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## **Consultation ACER Bridge to 2025 – Answers from GDF SUEZ Infrastructures**

Our answers focus on the gas sector, since all Business Units of GDF SUEZ Infrastructures (GRTgaz, Elengy, Storengy and GrDF) are gas infrastructure operators.

It is important to stress again the differences between gas and electricity. In particular, concerning the retail markets and the role of DSOs, the issues should have been considered separately for electricity and for gas in the document “Bridge to 2025”. Nevertheless, gas and electricity markets are strongly connected, NRAs should pay attention on the potential impact of any change in the regulation of electricity market on the gas market.

Before answering the questions, we wish also to stress the following aspects :

- A solution must be found to address the inconsistencies between the Commission’s policies and ACER’s regulation in order to design a market where gas will be able to play its full role in the energy mix and to preserve a better investment climate
- A stable and predictable regulatory framework, at both national and European levels, is essential to give enough visibility for investments and existing assets.
- The potential of existing gas infrastructures is not fully used, leading to the increase of grid charges for customers. It is crucial to optimize the use of existing gas infrastructures before considering any other additional investments.
- Security of supply concerns should be better addressed and progressive development of indigenous gas production as biogas should be promoted.

### **1. Have we identified correctly the issues and trends within each area of the energy sector?**

We are pleased to note that this document points out some important elements such as the role of gas storage for security of supply, the need for a well documented CBA to assess the interest of mergers of zones, the mention of new usages of gas despite the uncertainty on the future gas demand.

Taking into account the fact that a significant improvement is expected through the implementation of Network Codes, we believe that the scope of the Bridge to 2025 should primarily be limited to a certain number of areas.

- First of all, there are some shortcomings in the current energy and climate policy; we are of the opinion that they should urgently be addressed. We need some positive signals on the role that gas could play beyond 2030, otherwise investments will not be made and we will have to find a solution on stranded assets. **A better coordination between policy makers and ACER should be made to design a better investment climate.**
- Moreover, we consider that liquidity at all hubs is not an objective *in itself*. The data from DG Energy already show a good degree of correlation between significant parts of western Europe. This gives evidence, at least at present, that liquidity at a small number of hubs could provide access to competition at a number of systems. If some hubs are liquid, and others are priced with a basis

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differential, we think it is sufficient. Price convergence and correlation among hubs already exists, and will even improve thanks to the development of the market and the implementation of network codes.

The integration of markets is envisaged by ACER as a tool to contribute to liquidity by increasing the market and therefore the potential number of counterparties. We stress that integration should not be made at any cost, especially since, given the current EU and certain national policies, the future does not look promising for gas.

In any case, the decision on any merger between zones or any form of market integration should be made on the basis of a consultation, and of the positive results of **a transparent and not contestable CBA, the assumptions and the design of the CBA being made available to all stakeholders.**

**We have to ensure efficient investments, done where they are actually needed, in order to prevent stranded assets in gas infrastructures and avoid increased costs for end-users.**

**In addition, we consider that investments in cross border gas infrastructure should be concentrated in Eastern regions, which often depend on one single external supplier and are not well connected to Western markets.**

- The inclusion of renewable gas should be presented in a more positive way. We consider that biogas and biomethane have a lot of potential and will contribute to limit European dependency from importation.

Derived from the breakdown of organic matter, biogas can be produced from regionally available raw materials such as recycled waste. It is a renewable energy source able to contribute to the reduction of GES emissions and that allows various usages. Depending on the way it is reprocessed, biogas can be a heat or electricity source. Thanks to a cleaning and upgrading purification process, biogas can produce biomethane, that can be fed in the gas grid just as natural gas, or used as a fuel for vehicles.

Moreover, CNG offers an opportunity for biomethane : the local use of bioCNG should limit the need for injection from DSO grid to TSO grid through compression system and consequently reduce the investment cost.

Furthermore, CNG development on a large scale at European level should be promoted and will contribute to the optimal use of the existing networks and respond to the European environmental objectives.

- In addition, the consultation document should take into account the development of small scale services which also concerns the use of LNG - transported by truck - for being used in industrial sites and potential local distribution networks that are not connected to the main network.
- At last, we agree that a better coordination between gas and electricity markets should be made. Gas fired plants need to be flexible to accommodate with the intermittent production of renewables. The sudden changes in their gas offtakes have undoubtedly some impacts on the management of gas networks, which becomes more complex. However, we still think that this complexity is manageable by the gas TSOs. We still are of the opinion that gas fired plants don't expose too much to imbalance risks : the gas balancing code gives the possibility in article 15.b to a renomination lead time shorter than two hours if agreed by the TSO.

Furthermore, whereas increased interaction between electricity and gas markets is important, any discriminatory treatment of gas infrastructure users should be avoided. The contrary would impinge on the attractiveness of gas infrastructures.

The CRM mechanism should be coordinated at the European level and should cover the cost of flexibility incurred by the gas infrastructure operators.

## 2. Have we identified an appropriate regulatory response?

- We believe that the priority should be to monitor the full implementation of the Third Package and the Network Codes. Significant progress will be achieved in a short time period. It will be more appropriate to consider the need for some potential new measures in three to four years, in order to palliate eventual shortcomings of the various regulations and network codes.

- As regards the retail market and distribution sectors, regulators should recognize that the gas sector is very different from the electricity sector. As a consequence, these two sectors should have been separately studied in the document “bridge to 2025”.

As for electricity, the arguments that could potentially raise the debate for further DSO unbundling could be that distribution production develops, that there will be in the future a greater similarity between distribution and transmission, and that there will be a growing demand response in the future.

In fact, there are more and more biogas injections on the gas networks, in particular in distribution, but this development is not comparable to the distribution production in electricity. Moreover, demand response is less important in the domestic gas sector than in electricity. There is a peak load management done instantly in electricity, which is quite different for gas (it would be inappropriate for gas). At last, the significant transaction costs that it would imply have to be considered.

So this debate is much more related to electricity than to gas.

Concerning integrated operators, the independence of gas DSOs from their parent company is now in accordance with current regulations (e.g.: this point was acknowledged by the French regulator (CRE)). Thanks to the gas DSO independency, all network users benefit from a non-discriminatory access to the DSO network. This is why we think that no changes in regulations involving DSOs would improve the efficiency of retail markets. In particular, we do not share the idea that ownership unbundling would be “the most effective long-term model” to prevent DSOs from committing inappropriate actions on the market.

- GDF SUEZ Infrastructures supports the core role of DSOs as neutral market facilitators . GDF SUEZ Infrastructures also considers that DSOs should have the right to promote gas and enhance the development of innovative gas solutions, in the interest of consumers. Furthermore, DSOs are the best placed to provide the customer meter data to the market as a neutral facilitator.
- Governance of ENTSOG : we consider that no further regulation should be added, the current governance of ENTSOG is adapted to its missions. The separation between GIE/GTE and ENTSOG allows the latter to focus its attention on the completion of its tasks according to regulation 715, while GIE and GTE perform some lobbying actions vis-à-vis the European institutions. The network codes are developed by professionals, who anticipate the impacts of the measures and try therefore to define feasible and practical rules. In addition, the consultation process run by ENTSOG allows the organization to take into account all stakeholders’ comments. The final text developed by ENTSOG is not a transporters’ text, it is a compromise solution. At last, ENTSOG facilitates the good cooperation between gas transmission operators by enabling an early implementation of the rules (cf Prisma platform)

### 3. Which regulatory actions are most important and should be prioritised?

We support actions aiming at developing the Framework Guidelines and network codes, and implementing existing rules, as well as those allowing a level playing field between all operators. This is particularly true concerning the action proposed by ACER, considering “whether the current de minimis limit applying to DSO networks should be revised”. Therefore, we support the idea of cancelling the de minimis limit.

### 4. Are there other areas where we should focus?

Considering our answers to questions 1 and 2, we are of the opinion that the scope of the Bridge to 2025 should also include the following areas :

- a better coordination between ACER and European Commission initiatives in order to design a better investment climate; we are of the opinion that it is the responsibility of regulators to raise the alarm bell when they detect any inconsistency in the various legislative proposals;
- a better consideration of security of supply concerns
- the consideration of the producers’ strategy and the situation of neighbouring countries;
- the integration of consumption patterns evolution (in Africa for instance, a large part of the gas production produced in Algeria may be absorbed in the future by the growing population) and migration flows;
- a transparent and coordinated process between regulators in investigating the costs and benefits and progress of a cross border market integration;
- the development of measures to foster research in new technologies such as power to gas, biogas, and design of an appropriate framework to facilitate their development. Biomethane can contribute to address security of supply concerns;
- the set-up of a more appropriate and better designed framework to enhance the development of CNG.
- a better balance to be found between short term and long term; currently, the Framework Guidelines on tariffs are favouring too much the short term, which is detrimental to investments in gas infrastructures;
- a recognition that long term contracts will remain an essential element in ensuring investments and maintaining existing capacities;
- a focus on investments which should be made where they are the most needed (Eastern regions) while optimizing the costs, maintaining gas competitive and avoiding the risk of stranded assets. All other investments should be market based, otherwise they would contribute to distort the market.



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