Agency for the Cooperation of Energy Regulators

Publishing date: 31/08/2015

Document title: ACER Opinion on ENTSOG's Summer Supply Outlook 2015

We appreciate your feedback

Please click on the icon to take a 5' online survey
and provide your feedback about this document

ACER
Agency for the Cooperation of Energy Regulators

OPINION OF THE AGENCY FOR THE COOPERATION OF ENERGY REGULATORS No 07/2015

of 26 August 2015

ON ENTSOG'S SUMMER SUPPLY OUTLOOK 2015

THE AGENCY FOR THE COOPERATION OF ENERGY REGULATORS,

HAVING REGARD to Regulation (EC) No 713/2009 of the European Parliament and of the Council of 13 July 2009 establishing an Agency for the Cooperation of Energy Regulators[1] (hereinafter referred to as "the Agency"), and, in particular, Article 6(3)(b) thereof,

HAVING REGARD to Regulation (EC) No 715/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the natural gas transmission networks and repealing Regulation (EC) No 1775/2005[2], and, in particular, Article 9(2) thereof,

HAVING REGARD to the favourable opinion of the Board of Regulators of 25 August 2015, delivered pursuant to Article 15(1) of Regulation (EC) No 713/2009,

WHEREAS:

(1) The European Network of Transmission System Operators for Gas (hereinafter referred to as "ENTSOG") developed, adopted and published on 29 May 2015 the Summer Supply Outlook 2015, pursuant to Article 8(3)(f) of Regulation (EC) No 715/2009.

(2) ENTSOG requested the Agency's opinion on 29 May 2015, pursuant to Article 9(2), first subparagraph, of Regulation (EC) No 715/2009.

(3) Pursuant to Article 6(3)(b) of Regulation (EC) No 713/2009, the Agency shall provide an opinion to ENTSOG on, *inter alia*, relevant documents referred to in Article 8(3) of Regulation (EC) No 715/2009, as submitted to the Agency pursuant to Article 9(2), first subparagraph, of Regulation (EC) No 715/2009.

HAS ADOPTED the present Opinion on ENTSOG's Summer Supply Outlook 2015 with the following comments and guidance:

1. The Agency welcomes the publication of the Summer Supply Outlook 2015 ahead of the season, while believing that earlier publication of the Outlook could allow a higher-level immediate perspective on the gas system's robustness during the forthcoming season and provide an early "warning" in case of potential specific events.
2. A major objective of the Outlook is to assess the ability of the European gas infrastructure network to provide sufficient flexibility to shippers during their storage injection season

[1] OJ L 211, 14.8.2009, p. 1.
[2] OJ L211, 14.8.2009, p.36.

and to meet both demand and injection needs during summer 2015. Another major objective of the Outlook is to assess whether the gas network system is capable of achieving 90% underground storage fill-in levels by 30 September 2015, by modelling a reference case which takes as starting point the storage levels as of 10 May 2015 and uses the actual data of the last two summers. The Agency notes that the stated major objectives of the Outlook are appropriate. However, the Agency notes that the major objectives should also include the provision of a review of the overall gas supply outlook in pursuit of better coverage of the requirements of Article 8(3)(f) of Regulation (EC) 715/2009, as applicable to gas supply *per se*.

3. As regards the methodology applied for the Outlook, the Agency, in line with its comments to previous versions of the Summer and Winter Supply Outlooks, considers important the focus on assessing the system's robustness by looking at remaining system flexibility, technical cross-border capacities and the ability of the transmission system to handle supply shocks or demand peaks. At the same time, the Agency maintains the view that examining the most likely seasonal patterns of physical flows and availability of gas supplies is equally important. The Agency notes that the seasonal (winter and summer) Outlooks developed by ENTSOG under Article 8(3)(f) should clearly look at all aspects of gas supply, along with the aspects of the flexibility of the gas supply infrastructure.

4. The Agency notes with satisfaction that the Outlook does take into account monthly gas demand and national gas production forecasts by TSOs, monthly exports to Ukraine, the Kaliningrad region of the Russian Federation and Turkey, variations of supply from third countries such as Norway, Algeria, and Libya, liquefied natural gas (LNG) in gas supply, as well as import optimisation based on supply curves according to forward prices. The Agency invites ENTSOG to assess possible further improvements of the methodology of the Outlooks, including the identification of the ways and the means necessary for the elaboration of such *likely gas supply* outlooks, including the identification of work methods, procedures and resources needed for interacting with stakeholders and receiving information which ENTSOG currently does not possess, but is needed for the objective of providing a *gas supply* Outlook.

5. The Agency encourages ENTSOG to carry out, for future editions of the Outlook, the analysis of potential disruption scenarios, including disruptions at LNG terminals and of gas delivered from Norway, particularly concerning the short-term impact of interrupted supply on the gas level in storages during the next winter season. Furthermore, the Agency invites ENTSOG to continue the analysis leading to the identification of seasonal system flexibility risks and gas supply risks, on a detailed level aligned with the review of past trends provided along with the Outlook. In addition, the Agency considers it expedient to include in the Outlook data (table) indicating gas stock levels at the beginning and at the end of the season and at the starting date of the analysis.

6. The Agency welcomes the use of the modelling and sensitivity analyses to assess the following issues:

   - The European gas network's robustness to enable shippers to reach at least a 90% stock level in underground gas storage by the end of the summer 2015;
   - The ability to provide flexibility of injection under different scenarios, namely the different stock level targets, depending on market behaviour and global factors;

- The improvement of the situation in Scandinavia with the commissioning of new projects increasing the interconnection capacity between Germany and Denmark, i.e. the disappearance of the limitations for Denmark and Sweden in reaching a 90% stock level, which had been identified in the Summer Supply Outlook 2014.

7. The Agency notes that the actual starting point for the modelling analysis of storage levels has been moved from 28 March to 10 May, in order to take into account the latest developments just ahead of the beginning of the summer. The Agency notes that moving the starting point of the analysis much closer to the beginning of the summer may impact the outcome of the analyses and also lead to the release of the Outlook rather shortly before the beginning of the summer, thus leaving little room for anticipatory action by stakeholders in view of the possible supply trends during the forthcoming season. The Agency invites ENTSOG to consider the strengths and weaknesses of different starting points for the analyses and accordingly justify the choice of an optimal starting point.

8. The Agency supports the application of the same modelling approach to short (seasonal) and long-term outlooks, such as the outlooks developed in the context of the Ten-Year Network Development Plan (TYNDP). The Agency welcomes the integration of the new features of ENTSOG Network Model developed for the TYNDP 2015 and the Winter Supply Outlook 2014/2015, namely the temporal optimisation and the introduction of a market layer. The Agency invites ENTSOG to continue working toward achieving adequate consistency of the Outlooks and long-term plans, and to integrate into the Summer Supply Outlook the relevant longer-term perspectives and *vice versa*, in view of the potential use of the Outlooks as a mid-term analyses elaborated between the publications of the TYNDPs.

9. The Agency finds appropriate the identification of the reference case at the 90% stock level, which allows a more realistic analysis in view of the fact that historically working volumes of gas in storage at the end of the injection season fluctuate between 88 and 93% of full storage capacity. The Agency welcomes the use of two additional alternative stock level targets, namely 100% and 80%, in the assessment of the gas supply shares, and welcomes the evaluation of LNG as a variable in the fluctuation of the supply levels. The Agency encourages ENTSOG to explore the implication of this aspect further in the forthcoming Outlooks.

10. The Agency welcomes ENTSOG's Summer Review 2014 and notes its value in exploring the development of demand and supply in the previous season and in corroborating the assumptions considered in the Summer Outlook through experience. The Agency would welcome further comparison of key data, such as gas demand, between their forecast in the *ex-ante* Summer Supply Outlook and their realisation as reported in the *ex-post* Summer Review, which could help test the adequacy of ENTSOG's method and assumptions used for the development of the Summer Outlooks.

11. The Agency notes that ENTSOG indicates, among the key findings of the Summer Review 2014[3], that seasonal gas demand in Europe was 10.5% lower than the one from the previous summer, and that the decrease in gas demand was probably concentrated in the residential sector due to warm weather conditions. The Agency expects a more robust analysis of gas demand variations in the future Summer Reviews. In particular, the Agency points out that in the TYNDP 2015 datasheets (Annex C2), ENTSOG presents gas demand data as the

[3] ENTSOG Summer Supply Review, p. 15.

sum of gas for power generation, residential uses, commercial uses, industrial uses and others. However, in the Summer Review 2014[4] ENTSOG provides only data related to gas use in power generation, expressed in TWh, as sourced from ENTSO-E. The Agency invites ENTSOG and its TSO members to provide in the future Summer Reviews, in addition to the data about current monthly and daily demand[5], also quantitative data about gas demand per country for each of the aforementioned uses, so as to facilitate the understanding of gas demand trends, as well as to use for all its activities consistent and sufficiently detailed gas demand and gas consumption data.

12. The Agency encourages ENTSOG to continue the practice of providing Summer Reviews of the actual supply and transmission flow variations on a seasonal basis, complemented by a detailed analysis at both the European and country level, particularly for the purpose of enabling the analysis of intra-seasonal patterns and trends of gas supply.

13. The Agency notes that the Summer Supply Outlook 2015 meets the objectives of Regulation (EC) No 713/2009 and Regulation (EC) No 715/2009 in terms of contributing to non-discrimination, effective competition, and the efficient secure functioning of the internal natural gas market.

The present Opinion is addressed to ENTSOG.

Done at Ljubljana on 26 August 2015.

For the Agency:

Alberto Pototschnig
Director

[4] Ibid., pp. 17-19.
[5] Ibid., Fig. 7, 17 and 21.

Publishing date: 31/08/2015

Document title: ACER Opinion on ENTSOG's Summer Supply Outlook 2015

We appreciate your feedback

Please click on the icon to take a 5' online survey
and provide your feedback about this document