

**ERGEG recommendations on the 10-year gas network development
plan****An ERGEG Public Consultation Paper Ref: E08-GNM-04-03, 11 March
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Introduction and general comments

BDEW welcomes the opportunity to comment on ERGEG's public consultation paper on the 10-year gas network development plan as outlined in the 3rd Energy Package, and sees this plan as a major contributor to the overall functioning of the European gas market.

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

A 10-year gas network development plan could provide a useful source of information for investment planning purposes 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 network shortcomings, such as capacity gaps and bottlenecks requiring action, missing interconnectors and obstacles to create a single European gas market.

However, since it is a long term forecasting tool, it can only be non-binding as demand and supply; the political environment and technology constantly evolve which needs to be reflected accordingly.

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.

Therefore, the regularly updated capacity development report for all relevant interconnection points will be very useful for market participants.

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.

Furthermore, information on existing investment gaps at both the national and regional levels, as well as volume of required investment in mid- and long-term terms under different supply and demand scenarios, would be useful.

At last, information on the fulfilment of the 10-year gas network development plan (e.g. number of projects completed in time, number of projects dropped or delayed, etc.) should be provided for the purpose of monitoring development of the European gas network.

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

The gas network development plan, as proposed by the 3rd Energy Package, in a broader sense can enhance security of supply as it easier depicts areas requiring attention. Missing interconnectors, pipeline capacity constraints or unused possibilities of reverse flow might be addressed through the gas network development plan calling for action. The plan will serve as a valuable source of information for further analysis of security challenges facing both the individual Member States and the EU as a whole, particularly if various supply and demand scenarios are taken into account.

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.

The European gas network development plan is limited to the extent that it must be non-binding and that it is generally difficult to forecast changes in supply/demand (such as significantly decreased demand due to the recent financial crisis). The actual investment needs, however, will be covered by the binding national investment plans.

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 general 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.

But nonetheless, the network development plan should also include the whole gas network, not just trans-European investment projects (even if the focus should be on that). The quantitative and qualitative expansion of the distribution network is essential to maintain the security of supply. Also smart grids may contribute to a high security of supply. ERGEG and the European Union should therefore contribute to an adequate and stable regulation framework including economic incentives in research and development.

For the sake of clarity, ERGEG should be explicit that any powers to mandate investment refer to transmission capacity investment. Consequently, information provided by import terminals, storage facilities and interconnectors should be limited to what is required to determine their impact on network capability/behaviour.

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?

The combined top-down and bottom-up approach is appropriate as long as it does not duplicate the activities conducted by TSOs in relation to drawing up the national investment plan to reflect the European view.

The top down approach should be conducted by ENTSOG in close cooperation with the stakeholders. Top-down can only work when the investment plans prepared on TSO level contain an appropriate level of detailed information that can be further used by ENTSOG as puzzle pieces for the purpose of assembling a non-binding European 10-Year gas network development plan, clearly depicting the needs for infrastructure improvement.

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

BDEW supports EU-wide harmonized transparency requirements for infrastructure facilities.

Without the obligation to provide necessary information, the underlying objective of the investment plan (i.e. to draw an accurate picture of the investment needs) will be compromised as some market participants may refuse to share information.

But mandatory communications of future projects within competitive settings may raise difficulties. Commercial sensitive data has to be guaranteed by national and European regulation authorities. Such information could be in relation to proposed projects such as storage facilities or import terminals or to capacity holdings at interconnections points. Sufficient safeguards have to be developed. For instance, data should be published at an aggregate and not shipper specific level.

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 national TSOs from stakeholders on national and cross-border level, partially reflecting the process involved in drawing the individual investment plans.

The questions to stakeholders should be harmonized and based on standardized assumptions.

The report on the 10-year gas network development plan could be based on existing and approved national data. The basic data for ENTSOG (to develop the plan) should therefore be

available at the national regulatory authorities on a national level. They can use data from existing national questionnaires, national monitoring reports¹ or approved national investment plans. These institutions can also broaden the national questionnaires to a regional and international level and forward the answers to ENTSOG.

Once approved by the national regulating agencies, every other year ENTSOG reconciles the national investment plans to build a European network development plan. In our opinion a regional level in this respect is unnecessary as the tasks of ENTSOG are clearly defined in the proposed European legislation.

The EU-wide aggregated data might be discussed and consulted on European gas fora such as the Madrid Forum.

This approach could potentially reduce the administrative burden on the market participants, keep the national regulator informed and make sure that the national and EU-wide investment plans are in line.

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

The listed scenarios are appropriate, yet difficult to fulfill. Information required to fulfill all of the scenarios require input from several stakeholders.

In order to receive a consistent and reliable EU-wide approach, assumptions and definitions on the questionnaire have to be precisely drafted. 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?

In principle, the ideas proposed by the European Commission to model and simulate supply scenarios in order to evaluate security of supply and to effectively apply the so-called N-1 rule might be of use. However, the questionnaire issued by the Gas Coordination Group (GCG) to analyze supply concerns contains standardized questions for EU 27. As each Member State has its own individual gas supply situation, level of supply diversification, climatic condition and energy policy portfolio, only a national approach, coordinated by the GCG and ENTSOG, can provide a clear picture of supply disruption and enable modelling.

Furthermore, 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

¹ In German law monitoring is done by the ministry of economics and technology every two years. The report is already forwarded to the European Commission.

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?

We consider the drafting methodology and content in general acceptable and useful, but the content prescribed in section 3.6 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?

It is essential to include reporting on deviations from the preceding plan in the 10-year network development plan every two years in order to determine the progress made in carrying out the originally planned investments and hence fulfilling the underlying objectives of the 10-year network development plan. The plan should indicate why individual projects have been delayed or cancelled and analyze the overall impact on security of supply at the national and regional levels. Deviations from the original plan should be presented and explained in detail in quantitative terms (i.e., with reference to capacity and other needs).

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.

The questionnaire could prove an additional administrative burden for market players, particularly as this information will already be collected by the national regulatory authorities for the purpose of drawing up the national investment plan.

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.