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Council of European
Energy Regulators



IFIEC Europe

How gas demand side flexibility
could help European Security of Supply

How gas demand side flexibility could help European SoS *Demand Side Response*

- Energy Intensive Industries in Europe
- Current European Framework
- Example – with regard to the current rules
- Guidelines for good practice for Demand Side Response
- LNG as a tool for DSR
- Steps to take



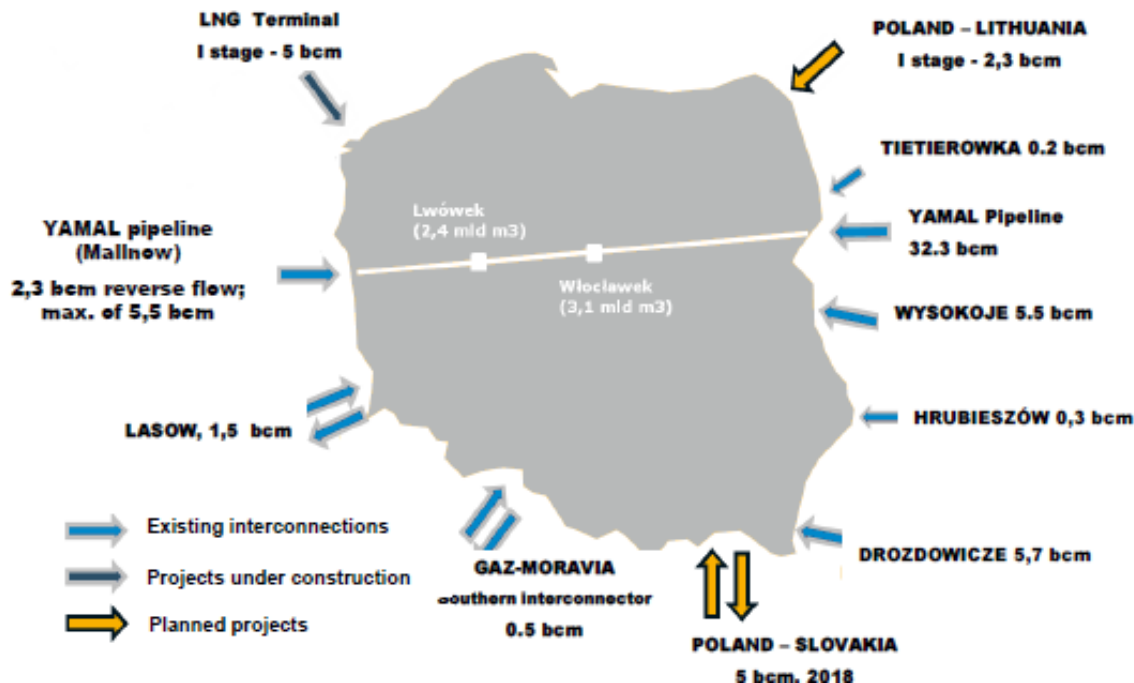
IFIEC Europe **Energy Intensive Industries**

- **IFIEC Europe** represents energy intensive industrial consumers
 - ▶ Energy is a major component of operating costs that directly affects competitiveness
- **17 member organisations from the EU**
- **The Energy Intensive Industries represent app. 20% of the total gas demand in Europe**
- Working Parties: Electricity, Oil & Gas, Climate and Efficiency



Situation in Poland

Infrastructure



To operate in 2015:

- Mallnow reverse flow 2.3 bcm p.a.
- Terminal LNG 5 bcm p.a.
- Lasow 1.5 bcm p.a.
- Cieszyn 0.5 bcm p.a.

Preliminary/ design stage:

- Poland-Czech Republic 6.5 bcm p.a.
- Poland-Slovakia 5.7 bcm p.a.
- Poland-Lithuania 2.3 bcm p.a.

LNG Terminal plan for further development up to 7.5 bcm p.a.



LNG Infrastructure in Poland

- **Swinoujscie LNG Terminal**

- ▶ The terminal's initial regasification capacity will be 5 billion cubic metres per annum
- ▶ With the construction of the third tank its capacity is due to expand to reach 7.5 billion cubic metres per annum (satisfying approximately 50% of Poland's present annual gas demand)
- ▶ Start of operation - end of 2015; testing period - start in June 2015

- **LNG is long-term contracted**

- ▶ Short-term contracts' possibilities?
- ▶ Tight seller's market

- **Open Questions for each Member State**

- ▶ Possible scenarios – similar to stress-tests in 2014
- ▶ Description of possibilities regarding LNG – routes, value chain, terminals...
- ▶ Price calculations/ other ideas?
- ▶ In case of short-term contracts – outages?



How gas demand side flexibility could help European SoS - current European framework

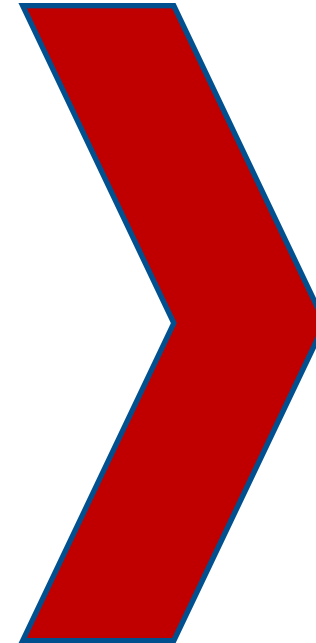
• Market-based measures (Annex II 994/2010)

- use of interruptible contracts
- fuel switch possibilities including use of alternative back-up fuels in industrial and power generation plants
- voluntary firm load shedding
- increased efficiency
- increased use of renewable energy sources

• Non market-based measures

Various steps of compulsory demand reduction including:

- enforced fuel switching
- enforced utilisation of interruptible contracts where not fully utilised as part of market measures
- enforced firm load shedding



Member
States'
decision

Demand Side Response Example of current rules

- Security of Supply situation is identified by the MS and TSO:
 - ▶ **Member States** have to **secure gas for the protected customers**
 - ▶ **Definitions can differ - e.g. households, hospitals...**
- **In case of a gas crisis:** TSO decides in a black-box process to interrupt industrial consumers
 - ▶ **Affected industrial consumers** should in **extreme circumstances** communicate a **zero nomination** to their suppliers in order to keep their **portfolio balance**
 - ▶ Duty to deliver gas is **detached from the original contract** with the industrial consumer
 - ▶ **Suppliers will decide** – based on their economic estimate – to **sell that gas to the market...** or not?

Making demand side response happen

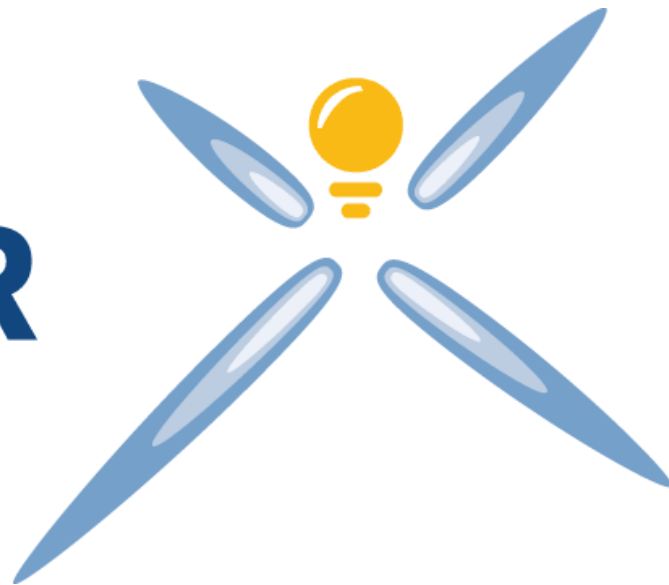
- Using LNG or reducing demand are two sides of the same coin
- Currently most Member States do not offer systems, where industrial consumers can provide their flexibility in gas crisis situations on a voluntary basis
- Characteristics of a **market-based system for SoS-situations**:
 - ▶ Voluntary
 - ▶ Depending on the market pre-defined contracts or linked to the balancing market
 - ▶ Open to all other sources - LNG, storages etc.
 - ▶ Causing low administrative costs
 - ▶ Ranking industrial consumers with flexibilities related to their economics losses



Thank you for your attention!

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