

ACER Public Consultation ‘The Bridge beyond 2025’

A Eurelectric response paper

Eurelectric represents the interests of the electricity industry in Europe. Our work covers all major issues affecting our sector. Our members represent the electricity industry in over 30 European countries.

We cover the entire industry from electricity generation and markets to distribution networks and customer issues. We also have affiliates active on several other continents and business associates from a wide variety of sectors with a direct interest in the electricity industry.

We stand for

The vision of the European power sector is to enable and sustain:

- A vibrant competitive European economy, reliably powered by clean, carbon-neutral energy
- A smart, energy efficient and truly sustainable society for all citizens of Europe

We are committed to lead a cost-effective energy transition by:

investing in clean power generation and transition-enabling solutions, to reduce emissions and actively pursue efforts to become carbon-neutral well before mid-century, taking into account different starting points and commercial availability of key transition technologies;

transforming the energy system to make it more responsive, resilient and efficient. This includes increased use of renewable energy, digitalisation, demand side response and reinforcement of grids so they can function as platforms and enablers for customers, cities and communities;

accelerating the energy transition in other economic sectors by offering competitive electricity as a transformation tool for transport, heating and industry;

embedding sustainability in all parts of our value chain and take measures to support the transformation of existing assets towards a zero carbon society;

innovating to discover the cutting-edge business models and develop the breakthrough technologies that are indispensable to allow our industry to lead this transition.

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Markets & Investments Committee
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KEY MESSAGES

- Significant benefits and synergies can be found through the coupling of the electricity and gas sectors, as a key link in the transition to a deeply decarbonised economy. Direct electrification from renewable-based and carbon-neutral electricity supply complemented in “harder to abate” sectors with power-to-gas and other non-emitting gases will make a major contribution to help Europe meet its climate targets. Moreover, power-to-gas technologies will also support a high renewable electricity system by providing firmness and flexibility solutions to both power and gas networks.
- Eurelectric welcomes the initiative of ACER to translate into concrete proposals the discussions initiated by the Madrid Forum and the CEER’s Consultation paper on Regulatory Challenges for a Sustainable Gas Sector. Moreover, Eurelectric supports the importance of market monitoring performed by the Agency.
- A strong gas market, driven by the common objective of a decarbonised European economy, is key to unlock the potentials of a decentralised, digitalised and interconnected energy sector. On the short term, the key challenge is to strengthen the functioning of gas markets throughout Europe, where room for improvement is still possible. On the medium and long-term, cost-effective and future-proof approach to infrastructure requirements and investments should be ensured to avoid investment in assets that do not contribute to a cost-effective and energy efficient decarbonisation path.
- Power-to-gas technologies - once mature and commercially available - are without any doubt contestable activities which cannot be carried out by regulated entities. However, in a first phase and in order to develop the technology as well as make it commercially available, public funding for financially supporting R&D and pilot projects for green hydrogen or synthetic methane generation should be envisaged. This would enable business cases for investors and may allow a role for regulated entities in this first phase.
- Eurelectric does not in general support the implementation of technology specific electricity and gas grid tariff reductions or exemptions to support the development of power-to-gas production units, or to compensate for services they may supply to the grids. But tariff structures should be tailored so that each grid user pays a price covering the aggregated costs it induces on the grid including consumption patterns that bring down cost in the overall system.

- System Operators hold a crucial function for the decentralised optimisation of the energy system. A continued and coordinated approach between electricity and gas TSOs will support the good management and development of the infrastructure networks. Co-operation and co-ordination between DSOs for electricity and gas is of equal importance and could also be extended to other areas like district heating. The objective is to optimise the energy system at all levels, including very small units like Energy Communities, but also towns, cities and regions, in addition to the overall system.

Topic 1 – Targeted regulation and market functioning

1/ Is the proposed response set out above appropriate to address the challenges the sector faces?

Eurelectric welcomes the initiative of ACER to translate into concrete proposals the discussions initiated by the Madrid Forum and the CEER's Consultation paper on Regulatory Challenges for a Sustainable Gas Sector.

The process of liberalisation of the European energy sector carried out for the last 20 years contributed to major achievements in infrastructure and market-related developments, in both electricity and gas sectors. When it comes to the gas sector, we are now entering into a new era where:

- In the short term, some further improvements may be targeted to strengthen the smooth functioning of gas markets across Europe.
- In the mid-term, the decarbonisation objective of the European economy raises new challenges for the future role of gas as well as for the integration of renewable and decarbonised gases.

With this goal, **a strong gas market, driven by the common objective of a decarbonised European economy, is key to unlock the potentials of a decentralised, digitalised and interconnected energy sector.**

In the short term, the key challenge is to strengthen the functioning of gas markets throughout Europe, where room for improvement is still possible. For this purpose:

- Eurelectric supports the key role of ACER in ensuring that market integration, the harmonization of regulatory framework and the required coordination of electricity and gas sectors are achieved;
- Priority should go to the full implementation of the gas network codes, including the gas tariff one (TAR NC), as part of the completion of the implementation of the Gas Target Model (GTM);
- A review of gas network tariffs and additional taxes/levies should be undertaken. In particular:
 - o General design criteria to all grid tariffs should be developed that ensure efficient economic signal both to injections and offtake from the grid;
 - o Eurelectric doesn't support the implementation of technology specific electricity and gas grid tariff reductions or exemptions to support the development of power-to-gas production units, or to compensate for services they may supply to the grids. In any case, a level playing field must be ensured;
- On governance arrangement in the gas sector, Eurelectric agrees with ACER's proposal to align it with the recently adopted Clean Energy Package. Moreover, we also support the development of a new governance & regulatory oversight arrangements, especially for ENTSOs' TYNDPs elaboration and the assessment and careful selection of large infrastructure projects.

What should be done differently and why?

On the convergence of hub prices, ACER promotes a structural solution through the merging of entry-exit zones into regional zones. While Eurelectric supports the convergence of gas hub prices, we consider that **the merging of market zones or the implementation of a unique market zone**

across Europe could have some drawbacks. Indeed, merging zones may require investments in infrastructures to protect the merged zone from all potential bottlenecks.

Therefore, evolving towards a single or very large gas market area or balancing zone may lead to potential inefficiencies in handling large structural congestion. Furthermore, it is important to **use market-based instruments to avoid grid congestions and bypass bottlenecks**, before investing in the grid itself for the sake of merging zones and risking stranded assets. From a cost-benefit perspective, such mergers could be of limited interest and would potentially raise some major operational issues of networks managements for TSO. As we pointed it out in our answer to the recent CEER consultation¹, the key issue, from a gas end-user point of view, is to have an easy access to the gas hub/market place and delivery periods (ex: day-ahead, week-ahead, month-ahead, etc.), wherever it is located, at the most affordable price possible. For some isolated markets, there could still be a lack of interconnection capacity to more liquid hubs, which may require investments in new gas infrastructures. But such investments need should be carefully assessed through sound cost-benefit analysis, in order to avoid further risks of stranded assets.

Regarding liquidity on balancing platforms, recent cases of fraud in the gas balancing markets, involving international operators², suggest that **some provisions related to fraud detection and diligent action should be included or strengthened**. As a starting point, ACER suggests that licensing and registration requirements should serve the purpose, among others, of protecting market functioning from malicious practices. The regulatory framework should encourage Member States to ensure that national regulatory authorities, transmission system operators, distribution system operators and market operators are enabled to detect fraudulent behaviours. When a fraudulent behaviour is detected, there should be a system in place to act diligently to impede it. Procedures to deal with fraud of market agents should also take the appropriate measures for protecting consumers as well as to recover the defrauded volumes. **Current licensing and registration requirements did not fully prevent fraud in Europe**. This needs to be avoided by sensible ex-ante checks by the TSO (for registration) and/or the NRA (for licensing and collateral/guarantees requirements) could complement the process.

ACER suggests a **system of mutual recognition of licenses for gas trading and supply**, which would consists in recognition in all EU countries of either a license delivered in a Member-State, or in an automatic delivery of licenses in other countries once a license for the concerned company has been issued in one Member-State. This is a bold measure that could help to solve some operational issues if harmonized conditions are set among Member States to issue these licenses. But many issues are not directly linked to the granting of the license itself (such as the Polish storage obligation or the Romanian ordinances on the organization of the national gas market). **This ACER proposal would be a progress, but probably not sufficient to solve some major blocking issues.**

In particular:

1a/ For monitoring the GTM metrics and prompting action, should the threshold values be set out at EU level? What should they be? Who should set these values?

¹ https://cdn.eurelectric.org/media/3880/eurelectric_response_to_ceer_consultation_on_sustainable_gas-2019-030-0332-01-e-h-7A762BFF.pdf

² As an example, Ireland based Solstar's case, occurred in April 2019 in Spain:

- Spanish competition regulator (CNMC) and gas TSO Enagas suspended Solstar gas retailer from operating in the market after it consistently failed to cover its positions and amid allegations of fraud during a week within that month of April.
- The market participant was unable to cover its daily obligations in the national balancing market, with Enagas having to step in to guarantee security of supply, spurring around 200 GWh/j of daily purchases from the TSO over the week, which also lifted prices. Accumulated gas deficit was of 2,544 GWh, equivalent to 2.8 LNG boats.
- Official disqualification of Solstar Limited has been published on 31st of July (cf. Spanish Official Bulletin).

On the Gas Target Model (GTM), our messages are the following:

- **Eurelectric supports the importance of market monitoring performed by the Agency.** ACER monitoring report is a valuable tool for the market that should continue to be supported. To this extent, threshold values should be set at EU level. GTM metrics are currently not necessarily pointing to the adequate elements and may be complemented by other pertinent analysis at regional/national level. Among the possible indicators to be examined, we would mention in particular: number of active shippers, availability of entry capacity, number of gas sources (and to this extent LNG cannot be treated as an only source). Any remedial action to be proposed should be proportional to the number and intensity of infringed indicators, and duly justified with a cost-benefit analysis.
- **As a general rule, EU regulation to access infrastructure and transmission regime should not rely on ad-hoc solutions developed at national level.** This would only add market distortions between Member States, which is not needed in the light of current situation and market perspective. Some real key domestic issues (i.e. beyond networks tariffs pointed out below), such as the Polish storage obligation, the new Romanian regulatory framework (price cap on transactions on hub, organized market obligation related to domestic production, hampering of exports...), or the management of the project of German balancing zones merger, are not necessarily captured by the GTM metrics. For instance, the current Romanian organized market obligation could help reaching some of GTM metrics as set by ACER, while being totally counter-productive for the development of the gas market.
- Therefore, a **stricter enforcement of the European *acquis* (Directives, Regulations and Network Codes) is required.**
- Moreover, **the GTM is largely hinting at different kinds of entry-exit mergers in case the metrics are not reached.** Nevertheless, imposing mergers from a top-down perspective is both difficult and risky. For instance, the example of the German merger (set by the German law and not resulting from a decision of the German NRA) shows the difficulty of this kind of measure (incl. costs vs. benefits), in particular regarding how to maximize offered technical capacity in a wider zone without overinvesting, and its benefit are far from obvious.

1b/ Should there be new principles for tariff and allowed revenue methodologies in legislation – e.g. ensuring a level playing field between the gas and electricity sectors? What principles would be crucial?

On gas networks tariffs, ACER underlines that many factors drive price differentials. **Cross-border tariffs are clearly one of the key driver, especially when there are no physical congestions.** Other factors, underlined by ACER, may kick-in to either increase or compensate this pancaking effect, but **cross-border tariffs, under certain circumstances, can be a major hindrance to trade.** In addition, inadequate capacity release programs in non-congested IPs can raise a recovery issue or lead to a rise of tariffs, limiting cross-border opportunities. To this extent, the Congestion Management (CMP) Network Code already addresses situations of contractual congestions.

Cross-border gas tariffs may make difficult a sector coupling perspective in regional markets. Gas power plants, which are charged directly or pay indirectly cross-border tariffs (through gas prices spreads), will be negatively impacted in the merit order compared to gas plants in neighbouring markets. Yet, such impact may not prove optimal from a global power market perspective (i.e. it can create congestions on power interconnections, and have big leverage effects when gas power plants are marginal). Furthermore, compensating this gas tariff issue with adapted power connections prices would create further distortions.

2/ Should the Agency develop a joint Electricity and Gas Target Model in view of sector coupling and what key features should this model have?

Our response will focus in particular on the issue of grid tariffs.

When considering sector coupling, both end-users (withdrawal) and injection tariffs could have a central impact and may impede delivery of the most affordable and feasible energy transition, if not properly designed. Nonetheless, these tariffs (transport and distribution) are also essential to provide for a level playing field that will ensure the most affordable and feasible energy transition. Indeed, when a market participant is making an investment and must choose between competing energy carriers (e.g. choosing among a power or gas or hybrid heating appliance or choosing to invest in a given mobility solution), that participant must be given the best possible transparency on the evolution of relevant regulated infrastructure costs over the lifetime of his investment.

Distortions may exist if grid tariffs are not efficient or if there is some unlevelled playing field due to sector or technology-specific measures or provisions, for instance on network tariffs (either for injection or withdrawal) or levies. In particular, in some countries, power-to-gas facilities are classified as “end consumers” in the electricity sector and are therefore charged with all associated taxes and levies.

To fix these distortions, a review of network tariffs and additional taxes/levies should be undertaken. It is important to distinguish between (1) use-of-network tariffs and (2) additional levies / charges & taxes.

1- Use of Network Tariffs (UoNT);

The risk of double charging affecting power to-gas when using exclusively the electricity network is similar to that affecting any other electricity storage. To ensure a level playing field, it is necessary to design UoNTs that ensure power-to-gas is charged (a) for the variable costs corresponding to both their withdrawal and injection (two charges), and (b) for the fixed costs corresponding to their access to the grid (a single charge). This should not be obtained by introducing a specific network tariff for power-to-gas facilities, but by developing a general design criteria to all grid tariffs in order to ensure efficient economic signals both to injections and withdrawal from the grid.

In the same way, network tariff charges applied to power-to-gas facilities, as they use both the electricity and gas networks, should also reflect the costs they cause on both networks.

In any case, UoNTs should always be sufficient to cover the total regulated network costs and distortions or cross subsidies between different categories of users should be avoided. A significant effort in terms of UoNTs design should be undertaken and the best practice report on tariff methodologies to be elaborated by ACER (article 16 new Electricity Regulation) could be a step in the right direction.

2- Additional levies / charges & taxes;

The absence of coordination among energy carrier levies or taxes could create distortions. In order to ensure a level playing field:

- Levies and charges of the energy system, including the decarbonisation financial effort (e.g. cost of RES support schemes) should be fairly allocated / shared among all energy consumers (so far they are almost exclusively borne by electricity consumers).

- Taxes should be driven by the “polluter pays” principle: non-ETS sectors should be subject to a CO2 cost comparable to that of ETS sectors. Until taxes and levies are not coordinated across energy vectors, it could be argued that electricity storage and conversion of one energy commodity into another one could be exempted from end consumer taxes and levies. However, this should be carefully designed and monitored, since it could lead to further distortions.

To conclude, **Eurelectric does not support the implementation of technology specific electricity and gas grid tariff reductions or exemptions to support the development of power-to-gas production units**, or to compensate for services they may supply to the grids. In any case, a level playing field must be ensured:

- Tariff structures should be tailored so that each grid user pays a price covering the costs it induces on the grid;
- Flexibility services supplied through power-to-gas technologies should be enabled and valued on the specific markets the services are targeting (demand response, capacity markets, reserve);
- Public support may be needed to prepare the deployment of power-to-gas technologies, to support future very high shares of RES in the electricity mix. It will be up to policy makers to decide whether Member States should subsidize renewable gas technologies. From a regulatory point of view, if such instruments are implemented, Eurelectric considers this public support should be direct (direct subvention for instance) to ensure visibility and avoid distortion for other grid users, while being adapted to the maturity of relevant technologies.

In addition to the fundamental level playing field principle, the application of the cost-reflectiveness principle is also essential to ensure that tariffs account for all costs induced.

Topic 2 – Enabling new products and enhancing infrastructure governance

3/ Is the proposed response set out above appropriate to address the challenges the sector faces?

A European climate and industrial leadership is needed to achieve the Paris Agreement objectives and a carbon neutral economy by 2050. **Direct electrification from renewable-based and carbon-neutral electricity supply will make a major contribution to help Europe meet its climate targets.**

Europe should strive to maintain leadership in key emerging energy carriers which will be needed to enable a competitive economy, reliably powered by clean and carbon-neutral energy. Power-to-gas and other non-emitting fuels have a role to play as electricity alone cannot deliver full decarbonisation. **Significant benefits and synergies can be found through the coupling of the electricity and gas sectors**, as a key link in the transition to a deeply decarbonised economy. To this end, power-to-gas technologies can complement direct electrification in “harder to abate” sectors but also contribute to the support a high-renewable electricity system by providing balancing and flexibility solutions.

Eurelectric generally agrees with the assessment made by ACER as well as the numerous proposals:

- In the definition of the new technologies, **Eurelectric strongly supports the establishment of clear definitions of gases not covered by article 2(1) and 2 (35) in RED II**, which will both be

further developed through delegated acts before the end of 2021 and 2020 respectively based on their CO2 emissions along the entire value chain;

- **On the regulation of new activities, we promote market-based approach as a core principle**, where applicable and relevant;
- **For regulated entities participation to power-to-gas technologies, Eurelectric proposed a two phases approach** (see detailed input below). TSO/DSO involvement should be carefully assessed in line with the principles of liberalised and competitive energy markets (i.e. the effective separation of networks from activities of production and supply is a fundamental pillar for achieving the objective of a well-functioning energy market). Assets should only be regulated and/or owned by grid operators when the relevant economic conditions apply: there is an actual market failure or conditions for natural monopoly hold;
- **The assessment for the need of new infrastructures should be carried out in a coordinated manner** between electricity and gas TSOs, especially to ensure a level playing field;
- As ACER, Eurelectric also proposes to **reassess the TEN-E Regulation as soon as possible** to reflect changing infrastructure and security needs.

What should be done differently and why?

In particular:

3a/ Who should provide data on the availability of decarbonised gases by location so as to enable assessment of changes of gas system needs and flows, in parallel to greater availability of decarbonised gases? At what frequency should this data be provided to the Agency?

Several studies by major consultancies, for instance the Frontier Economics or Navigant ones presented in the June 2019 Madrid Forum, demonstrate that **developing renewable and decarbonised gases enables a significantly more affordable energy transition**. However, **in the current market setup, there are no obvious market signal to foster the development of renewable and/or decarbonised gases**, which are not in the money compared to a very affordable natural gas carrier. Several factors can explain this situation:

- **Most of these gas technologies are not mature, and need to be supported while their costs are being reduced**. Such support should be based on Research & Development funds and not mixed with gas grids tariffs. We should indeed not repeat the mistakes made in the past with RES support schemes which have severely distorted electricity tariffs;
- **A level playing field should be designed for the competition between different types of gases;**
- **Current price of CO2 is not yet sufficient yet to deliver the EU ambitious objectives;**
- **Most end consumers have not yet demonstrated their willingness to pay significant amounts to reduce their energy carbon footprint.**

Concerning the impact of new products on market and regulations, **we share ACER's view that renewable and decarbonised gas production assets could be developed in a competitive market and without the involvement of TSOs**. Indeed it is very difficult, also with unbundling rules, to prove the lack of cross subsidies between regulated and non-regulated business. In addition competition with TSOs in market activities is hard to sustain for market players (i.e. credit

conditions wouldn't be the same, TSOs have informative advantages over the structure of the network etc.)

3b/ Do TSOs face a conflict of interest in the future in planning gas and electricity infrastructure? If so, would stronger regulatory oversight resolve the problem? Which powers are needed and at which level (European, regional, national)? Would transparency requirements on TSOs/ENTSOs mitigate this problem and if yes, what shall be done?

ACER points out in the consultation document increasing challenges on the neutrality of TSOs that is questioning the cooperation between ENTSO-E and ENTSG, especially for the planning of gas infrastructure. **Increasing the role of NRAs and ACER (and its resources to tackle these new tasks) would be a positive evolution and is even an urgency** to avoid continuation of investments without the required transparency on the evolution of regulated infrastructure costs.

TSOs neutrality is a key issue to be addressed especially for the deployment of power-to-gas plants. Indeed, TSO neutrality is a core principle of unbundling rules that should be maintained. Among the solutions to tackle this issue, and to avoid lock-in effects it is important to:

- (i) Evaluate new investments in the gas grids, taking into account real production potentials for renewable and/or low carbon gas;
- (ii) Assess the gas infrastructure value for decarbonisation / security of supply / storage purpose in comparison with other levers;
- (iii) Make total costs of renewable and/or decarbonised gas borne by the collectivity as transparent as possible: both on the production side (feed in tariffs/premiums, funded by tax payers) and on the transmission side (connection & grid reinforcement/adaptation costs that are shared between all gas users).

It is also important to recall that TSO and DSO neutrality is a prerequisite to the institutional role granted by the Third Energy Package and the Clean Energy Package to ENTSO-E & ENTSG as well as the EU DSO entity. Should TSOs/DSOs be involved in competitive areas and become market participants, ENTSO-E & ENTSG should not be holding the pen in the drafting of network codes anymore.

Regarding the development and feasibility of power-to-gas installations, conditions to set to trigger business cases and to make that technology commercially viable may require some regulatory “sandboxes”, taking into account restrictions mentioned by ACER regarding TSOs involvement in competitive areas, namely:

- (i) Requiring investment to be carried out through a separate but related company for greater transparency;
- (ii) Forbidding cross subsidies between regulated and non-regulated activities;
- (iii) Forbidding foreclosure of the market for the services these assets provide;
- (iv) Forbidding use of their inside information.

However, it is to be noted that if these restrictions were put in place, TSOs/DSOs would be in the same position as other market players, which really questions the assumption that they have a special role to play to get the market started.

It is clear that **in the short and medium term, the market will not deliver large scale power-to-gas technologies** because they are not mature yet. That is why we would propose a **two-steps approach**:

- **In a first phase – in order to develop the technology and make it commercially available – public funding (either European or national) for financially supporting the scale-up of green hydrogen and R&D for synthetic methane generation should be envisaged, in order to enable business cases for investors.** Those investors will be primarily technology providers, and other commercial entities. It should be assessed whether such support mechanism should be based exclusively on investment grants/aid to facilitate development or should include mechanism to cover operation costs for the duration of the trial.
- **In a second phase – once the technology is mature and enables business cases – we are in the opinion that there is no reason why power-to-gas plants should be developed, owned and operated by non-regulated entities, neither by TSOs nor by DSOs.** Alike gas-fired power plants, power-to-gas plants are facilities consisting in converting an energy carrier to another one. As power generation is considered - without any controversy - as a contestable activity which cannot be carried out by regulated entities, we believe the same should apply for gas production from power-to-gas plants.

The assessment of potential future exceptions for TSO/DSO involvement in power-to-gas activities, such as the ones considered in the CEP for storage and electric vehicles charging, should be done carefully and in accordance with the principles of liberalized and competitive energy markets. It is premature to assess whether the same logic can apply to power-to-gas activities. When it comes to the assessment of a potential TSO/DSO involvement in power-to-gas activities or other grey areas, Eurelectric broadly supports the conceptual tool developed by CEER in its conclusions papers “The future role of the DSO” as well as “New Services and DSO Involvement”.

Regarding the network tariffs structure, transparency on future costs should be translated in regulated trajectory. A first improvement would be to adapt the tariff structure (peak /seasonal / volume components) to better reflect the infrastructure investment that each pattern of consumption is triggering, while keeping constant the average bill.

A continued coordinated electricity-gas approach will support the good management and development of the infrastructure networks. As a general principle, Eurelectric promotes a **cost-effective and future-proof approach to infrastructure requirements and investments to avoid stranded assets**. To this end, Eurelectric would like to remind the important role of TYNDPs and CBAs methodologies which should forecast the dynamics on power-to-gas markets in the coming decades.

The ongoing coordination between ENTSO-E and ENTSG, underlined by the article 11(8) of the Regulation (EU) No 347/2013, is an opportunity for reaching such a goal. Therefore, the delivery of the TYNDP 2020 and their underlying scenarios must be encouraged, based on a common framework of the European Cost Benefit Analysis of grid Development Projects. As mentioned in the Regulation, prior to submitting their respective methodologies, both ENTSGs shall conduct, simultaneously, an extensive consultation process involving all relevant stakeholders from both electricity and gas, national regulatory authorities and other national authorities. Regulators as well as the European Commission have played an important and active role in this process and its assessment so far.

Co-operation and co-ordination between DSO for electricity and gas is of equal importance and it could also be extended to other areas like district heating. The objective is to optimise the energy system at all levels, including very small units like Energy Communities, but also towns, cities

and regions, in addition to the overall system. A successful Energy Transition should not be organised top-down and would benefit from a bottom-up approach. In this context, System Operators hold a crucial function for the decentralised optimisation of the energy system, which requires further development of the links between electricity and gas DSO.

Going forward, as far as ACER's and NRA's responsibilities are concerned, Eurelectric believes that:

- **ACER and NRAs should play a key role in ensuring that the ENTSOs' TYNDP scenarios reflect the new reality and include long term projects for gas demand that are compliant with the Paris agreement**, in line with the most recent analysis and take into account the maturity of promising technologies such as power-to-gas. The TYNDP proposes a set of credible and contrasted scenarios to assess long-term uncertainties, not scenarios which reflect the ambition of TSOs. The main objective of the TYNDP is to identify the needed investments in infrastructures. The energy transition entails a lot of uncertainties on the energy mix. Contrary to previous decades, there is a bigger risk of sunk costs in infrastructures, in particularly in gas infrastructures, with the expected decrease of gas demand. Therefore, the TYNDP has to capture a large scope of possible futures to highlight the risk to invest in infrastructures. Such hypothesis and scenarios should take into account technology costs and competitive alternatives for clean energy carriers, demand side flexibility potential, energy efficiency and conversion losses, the impact of the overall gas volumes on bio resources and on the electricity system, foreseen imports and their implications, as well as infrastructure requirements for different types of gases and blends.
- **Concretely, for the upcoming TYNDP 2020 and future ones, it is essential that both ACER and NRAs play a major role, in particular for the approval of CBA methodologies and PCI assessment.** Whether it refers to gas or power PCIs, public authorities must ensure that CBAs and PCIs are unbiased and assessed, individually, through the appropriate scenario (ex: yearly volume, daily peak, 2-week cold snap, low RES availability, etc.) at the appropriate geographical scope and via the relevant cross-commodity or coupling approach.
- Following those key principles should ensure a cost-effective and future-proof approach to infrastructure requirements and investments to avoid future carbon lock-in or stranded assets.

While the coordination at European level between the ENTSOs on the TYNDPs and the level of the involvement of NRAs and ACER is already described in detail in Regulations (347/2013 and 715/2009), it would be beneficial if **NRAs could ensure an enhanced coordination at national level when grid development plans for gas and electricity are being elaborated.** Alike at European level, national grid development plans for gas and electricity should reflect the new reality and include long term projects for gas demand that are compliant with the Paris agreement.

Eurelectric pursues in all its activities the application of the following sustainable development values:

Economic Development

- Growth, added-value, efficiency

Environmental Leadership

- Commitment, innovation, pro-activeness

Social Responsibility

- Transparency, ethics, accountability



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