Regulation of hydrogen networks and regulatory treatment of power-to-gas

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Introduction

- ACER/CEER welcome the EU Strategies for Energy System Integration and on Hydrogen
- Bridge beyond 2025: regulators push for a dynamic regulatory approach for new activities and technologies such as
  - Regulation of hydrogen networks
  - Regulatory treatment of P2G
- Regulators have been working on developing regulatory views, which are still under discussion
  - A more stable outcome is expected in time to inform the EC impact assessment

Criteria to assess the need for regulation

- General concept for assessing the need for regulation:
  - First: examine whether a natural monopoly exists on the relevant market
  - Second: assess whether an abuse of market power is likely or existing
- Assessment of the potential for abuse of market power
  - Risk of denial of network access increases with larger number of potential hydrogen producers
  - Risk of overcharging for network usage increases with larger number of customers
- Need and scope of regulation will depend on the structure of hydrogen networks and hydrogen market development in the future

Possible dynamic regulatory approach

- The main features of the H2 regulatory framework should be agreed early enough to provide certainty for the investments needed to foster the energy transition
- The actual introduction of specific regulatory features should kick-in gradually, in line with hydrogen infrastructure and market development
  - Avoid regulatory lock-in thereby hindering market development
  - Possible dynamic regulatory approach in that context:
    - Broad EU framework applied across the EU
    - Periodic market analysis/monitoring by NRAs
    - MSs to keep flexibility on certain regulatory features, based on monitoring results and outcomes of sandboxes
    - When national flexibility is kept, inspiration could be taken from the regulatory flexibility enshrined in EU telecom regulation
    - Starting point for regulation should be based on elements of existing regulatory framework for gas and electricity, where relevant
- The H2 regulatory framework should be designed, since the outset, to allow a smooth transition towards an integrated energy system

Regulatory Treatment of P2G

- Revisit the definitions of major activities in the gas and electricity sectors with respect to the use of the networks, particularly of 'energy storage' in the new electricity Directive
  - Power to gas is not energy storage in most cases (i.e. only in case of conversion of electrical energy into a form of energy which can be stored, the storing of such energy, and the subsequent reconversion of such energy into electrical energy and injection into the electricity grid)
  - Against the background of an integrated energy system, all the electricity and gas definitions with respect to the use of the respective networks could also be revisited
- Investment and management of P2G assets are market-based activity, involvement of TSO/DSO only in exceptional cases and in line with unbundling rules
  - TSO/DSO investing only if P2G needed for secure, reliable, efficient network operations under strict conditions and if no market party willing to invest
- TSO/DSO role to determine system need and locations for P2G
  - Gas and electricity TSO/DSO should include P2G in their network plans

Regulatory Treatment of P2G

- Network tariffs should be cost-reflective and technological neutral to comparable activities across electricity and gas sectors
  - Network tariffs should not be used to subsidise technologies
  - More harmonisation of gas and electricity frameworks could be carefully considered
  - ACER/CEER intend to do a comparison of the frameworks for P2G and their competitors starting from the ACER best practice reports for the Regulation 2019/943
- Avoid distortive effects of taxes and levies
  - NRAs welcome the EC proposal to review the Energy Taxation Directive
- Ensure traceability of renewable energy throughout the integrated electricity and gas system
  - Definitions and criteria for sustainable gases should be determined
  - The use of renewable energy should be traced on all activities (preferably through GOs system)