



EFET response to ERGEG consultation on ERGEG recommendations on the 10-year network development plan

EFET¹ welcomes the ERGEG consultation (Ref: E08-GNM-04-03) on the ENTSOG 10-year network development plan and would like to highlight 4 points on the main approach.

1. The 10-year plan should use a consistent set of EU-wide assumptions and be based on an EU network model, or at least consistent regional network models.
2. The plan must recognise the difference between projects that have reached a final investment decision (FID) and all other projects, which must still be included for information purposes.
3. Formal updates of the 10-year plan, or at least of the data and model, should be published annually with any major changes explained, justified and updated on an ongoing basis.
4. Investment focus in the 10-year plan should be to ensure that
 - a. all upstream gas is able to enter the transmission system
 - b. balancing zones/interconnections expand to the optimum size
 - c. other EU security projects are identified

The overall goal should be an integrated EU gas network plan that identifies potential network constraints and shows the status of all new projects. The remuneration for network development is not detailed in this plan, but a co-ordinated process of network development funding needs to be established, at least on a regional level.

The answers to the specific questions raised by ERGEG follow.

Annex - Questions for stakeholders: Answers from EFET

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

The main benefit should be a consistent overview of EU transmission capacity and investment projects. This is urgently needed to provide greater confidence in the efficient development of the EU gas system. To achieve this, the 10-year plan should use a consistent set of EU-wide assumptions and be based on an EU network model, or at least consistent regional network models. 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. The modelling done for the plan should also analyse which projects are needed to satisfy the standards relevant to the latest EU Gas Security of Supply Directive.

¹ Established in 1999, the European Federation of Energy Traders (EFET) is an industry association representing over 90 trading companies operating in more than 20 countries.

The EFET mission involves improving conditions for energy trading in Europe and fostering the development of an open, liquid and transparent European wholesale energy market.

More information about EFET views and activities is available on www.efet.org.

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

Consistent data on transmission capacities and the status of all possible future investment projects are key information. The plan must recognise the difference between projects that have reached a final investment decision (FID) and all other projects, which must still be included for information purposes as an easily accessible database that can be linked to the network model.

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

Yes, provided that it is updated more frequently. Formal updates of the 10-year plan should be published annually with any major changes updated on an ongoing basis. Even if the main text of the plan is only updated every two years, the project database, network model and key results must be accessible on an up-to-date basis. By taking an EU approach to modelling supply disruptions and assessing the needs for additional infrastructure, it should be possible to identify necessary projects and establish better co-ordination of the optimum investments on a regional basis.

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

We broadly support the scope envisaged by ERGEG, but would suggest that the Investment focus in the 10-year plan should be to ensure that;

- d. all upstream gas is able to enter the transmission system
- e. balancing zones/interconnections expand to the optimum size
- f. other EU gas security of supply projects are identified

The plan must allow for these developments to help consistent investment decisions to be made through other joint regulatory and market-based processes.²

Investment within individual balancing zones is the responsibility of the NRAs and the local TSO, but it would be useful to include a summary of this 'internal' investment (e.g. as an annex in the 10-year plan), both to ensure consistency between EU & national plans and as a check that gas will be able to reach end consumers. Regional co-operation will be essential to ensure that internal investment is optimised based on information that includes analysis from the 10 year plan.

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?

Yes, there needs to be an overall EU top-down approach to ensure consistency of the building blocks provided by individual TSOs. The EU-wide database and network model is the best tool to achieve this, but for practical purposes this might be best achieved in the short-term through consistent regional network models. The first step, however, is to publish the existing assumptions and methodologies used by the TSOs (e.g. to assess and forecast peak demand, their 'critical day' assumptions) in their own capacity forecasting and network models. The longer-term aim should be to publish consistent regional and EU models.

² For example, see the EFET paper *The allocation of Primary Gas Capacity* at <http://www.efet.org/default.asp?Menu=283>



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

Clearly information about upstream projects needs to be known so that the investment can be made for gas to enter the system. Similar information about major off-take projects is required. Care must be taken to ensure that information requests are not duplicated (e.g. by TSOs for system or national requirements, then again for regional purposes and then by ENTSO too) particularly to avoid the same information having to be provided in different formats. There may also be confidentiality concerns depending on the exact nature of the information request and the degree of independence of the TSOs.

Further consideration is needed to define:

- a) the relevant information that ENTSOG may request (e.g information that has been paid for by market participants should not be requested from them),
- b) how ENTSOG will ensure that it has the right competencies to analyse the data, and
- c) the methodology that ENTSOG will use to select data for modelling purposes

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?

Currently data is already provided to TSOs, so data that ENTSOG needs should normally be available from its own members. If the EU 10-year development plan were to be updated more regularly than the national or regional TSO investment plans then it would be necessary for ENTSOG to collect data from stakeholders. For example, EFET proposes that any major change that would have a material affect on the ENTSOG 10-year plan is updated on a continuous basis by ENTSOG. This would, for example, include a new import project reaching FID or a major change in off-take (new plant or closure), which should be notified to ENTSOG by the developer. Overall, the plan is acting as a guide as to the investments that TSOs will make, depending to some extent on which upstream projects come forward. It is essential that ENTSOG explains and justifies any changes in the plan, particularly if these changes involve a delay or reduced capacity in any previously identified system enhancement.

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

It is not sufficient to designate a 'business as usual' scenario, as this leaves too much open for interpretation. The first step to obtain some consistency is for the TSOs to publish the existing assumptions and methodologies that they used to assess and forecast peak demand, and the 'critical day' assumptions in their own network models. ACER/ENTSOG should then agree a consistent reference case set of assumptions and there should be one consultation with stakeholders about this. The biggest determinant of gas demand is the connected load, and the TSOs and DSOs are in the best position to assess this, together with information on major new storage or gas-fired power projects or plant closures. A reference case (best expectation for the agreed assumptions) and a high case (with all possible projects that are not 'duplicates') are sufficient for the ENTSOG 10 year network development plan. For the avoidance of doubt, however, the database must include all projects even those 'duplicates' that are omitted from the 'high' case.

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

The modelling for supply disruptions should first check that all upstream gas from sources or routes that are not disrupted is still able to enter the EU transmission system. Further analysis of improved market integration is also necessary. After these two steps have been



taken then specific investment projects that are 'purely' for security of supply should be explored as necessary and in line with any future revision to the Gas Security of Supply Directive.

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

ACER should ensure that ENTSOG produce a comprehensive explanation of the assumptions and decisions that are built into the plan, and check the consistency and integrity of the dataset, model runs and resulting plan.

ENTSOG should be allowed sufficient flexibility to draft the text in the way that is most relevant for the prevailing situation and provides best insight to market participants.

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

It is important to have a report that explains what has changed since the last major formal update and why. But the effort to do this can be minimised, and the efficiency of updating improved, by having a formal annual update and a process of updating the current version with any major changes (e.g. a project reaching FID). A continuously updated database with a brief comment associated with each updated entry is the practical way forward. The goal should be to have up to date network and project information, and the latest model runs, readily available to the market. Formal changes to the scenarios (test cases) might be only annual, or even biannual, and would require separate explanation in a monitoring report.

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

The process described in section 3.5 is very much a national approach and the EU consultation element appears to occur only after national plans have been fixed. A better balance is needed between top-down/bottom-up and EU/national. The solution lies in the development and publication of the shared EU-wide network model. For practical purposes this might be best developed as a series of consistent regional (or sub-regional) models. The assumptions, inputs and outputs from these models could form the basis of the main consultations, which could take place both at regional and at EU level.

EFET Gas Committee
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