

Statement

from 08th April, 2015 to

Consultation on the Revision of Regulation (EU) No. 994/2010 concerning measures to safeguard security of supply

DVGW The German Technical and Scientific
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1. Preamble

DVGW The German Technical and Scientific Association for Gas and Water has worked successfully in the gas and water industry for more than 150 years. Safety, hygiene and environmental protection are the main focuses of all the association's activities. DVGW is an association with about 13,700 members which establishes the generally accepted rules of technology for gas and water systems, initiates research projects and provides training on a full range of gas and water industry topics. Moreover DVGW provides an inspection and certification unit for products, individuals and companies. DVGW codes of practice lay the foundation for technical self-regulation and for the responsibility of the gas and water industry in Germany. They ensure safe gas and water supplies to the highest international standards. The not-for-profit organization was established in Frankfurt am Main in 1859. DVGW is economically independent and politically impartial.

2. Introduction

On 16 October 2014, the European Commission published its Stress Test Communication (gas supply situation in winter 2014/2015) and – as part of this – an evaluation report on the Gas Security of Supply Regulation (EU) No. 994/2010. This report evaluates the implementation of the Regulation and identifies approaches for revision. In preparation of a possible revision of the Regulation a consultation was launched by the European Commission on 15 January 2015. It is particularly asked to answer a total of 40 questions being associated with the provisions of the Regulation until 8 April 2015.

DVGW appreciates that the key stakeholders of the European Member States are given the opportunity to comment on the planned review of Regulation (EU) No. 994/2010) in a structured procedure.

DVGW – being a technical and scientific association as already stated in the preamble – will focus only on answering those questions with a technical and/or organizational background. Thus, in the following (cf. chapter 3) please find answers to questions no. 1, 2, 3, 6, 7, 9, 10, 14, 15, 19, 20, 21, 24, 27, 28 and 30 which were jointly agreed on within DVGW committees.

3. Question from the Consultation Paper on the Revision of Regulation (EU) No. 994/2010

Question No. 1)

Is the current N-1 rule fit to ensure a sufficient level of infrastructure for security of supply purposes or do you believe that an alternative measure replacing the N-1 standard should be investigated? (e.g. broader infrastructure adequacy assessment at regional or pan-European level similar to e.g. ENTSOG Winter Outlook)?

Answer

In general, the performance of the infrastructure of each Member State can be well assessed with the N-1 rule.

DVGW sees a possibility to improve the N-1 rule by considering the output capacity at cross border points of dedicated designated transit pipelines. Furthermore, the inclusion of realistic withdrawal rates instead of theoretical or maximum available withdrawal rates would be desirable.

To complement the N-1 rule, a consideration of realistic scenarios by ENTSOG could give additional hints regarding an improvement of the supply situation (especially for the appropriate distribution of the commodity in current scenarios).

Question No. 2)

Is a regional approach to N-1 needed? If so, in which cases would it be appropriate and how should regions be defined?

Answer

No, a regional approach would require a high amount of coordination between the Member States and would only cause additional benefit in a few exceptional cases (e. g. if one Member State is being supplied exclusively by one upstream Member State).

Question No. 3)

Do you believe that reverse flow is offered at all points where it is needed? If not, why (what are the main obstacles)? At what points could it increase supply security in a tangible manner?

Answer:

Basically, yes. In case of additional projects an individual assessment in form of a cost-benefit analysis should take place. In particular technical aspects such as odourisation/gas quality have to be considered in these cases.

Question No. 6)

Are the Risk Assessments and Preventive Action Plans in the current format satisfactory means for identifying and preparing for supply risks? What core elements could a possible template for the Risk Assessment and a Preventive Action Plan contain (e.g. concrete harmonised scenarios to be addressed, similar to the Energy Stress Tests, etc.)?

Answer:

Risk Assessments and Preventive Action Plans should be developed according to a standardized European system and should be published in English for public use.

Question 7)

How can the existing cooperation obligation be improved?

- a. Do you think that regional plans for Risk Assessments and Preventive Action Plans should be obligatory in the EU or at least in certain regions? If you believe that regional plans should be introduced: how should the regions be defined (e.g. criteria, who should coordinate the process)?
- b. Should – at least in vulnerable regions – an obligation to agree on how to share gas in case of a supply crisis with neighbours with whom a common supply infrastructure is shared be included in the plans?

Answer:

- a) A coordination of Preventive Action Plans between Member States is reasonable and provides the opportunity to establish more effective procedures.
- b) Since this is not the case for Germany a recommendation is omitted.

Question 9)

Do you think the current supply standard is defined and set appropriately with a view to ensuring that the objective of securing supplies to protected customers is met, taking into account sufficiently of differences in terms of vulnerability between Member States? Please substantiate your reply. In case you do not think that the supply standard is defined or set appropriately: what alternative design/tools could be envisaged to ensure the gas supply to protected customers? Please substantiate your reply.

Answer:

Harmonisation of the definition of protected customers in the Member States would create equal conditions in dealing with regional shortages since unequal treatment is avoided.

Question 10)

Do you think that the scenarios defined for the calculation of the standard in Article 8(1) (a) to (c) are still valid (for all Member States) or should they be modified? Please substantiate your reply.

Answer:

DVGW considers scenarios defined in Article 8 (1) (a) to (c) as being still valid.

Question 14)

Should all undertakings be treated equally or should for instance small undertakings be exonerated from the obligation to comply with the supply standard? Please substantiate your reply.

Answer:

DVGW is of the opinion that all suppliers should be treated equally in order to provide an incentive to contribute to security of supply and to avoid distortion of competition.

Question 15)

Do you think the supply standard should be met by the undertakings responsible as a “going concern” in the context of their regular, day-to-day supply activities? Please substantiate your reply.

Answer:

Yes, each supplier should fulfill its obligation to make provisions for the supply of its customers in a veritable manner. The standard for security of supply should be handled by each market player within its legally intended job.

Question 19)

The current supply standard obligation under Article 8 and 2(1) of the Regulation is a national obligation. Is the current approach sufficiently open to cross-border solutions or could a "regional" approach to the supply standard for protected customers be considered in the Regulation?

Answer:

Harmonisation of the definition of protected customers also avoids unequal treatment if implemented on a national basis. Due to the reduced need for coordination this approach is more efficient than a regional approach.

Question 20)

Please provide your substantiated view relative to the various implementation forms of the supply standard currently in use throughout the EU today. Please indicate your experience with these measures (i.e. storage obligations, strategic stocks, diversification obligations) and consider factors such as overall costs, effectiveness, enforceability, impact on market, competition and prices and compatibility with other SoS measures.

Answer:

Compliance with the supply standard should be enforced in the Member States according to the particular situation. Basically, suppliers should have the obligation to provide the quantities needed to supply their customers.

Question 21)

Which role could LNG play in situations where the market cannot be relied upon to fulfil the supply standard:

- a. Can it play a role in effectively addressing an emergency situation? If so, in what form?
- b. What are the main barriers for LNG to play such a role (e.g. destination clauses, transparency, price)?

Answer:

- a) In principle, any liquid source can be chosen as long as technical general conditions and availability are observed. In case of shortages a rapid availability is crucial.
- b) The time delay between ordering and actual delivery has to be taken into account in congestion situations.

Question 24)

How could a coordinated gas reserve mechanism be designed:

- a. How could a mechanism that pools gas storage ("virtual" shared reserve) across Member States be designed? Please describe such mechanism in detail.
- b. Is there a need for joint gas or LNG purchasing agreements between different gas companies? Do you see rather benefits or risk of such joint purchases in an emergency situation?
- c. Should such mechanisms be regional or is there a case for an EU-wide mechanism? Who would be the actors in such systems and what would be their role (companies, Member States, EU)?

Answer:

- a) Gas storages are considered as the only locally available sources that are required in case of limitations of external input and in peak-demand situations for safe operation, especially in network areas with few independent input sources. For such networks suitable measures have to be implemented to guarantee that also at the end of winter a sufficient output rate is available to ensure network's stability. A fast operational use of storages has to be ensured. A virtual aggregation of storages does not give an additional treatment option to Member States in case of shortages.
- b) In a crisis situation fundamentally divergent and complex practices that are not tested should not be avoided.
- c) see b.

Question 27)

Concerning the definition of protected customers:

- a) Do you believe that there is a need for a more harmonized definition of protected customers and their consumption? Please substantiate your answer.
- b) Should the definition of protected customers be stricter in order to avoid that single Member States declare almost all customers as protected?
- c) What do you think about a regional definition of protected customers (e.g. in closely interdependent areas)?

Answer:

- a) A clearer definition of protected customers that is agreed upon by the Member States is necessary in order to bring the concept of solidarity on a consistent level.
- b) Yes, cf. results from a.
- c) A regional approach would only be an alternative if a consistent definition of protected customers could not be reached.

Question 28)

In some 'meshed' distribution grids it is technically difficult to make a physical separation between protected and non-protected customers: What could be a solution to limit the protection to the actually protected customers (e.g. orders to non-protected DSO-connected customers not to consume gas, shielded by sanctions, etc.)?

Answer:

In order to limit supply to the actually protected customers within tightly meshed distribution grids a demand-side management based on a contract between supplier and customer could be created. In this context rather large customers would be in focus.

Question 30)

Do you agree that the development of emergency plans at regional level would be an appropriate way to ensure consistency and to enable preparation to react to common and correlated risks? How should the regions for security of gas supply be best defined? Please substantiate your reply.

a) Should mandatory regional emergency plans complement the national emergency plans or replace them?

b) Do you think that a template for regional emergency plans would ensure that more detailed and relevant information is provided (e.g. similar to the template used in the recent Energy Stress Tests)?

Answer:

Where adjacent Member States are directly dependent on only one source common supply areas could be defined.

- a) Plans should be developed according to a uniform system and be made publicly available in English. A regional coordination would be reasonable only in exceptional cases.
- b) The introduction of a standardized template is considered as reasonable.