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## **CREG reaction on the Internet Based Consultation**

### **In view of the revision of TEN-E Guidelines**

Being responsible for the follow-up of the development of the liberalised natural gas and electricity market, the Commission for the Regulation of Electricity and Gas (CREG) analyses the impact of the revision of the TEN-E Guidelines on natural gas/electricity infrastructures.

In view of a revision of these TEN-E Guidelines, the CREG, as Belgian federal energy regulator, has following remarks:

#### **1. Support Measures**

##### **A. Gas**

1. As a starting point, CREG wants to highlight the document prepared by the CEER on the “principles on regulatory control and financial reward for infrastructure”, dated March 12, 2003, where some issues linked to TEN-E are tackled. In this document, the text preceding the principles #6a and #6b is explaining the different possibilities in regulatory approach to reach similar objectives in the natural gas sector within the EU Member States as the guidelines for TEN-E lay down. The over-arching principle and the primary starting point in relation to infrastructure development should be :

“The full liberalisation of the market is the dominant pre-requisite for efficient use of existing and development of new infrastructure. In these circumstances a key focus should be on the ability of signals emerging from trade to highlight the need for new investment.”.

2. Next to the above new dimension of the liberalised energy market under regulatory control, the TEN-E guidelines themselves could be modified in such a way that the access to the procedures to reach some Community support should be more flexible. Experience learns that support for new infrastructure projects is impossible, if they are not listed in annex I or II of the decision of the European Parliament and of the Council itself. Because the modification procedure to these two annexes shall be held in accordance with the procedure laid down in Article 251 of the Treaty, this can last for more than two years. The axes for priority projects ( annex I) and the additional criteria for projects of common interest (annex II) are too detailed in specifying the Member States by name. More general non-discrimination and transparent priorities and criteria should be laid down in these two first annexes. Only this way new projects of common interest shall have an equal chance of being treated, without the necessity to go through a long time consuming administrative EU procedure.

Because of this reason, as an example, the extension of the Zeebrugge LNG-terminal had to wait until the publication of the decision No. 1229/2003/EC of 26 June 2003 before it even could be discussed, although everybody agrees this is a European common interest project.

To avoid such frustrating situations in the future, this should be taken into account during the next revision in preparation of the enlarged EU.

Furthermore, it is not necessary to limit certain investments to some countries. As such, we can emphasize the following horizontal actions:

- a) the modernisation of the pipelines to catch up with the European or international standards for the reason of security and environment (losses of gas in the atmosphere). Projects related to this subject will be located mostly in Eastern Europe, but no special reason can be found to limit it to this area;
- b) every investment that meshes the European natural gas network, and allows as such a more integrated internal market based on regional pools or entry/exit areas, should be identified and supported from the TEN-E point of view. Again no need to identify specific Member States. It is particularly urgent to interconnect all the so-called transit pipelines and the domestic transport grids

## **B. Electricity**

Concerning electricity transmission projects, measures allowing to decrease the time span required to obtain the required authorisations for the realisations of interconnection infrastructure should be proposed.

## **2. Triggering investments**

### **A. Gas**

To trigger needed improvements in the natural gas transmission system, a natural gas flow model that exists already at some length in the Member States (mostly by the TSO), should be developed on a European level. Only by modelling demand and supply on the existing infrastructure network, the needs for infrastructure will be correctly identified.

### **B. Electricity**

The decisions to build new transmission infrastructure, and in particular cross-border interconnections, should be based on sound technical and economic reasons.

Electrical transmission investment decisions should result from comprehensive studies comparing new electrical transmission investments with the development of new generation projects.

Such a study should consider technical and economical issues. It should be based on a technico-economic model taking into account power markets, generation and demand characteristics in each EU Member State and the European electricity network. The calculations should take into account market development particularities of each Member State and environmental constraints.

The study will cover all the EU member States.

### **3. Priority projects**

#### **A. Gas**

The priority listed in doc-3, raises some remarks :

- a) we agree the need to ensure sufficient transport capacity between the production sites and the destination. It is commonly acknowledged that UK will have to import large amounts of gas, and the nearest production area is the Norwegian continental shelf. We could imagine that some gas transporters would like to use the existing UK and Norwegian upstream grids, establishing the necessary links. We do not know if this technical approach is more efficient, but we think any legal barrier to such project should be removed. We suggest that TEN-E fosters such a rational approach;
- b) interoperability is a major condition to ensure both security of supply and proper market opening. Harmonising gas quality is an urgent challenge, and deserves more explicit attention in the TEN-E priorities. We feel that there is a lack of investigation to identify the right balance between investing in quality conversion plants (to cope with narrow gas specifications) or investing in massive reconversion of gas appliances to allow for a wide range of gas qualities. We think the latter is more profitable in the long run, and much more favourable for effective gas-to-gas competition. We think this issue is important enough to consider TEN-E support to those countries who engage in an upgrade of their domestic appliances.

#### **B. Electricity**

It is difficult to establish the adequateness of these projects without the results of the above-proposed study.

### **4. Oil pipelines**

Without issue

## **5. Results of lack of appropriate energy supply**

### **A. Gas**

Since the existence of the CREG, no breakdown scenario in natural gas supply like the California crises has been financially calculated. As such, no experience on this matter is available.

### **B. Electricity**

Lack of energy supply has severe effects on the economy. The economic value of un-served energy depends on various factors such as the economic sector considered.

## **6. Indicators**

### **Electricity**

Simple indicators are difficult to establish. They should result from technico-economic studies such as the one proposed here above.