CEER follow-up to the study on "Future role of gas from a regulatory perspective"

31st Meeting of the European Gas Regulatory Forum
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Background

• Green technologies and energy vectors need to be developed and diffused in the next decades if the gas sector wants to play a role in a low carbon economy, in particular
  ► renewable gas sources (biomethane)
  ► power-to-gas to couple the electric and gas sectors
  ► hydrogen to be injected into the gas grid

• In parallel, flow patterns across EU may significantly change (locally decreasing consumption or production, new supply routes, new gas sources), and some gas infrastructures might become less used but peak demand could remain high

• The regulatory framework might need to be adjusted to facilitate the energy transition while preserving the achievements of the (still ongoing) implementation of the gas target model
CEER work for a Sustainable Gas Sector

- After the FROG study, within the 3D Strategy, CEER is now focusing on:
  - the regulatory challenges for an efficient transition of the gas sector towards a low-carbon scenario
  - opportunities for regulatory actions to make this transition possible

- CEER is addressing:
  - Potential regulatory barriers to green gases development
  - Infrastructure investment framework including stranded assets issues

- Ongoing work:
  - August 2018: NRA questionnaire, first results in the following slides
  - Beginning of 2019: public consultation document
  - Spring 2019: final document

- Note: these slides do not reflect a final CEER position; they introduce the main topics for the next public consultation
I. DEVELOPMENT OF GREEN GASES:
New business models for TSOs/DSOs should be in line with principles of unbundling

• First evidence from NRAs
  ► In a number of MS, TSOs/DSOs are active in the construction and operation of CNG/LNG fueling and power-to-gas infrastructures

• Challenges
  ► Avoiding unintended interactions between the regulated and contestable sectors in terms of cost and revenue allocation and information advantage

• Opportunities
  ► Ensure a proper market environment for contestable activities through a clear separation between
    • ownership/operation of the infrastructure; and
    • production, buying and selling of gas
  ► Enable “traditional” gas sector companies to actively contribute to energy transition
  ► As a general rule, TSOs/DSOs should act as neutral market facilitators, unless the market is not able to deliver
I. DEVELOPMENT OF GREEN GASES: Power-to-gas as enabler of sector coupling

• First evidence from NRAs
  ► Electricity and gas tariff systems do not acknowledge the specific role of power-to-gas infrastructure as a sector coupling enabling technology

• Challenges
  ► Risk of distortive charging for network access by sector coupling technologies

• Opportunities
  ► Gas infrastructure could contribute to sector coupling and to cost-effective decarbonisation
  ► Since sector coupling benefits both the gas and electricity systems, the respective tariffs should reflect the overall system value
  ► Network fees could be waived if electricity is stored and re-fed into the (same) electricity connection
I. DEVELOPMENT OF GREEN GASES:
Moving towards hydrogen networks in the future

• First evidence from NRAs
  ► In most MS, existing hydrogen pipelines are mainly owned by companies which produce gases for industrial purposes
  ► In most MS, currently, only small quantities of hydrogen may be injected into the gas network

• Challenges
  ► Defining the regulatory framework for hydrogen infrastructure
  ► The transition to hydrogen requires intensive coordination between sectors and adequate regulatory oversight

• Opportunities
  ► Given that hydrogen networks have similar economic characteristics to gas networks, they could be regulated according to the same criteria
  ► Pipelines for pure hydrogen that constitute a supply network could be subject to TPA obligations
  ► Gas quality definition which could be reconsidered to facilitate the injection of renewable gases
I. DEVELOPMENT OF GREEN GASES: EU system for trading renewable gas guarantees of origin to facilitate cross-border trade

• First evidence from NRAs
  ► Some guarantees of origin (GO) initiatives for renewable gases at national level
  ► In some MS, NRAs are responsible for issuing GO for electricity

• Challenges
  ► Need to extend the GO as from the revised renewable energy directive, also to renewable gases injected into the network

• Opportunities
  ► GO are important to allow renewable gas product differentiation for consumers
  ► Discussions could be started on establishing a EU-wide GO system for renewable gas to enable cross-border trade
  ► Lessons learned from electricity and pilot projects should be taken into consideration
I. DEVELOPMENT OF GREEN GASES:
Fair billing of energy becomes more relevant with increased share of renewable gases

• First evidence from NRAs
  ► Renewable gases may have different calorific values (CV) from natural gas (but still within natural gas standards)

• Challenges
  ► This could create problems for fair energy billing if injection of renewable gases increases to substantial level

• Opportunities
  ► Identifying charging areas with different CV within an entry-exit zone could be explored at national level
  ► Sharing of best practices
II. INFRASTRUCTURES
Carefully assessing the need for gas infrastructure

• First evidence from NRAs
  ► The EU framework for investment in gas infrastructure was designed over time and it is now scattered across several pieces of legislation (Directive 2009/73, Regulations 715/2009, 347/2013 and 459/2017)

• Challenges
  ► New investment decisions shall be carefully assessed in an environment where an efficient coupling between electricity and gas systems is required
  ► Lack of coherence in some areas of EU legislation: a better streamline is needed

• Opportunities
  ► Better coordination between the incremental capacity framework (based on market test) and the PCI framework (based on CBA)
  ► A stronger oversight by ACER and the NRAs of ENTSOG and ENTSOE TYNDPs, CBA methodology and underlying scenarios might be necessary
II. INFRASTRUCTURES
Carefully assessing the need for gas infrastructure

• First evidence from NRAs
  ▶ Regulation provides a framework for existing and new infrastructures, but lacks cross-border instruments to address the decreasing use of some infrastructures

• Challenges
  ▶ Although it is not certain if and to what extent gas consumption will decrease, at least locally, some infrastructures could be less used
  ▶ Decommissioning of gas infrastructures might have relevant cross-border impacts

• Opportunities
  ▶ NRAs could consider designing regulatory tools to deal with the risk of stranded assets, for example:
    • for new assets, the depreciation periods might be shortened and non-linear
    • a coordinated framework for the decommissioning of cross-border assets might be needed