

Questionnaire to GCG members on the report on the Gas Security of Supply Regulation

A Eurelectric response paper

June 2023

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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Questionnaire to Gas Coordination Group members

Review report as per Article 17 of Regulation (EU) 2017/1938

The following list of questions is meant to receive feedback from Member States' and stakeholders' representatives of the Gas Coordination Group on the Article 17's report of Regulation (EU) 2017/1938 that is due by September 2023. While some of the questions may be of particular relevance only to Member States' representatives, we invite stakeholders to also express their views where they deem it relevant.

Article 17 of the aforementioned Regulation requires:

"The Commission, on the basis of the assessments referred to in Article 8(7) shall, by 1 September 2023, draw conclusions as to possible means to enhance the security of gas supply at Union level and submit a report to the European Parliament and to the Council on the application of this Regulation, including, where necessary, legislative proposals to amend this Regulation."

The questionnaire targets the parts of the Regulation identified by the Commission where reflection is considered appropriate, as well as questions allowing for reflection on the emergency Regulations of 2022. In addition, the last question allows Member States to raise any other points that should be reflected in the report.

In order to facilitate a discussion in the Gas Coordination Group, as well as a timely publication of the report, we would kindly ask you to provide your input before **9 June 2023, 12.00h CET**.

Questions

Security of Supply outlook for 2030–2040

In 2022, we have witnessed an unprecedented year, which has changed the security of supply outlook for the decades to come. In addition, the EU is:

- transitioning to a decarbonised energy system;
- diversifying away from Russian gas, with a higher share of LNG in natural gas' supply mix;
- technologies like biomethane will evolve over the years;
- the demand structure may look different in the future than it does today, and;
- the physical and cyber protection of gas infrastructure may become increasingly relevant.

At the same time, we need to ensure security of gas supply in the next few years, which will still be challenging.

1. Taking this into consideration, what are your views on where we will be in the next two decades in terms of security of gas supply and how should our security of supply architecture evolve over the years? If you have developed relevant dedicated national scenarios or outlooks for the future gas demand, supply and risk landscapes, please refer to those.

In our opinion, security of gas supply will remain tight in the EU for the next few years, considering the phasing-out of Russian gas flows will be gradually

compensated by additional LNG flows. 2027 may be a tipping point for the EU with regards to gas supply/demand balance, considering that additional significant liquefaction capacity will be commissioned in the United States as from that year. On a more long-term basis, we consider that the sharp decrease of natural consumption expected in the scope of the decarbonization process (cf. the “Fit for 55” objectives set for 2030) will make the security of gas supply not at risk anymore.

Gas Coordination Group

Articles 3 and 4 of the Gas Security of Supply Regulation specify the responsibilities of the different actors in the field of security of gas supply, as well as the rules and procedures of the Gas Coordination Group.

2 Considering the experience gained over the last years, in particular the challenging year 2022, what do you consider positive and should be maintained? Are there elements you would prefer to conduct differently?

The Gas Coordination Group (GCG) was and still is fundamental in the good management of the gas price turmoil in the year 2022. By recognising the importance of this body, Eurelectric would like to have the GCG more involved in sharing views and providing inputs to the legislators. This group should be used as an advisory body, with a more proactive role in shaping/designing provisions which may have potential operational impacts, in particular when emergency measures are envisaged. Additionally, In the past, the results of the CGC were published. This has not been the case for some time. In order to achieve more transparency, this should be ensured again in the future.

3 Do you consider the composition of the Gas Coordination Group appropriate? Would you suggest a different composition and for which purpose?

Eurelectric thinks that the current composition of the Gas Coordination Group looks appropriate, and it does not see the necessity to change that.

4 Would articles 3 and 4 of the Regulation need more operational provisions?

As referred in question 2, Eurelectric would like to see a more proactive role for the Gas Coordination Group.

Infrastructure standard and bi-directional capacities

The infrastructure standard (N-1), as outlined in Article 5 of the Gas Security of Supply Regulation, has helped to create adequate interconnection capacity between Member States, which in turn helped to diversify away from Russian gas in 2022. Paragraph 9 also exempts several Member from this standard. Paragraphs 4-7 ensure bidirectional capacities of all interconnections between Member States, unless justified according to a specific procedure.

Reminder: N-1 refers to the disruption of the single largest infrastructure and S-1 to the disruption of the single largest supply source.

5. Does the changing context of the past years, with changing flow patterns, primarily in light of the rising prominence of LNG, mean that adaptations to the infrastructure standard are needed? Including regarding the bi-directional requirements and its exemptions?

Eurelectric does not think that an adaptation to the infrastructure standard as set by the Regulation 2017/1938 is needed. The challenges we saw in the past few months were related to some local, physical bottlenecks and not to the bi-directional requirements or exemptions. Moreover, these obstacles will be gradually addressed via the upcoming FSRUs.

6. Given (1) the changing supply structure to the EU (including a higher share of LNG), (2) the lessons learned of 2022 and (3) the changing risk landscape, should we incorporate an S-1 standard and/or develop an N-2, or even 3 standard ?

Eurelectric does not see the need to incorporate an S-1 standard and/or develop an N-2/-3 standard. Indeed, even though the situation that the EU faced in 2022 was more stringent than the N-1 scenario, the EU market delivered what was supposed to. In particular, no gas end-users were curtailed throughout Europe, despite the challenging situation faced by some Member-States. However, in the context of recording the largest infrastructure, it must be clarified whether the Russian sources will continue to be included or not.

Supply standard

Article 6 of the Gas Security of Supply Regulation defines the legal requirement to impose a gas supply standard on natural gas undertakings, to ensure gas supply to protected customers, with pre-defined criteria.

7. What are the challenges you have experienced in implementing and/or enforcing the gas supply standard? Would you have any suggestions to improve the supply standard and their enforcement in the future?

Eurelectric thinks that the 7-day peak scenario is not relevant. Instead, it should be adjusted with a 1-day peak scenario and completed by a 15-day cold scenario, on top of a 5-month cold scenario over the winter period. Doing that would make a set of SoS standards much more relevant than the ones considered for the establishment of the TYNDPs for instance.

8. Are there specific challenges related to undertakings operating primarily outside your national territories?

No specific challenges were identified by Eurelectric on this aspect.

9. Article 24 of the (EU) 2022/2576 Regulation on solidarity rules allows Member States to reduce the non-essential consumption of protected customers. Would you consider this a provision that is useful to keep beyond the expiration of the temporary solidarity Regulation? Do you see scope for more harmonised definition of protected customers (whose consumption should be able to be monitored precisely)?

For both operational and harmonization reasons, the protected customers' perimeter should be defined as corresponding to the distribution perimeter for each Member State. Moreover, it should also incorporate the gas-fired power plants which are considered as critical for the security of supply of the power system either at national or regional level.

Risk assessments

Among others, Article 7, as well as Annex I, define the requirements and composition of the risk assessments and regional risk groups. During the current crisis, the process of carrying out the common risk assessments in the risk groups by Member States led to significant challenges. No Member State volunteered to lead certain regional groups. Feedback received by the Commission points to difficulties in administrative capacity to carry out the tasks laid out in the Regulation, as managing the challenging circumstances of the gas crisis was the priority.

10. What are the main problems and challenges Member States faced when developing the Common Risk Assessments you have contributed to?

Question 11: Is a regional approach to assess risks, rather than an EU-wide, on top of the national one still appropriate?

The regional approach to assess risks is certainly appropriate. The experience we had during the last years clearly showed that regional granularity is instrumental for disruption risk assessment and tight situations management.

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Question 12: Are the national risk assessments sufficiently addressing risks facing your Member State, and are these national risk assessments shared with neighbouring Member States?

National risks assessments do not sufficiently consider the cross-border impact of potential tight situations. The return of experience in the change of flows patterns which occurred in 2022 at the French-German border shows that security of supply risk requires a sound and detailed coordination between adjacent Member-States to properly assess any gas disruption risks and its potential spill-over effect beyond the national boundaries.

Question 13: How do you think the regional risk groups and the process of the common risk assessments can be improved?

Eurelectric has no specific suggestions on this aspect.

Question 14: Is a deletion or an update of the composition of the risk groups needed to adapt to the changing supply patterns and the recent infrastructure developments? What geographical criteria or composition would you consider more appropriate?

The current composition of regional risk groups, as amended by the Commission delegated Regulation issued in November 2021, looks fully relevant to us.

Preventive Action Plans and Emergency Plans

Articles 8, 9 and 10 of the Gas Security of Supply Regulation specify the requirements for the Preventive Action Plans and Emergency Plans. Preparing updated Preventive Action Plans and Emergency Plans is a legal requirement foreseen in Articles 9(11) and 10(2), and which is essential to ensure winter preparedness for the next winter. The draft plans need to be shared 5 months ahead of the deadline, according to Article 8(6). Besides being essential to ensure preparedness for the next winter, the Commission's assessment of the updated plans form the basis of the Commission's report due by 1 September, as outlined by Article 17.

Question 15: In case your plans have not been submitted yet, could you please share the draft Preventive Action Plans and Emergency Plans that you shared with your neighbouring Member States and inform the Commission when do you plan to notify your **final** plans to the Commission?

The Emergency Plans have recently required an update in light of the Demand Reduction Regulation, and both Preventive Action Plans and Emergency Plans are required to be updated by competent authorities as part of the regular four-year update foreseen in Articles 9(11) and 10(2):

Question 16: Given the recent experiences of Member States with updating the Preventive Action Plans and the Emergency Plans to a changing risk landscape, how can both the process as well as the substance of the plans be improved, e.g. via an updated template?

Eurelectric has not a specific opinion on this aspect.

Question 17: What are the main difficulties you are encountering to test the plans? Which parts of the plans do you consider should be changed or which elements would you like to see reflected in the report?

Question 18: In particular, have the plans been tested according to Article 10(3) of the gas SoS Regulation? How can the tests be further improved (e.g. by including other energy sectors)?

Crisis levels

Articles 11 and 12 define the rules, procedures and responsibilities in different national crisis levels, as well as in a Union-wide or regional emergency. In 2022, we have seen 11 Member States declare early warning, and one Member State declare alert. In addition, the Gas Demand Reduction Regulation created the possibility to declare an EU alert level, which would trigger a mandatory 15% reduction of gas demand.

Question 19: As was highlighted by Member States during the solidarity test ('dry run' exercise) of December 2022, in contrast to an EU alert, the exact impact of declaring an EU emergency is comparatively undefined. Would you see a need to improve the current rules and procedures for national and EU-wide crisis levels, for example by clarifying the roles between different EU bodies and Member States?

Eurelectric has no specific suggestions on this point, considering that Eurelectric was not involved in the "dry run" exercise.

Question 20: Would an EU emergency plan, similar to the national emergency plans with clearly defined roles, procedures and measures to be taken, be an improvement to the current architecture?

Eurelectric has no specific suggestions on this point.

Question 21: Would it be relevant to include, beyond the current Demand Reduction Regulation, a mechanism of EU alert that can be triggered before an EU emergency?

Eurelectric believes that it would be relevant to have an EU alert level. This would give consistency with what is set at the Member State level.

Question 22: Should such new EU alert mechanism be linked to demand reduction measures, , with a reduction period and target tailored to the situation at hand, and/or to other measures and if yes which ones ?

Eurelectric thinks that an EU alert should lead to incentivized solutions & voluntary measures. Eurelectric is opposed to having coercive provisions since the market is considered capable of delivering the gas needed for all consumers.

Question 23: In an EU emergency, Article 25 of the (EU) 2022/2576 Regulation on solidarity rules allows the Commission to terminate undue restrictions of cross-border flows as competent authorities would now be required to modify its actions after the Commission's request, to comply with Article 12(5) of the Gas Security of

Supply Regulation. Would this provision be relevant to be maintained in the security of supply architecture beyond the expiration date of the temporary Solidarity Regulation?

Eurelectric considers that any restrictions to cross-border flows should be avoided, in order to ensure an efficient and fair management of any scarcity situation on the supply/demand balance. Therefore, we consider that the provision prohibiting such restrictions should be maintained beyond the current temporary emergency context.

Solidarity agreements and Council Regulation (EU) 2022/2576

Since the Gas Security of Supply Regulation was adopted in 2017, Member States experts have worked diligently on trying to prepare bilateral solidarity agreements, which have often not resulted in endorsement at political level. Moreover, during the solidarity test ('dry run' exercise), conducted jointly by the Commission, Member States and TSOs in December 2022, the solidarity provisions of the Gas Security of Supply Regulation, as well as the by-then-agreed Solidarity Regulation were tested. Here, for example, the timing of providing solidarity (three days) that is outlined in Regulation (EU) 2022/2576 was deemed inadequate by Member States, as solidarity via pipeline would need to be provided quicker (within 24 hours was deemed more appropriate).

Question 24: Taking the outcomes of this dry run exercise into account, as well as your experience trying to conclude bilateral solidarity agreements, do you think the solidarity provisions are adequately covered by both the Gas Security of Supply Regulation and Council Regulation (EU) 2022/2576 providing default rules on procedures to activate and provide solidarity and on compensation? If not, what elements would you like to see improved? Please distinguish the procedure to activate and provide solidarity and the rules on compensation.

Eurelectric has no specific suggestions on this point, considering that Eurelectric was not involved in the "dry run" exercise.

Question 25: Would you consider the extension of pipeline solidarity to LNG solidarity as a beneficial addition to ensure security of supply during an emergency? Do you see scope for improvements for instance for pipeline solidarity obligations not limited to neighbouring countries (two Member States linked via a non-EU country are bound by solidarity but not two Member States linked via a third Member State)?

Eurelectric considers that there is no discrepancy to be considered between LNG vs. gas pipeline supply in solidarity management. Management of gas scarcity situations requires action at downstream level (i.e. between protected vs; non-protected consumers), with gas demand reduction as the 1st, main lever, whereas the upstream side should remain driven by market-based principles, with gas sources put on an equal basis whatever their origin.

Question 26: Would you consider important to keep the extension of guarantee of supply to critical power plants and, if yes, would you recommend particular improvement to the Gas SoS Regulation and Solidarity Regulation in that respect?

As mentioned in our response to question 9, Eurelectric thinks that it is paramount to keep the extension of the guarantee of supply to critical power plants.

Information exchange

Article 14 of the Gas Security of Supply Regulation contains requirements on the exchange of information, both before and during the activation of an alert level. For example, Article 14(6) requires gas undertakings to report to the competent authority a list of details on gas supply contracts, which in turn should be notified to the Commission.

Question 27: Would you see a way to further operationalise Article 14 of the Regulation? For example, last year the Commission has set up an online template to collect data, e.g. based on Article 14(1) for Member States to report to the Commission, but this was not used in a standardised way. Would an improved standard template for data sharing help operationalise this task?

Eurelectric has no specific suggestions on this point.

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Question 28: With which country / organisation and by which means would you see an enhanced international cooperation of the EU.

Eurelectric has no specific suggestions on this point.

Question 29: Based on your experience with the implementation, enforcement and/or working under the provisions of the Gas Security of Supply Regulation, would you like to make a specific comment on the possible means to enhance the security of gas supply at Union level?

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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