

E.ON's response to ERGEG's consultation on

“ERGEG recommendations on the 10-year gas network development plan”

(Ref: E08-GNM-04-03)

27 May 2009

Following ERGEG's publication of “ERGEG recommendations on the 10-year network development plan” E.ON would like to take the opportunity to provide answers to ERGEG's consultation.

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

A 10-year gas network development plan could give insight into the planned projects of all European TSO and therefore could facilitate the coordinated development of the asset base in an efficient and transparent way. The 10-year gas network development plan may also identify necessary investments and obstacles to create a single European gas market.

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

The 10-year gas network development plan should provide a picture and overview of the mid term European supply and demand balance. It 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.

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

The combination of national and European perspective on future network development may create additional information which might point out to security of supply. However, any project should be economically feasible and allow a fair rate of return. If security of supply is a main argument for a project, then it has to be made sure that this is honoured by regulators.

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

The scope of the 10 year gas network development plan proposed by ERGEG is appropriate, since it would not be feasible to consider all projects of all TSOs, as they are subject to a lot of changes, especially in small projects. If the network development plan is intended to give a valid overview of how supply, demand and infrastructure will develop in the midterm, it has to concentrate on projects with cross-border and regional impact.

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?

E.ON agrees with the combined bottom-up / top down methodology proposed. As a European company E.ON welcomes that the approach takes also EU-wide scenarios and dynamics into account. The top down approach should be conducted by ENTSOG in close cooperation with the stakeholders.

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

E.ON supports EU-wide harmonized transparency requirements for infrastructure facilities. But mandatory communications of future projects within competitive settings may raise difficulties. Commercial sensitive data has to be guaranteed by national and European authorities.

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?

For a consistent data set ENTSOG should collect data via the national TSOs from stakeholders on national and cross-border level. The questions to stakeholders should be harmonized and based on standardized assumptions. The EU-wide aggregated data might be discussed and consulted on European gas fora such as the Madrid Forum. For the development of the questionnaire eligible stakeholders might be consulted in order to ensure the quality of the data. The process should leave ENTSOG and TSOs the flexibility to develop, together with stakeholders, an efficient way of conducting data collection.

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

In order to receive a consistent and reliable EU-wide approach, assumptions and definitions on the questionnaire have to be precisely drafted. E.ON welcomes the idea of developing scenarios with an EU-wide approach. Here also flexibility and discretion is necessary for ENTSOG and TSOs to develop scenarios that serve the users of the 10-year network development plan and that can efficiently be worked with.

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

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.

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

The content prescribed in section 3.6 is the relevant content, although it may need some detailed elaboration by ENTSOG. ENTSOG and TSOs should have the flexibility to develop an efficient way of drafting the 10-year network development plan. ENTSOG then, when collecting data, should be as precise as feasible vis-à-vis stakeholders in close consultation with them.

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

Yes, 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.

12. 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 ensures that investments within each regulated system are sufficient to enable gas to be distributed to local consumers. An EU wide element is introduced only after national plans have been fixed (bottom-up approach). 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 ENTSOG and TSOs to develop an efficient process.