



CEER

**Council of European
Energy Regulators**

from me and Alessandro

CEER's future role of gas report and EU gas legislative package

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Evolution of the energy sector

- The energy sector is undergoing profound change driven by **decarbonisation and digitalization**
- The new EU **Clean Energy Package (CEP)** addressed issues on the electricity market design
- Now attention in Europe is to:
 - Improving the **internal gas market** and
 - **sector coupling**: common issues between the sectors and possible implications for market functioning and infrastructure.
- A proposal for a **New EU Gas Package** is under discussion



EU Gas model: a success

The EU Gas Model, still under implementation, has been already **successful** in:

- **Increasing liquidity** in the gas markets
- Making **hub price signals** stronger
- **Reducing the hub price** spreads
- Creating a functioning market-based **balancing system**
- Defining a **frameworks for investment and congestion** management



But there are new challenges

- **Decarbonization** target: *risk of for the gas sector to become marginal if green technologies are not deployed*
- End of **long term capacity contracts**: *risk of hub spread increasing*
- Possible reduction (also locally) of **gas demand**: *risk of sustainability of some infrastructure*
- Reduction of **European gas production**: *risk of increasing dependency from non-European countries*
- Sustainability of the **LNG/storage** infrastructures: *risk of decreasing security of supply*

Work of the EU Regulators

- Regulators' priorities: **decarbonisation at least cost**, improved resilience and consumer/system benefits
- CEER will publish soon a consultation document on the ***Regulatory Challenges for a Sustainable Gas sector***
- On 3 areas:



Regulatory challenges for
renewable gases



Infrastructure Investments
and Regulation



Adapting the Gas Market
Design



Scope of Network Operator Activities

- In a number of EU countries, TSOs/DSOs are (or aim to be) involved in **CNG/LNG fueling and power-to-gas infrastructures**
- **Problem of compatibility with current unbundling** rules that do not allow TSO/DSO to be involve in production/supply activities

Proposals

- The regulatory framework should be technology neutral but allow for flexibility in order to develop pilot and demonstration projects
- Apply similar provisions of the CEP regarding involvement of electric DSOs/TSOs on storage/refueling station: **activity allowed only and until the market is not able to provide them**





Regulation of hydrogen networks in the future

- In most EU countries, existing hydrogen pipelines are mainly owned by companies which produce gases for industrial purposes
- If **hydrogen were to be developed on a large scale**, it could be appropriate to **define a regulatory framework** for hydrogen infrastructure

Proposal

- A **flexible and dynamic approach** is necessary to ensure that regulation can kick-in once the economic characteristics require regulation



Role and Tariffication of Power-to-gas Infrastructures

- Electricity and gas tariff systems do not acknowledge any specific role to power-to-gas assets

Proposals

- Ensuring that the **national regulatory frameworks do not create distortions to the efficient deployment** and use of these technologies
- If installations are effectively used as **electricity storages**, they may be subject to provisions similar to those applied to the other electricity storage technologies





The Strategic Importance of TYNDP Development

- Given the significant uncertainties on the evolution of the demand for gas/the gas sector in the long run, **new investment decisions shall be carefully assessed**

Proposals

- Stronger oversight by ACER and NRAs:
 - ENTSOG Ten Year Network Development Programs (TYNDP)
 - CBA methodology and underlying scenarios





Ensuring a Sound Assessment of Projects' Value

- Lack of coherence in some areas of EU legislation regarding infrastructure development

Proposals

- Better coordination between
 - the CAM Network Code that defines rules on incremental capacity approach for new investments based on **market tests**
 - and the Projects of Common Interest processes which is based on **CBA methodology**





Potential Decommissioning of Gas Network Infrastructures

- Gas consumption may decrease, at least locally, some infrastructures could be less used
- The possible **decommissioning** of gas infrastructures might have **cross-border impacts**

Proposals

- NRAs could consider designing regulatory tools to deal with the risk of stranded assets.
- A **coordinated framework for the decommissioning** of cross-border assets might be needed



Regulation of Access to Infrastructures

- Tariff in EU are paid by shippers at the entry/exit of market zones and level is fixed to recover all costs
- The **decrease of demand and termination of long term** contracts may justify **amending network tariff designs**
 - In entry-exit zones, the decrease of flows could lead to **tariff increases** and, possibly, issues of cost-recovery
 - If not compensated by supply diversification and competition, **price spreads could increase** and incorporate the cost of transmission
 - In some areas, the market could be **less liquid and more fragmented**

Proposals

- A careful **bottom-up approach** would be appropriate
- Some interconnection points could be eliminated, which could require **implementing inter-TSO compensations (ITCs)**
- But ITCs are complex