order that an assessment can be made of implementation progress, obstacles to implementation can be identified, solutions sought and lessons can be learned. OGP would propose that this annual review should be carried out as a working group under the auspices of the Madrid Forum.

- *Is the consultation procedure for the EU-wide 10-year gas network development plan proposed in section 3.5 appropriate?*
 - ENTSOG as owners of the 10-year network development plan should be accountable for the consultation process and for ensuring that an effective dialogue with all market stakeholders is established.
 - Given that the 10-year network development plan is non binding and that “relevant information” has been defined in the manner described above, project sponsors should be keen to share information on potential network enhancing projects.
 - Stakeholder involvement and consultation will entail a two-way dialogue between ENTSOG and the market participants. The ERGEG recommendations focus primarily on market participants being required to provide data for drawing up the 10-year gas network development plan. The recommendations should be modified to reflect the essential two-way nature of a consultation.

For further information, please contact:

Richard Hall
OGP Europe

Tel. +32 (0)2 566 91 50

E-mail: Richard.Hall@ogp.be

About OGP.

The International Association of Oil and Gas Producers (OGP) is the single association representing companies and associations engaged in the exploration and production of oil and natural gas both at global and at EU level, with offices in London and Brussels.

At EU level, OGP represents members who are active in Europe. OGP Europe participates in the Berlin Fossil Fuels Forum as well as the Madrid European Gas Regulator Forum and it is the prime interlocutor for energy policy, environmental and other issues related to this industry.

Globally, OGP's membership accounts for more than half of the world's oil output and about one third of global gas production. OGP fosters cooperation in the area of health, safety and the environment, operations and engineering, and represents the industry before international organisations, such as the UN, IMO and the World Bank, as well as regional seas conventions, such as OSPAR, where it has observer status.”