

OPINION No 06/2022
OF THE EUROPEAN UNION AGENCY
FOR THE COOPERATION OF ENERGY REGULATORS

of 15 July 2022

on key elements of ENTSO-E and ENTSOG draft TYNDP 2022
Scenario Report

THE EUROPEAN UNION AGENCY FOR THE COOPERATION OF ENERGY REGULATORS,

Having regard to Regulation (EU) 2019/942 of the European Parliament and of the Council of 5 June 2019 establishing a European Union Agency for the Cooperation of Energy Regulators¹ (“ACER”) and, in particular, Articles 4(3)(b) and 4(5) thereof,

Having regard to the outcome of the consultation with ACER’s Electricity and Gas Working Groups,

Having regard to the favourable opinion of the Board of Regulators of 13 July 2022, delivered pursuant to Article 22(5) of Regulation (EU) 2019/942,

Whereas:

1. INTRODUCTION

- (1) On 11 April 2022, the European Network of Transmission System Operators for Electricity (“ENTSO-E”) and the European Network of Transmission System Operators for gas (“ENTSOG”) published their joint TYNDP 2022 Scenario Report² (“draft Scenario Report”).
- (2) Article 30(1)(b) of Regulation (EU) 2019/943 and Article 8(3)(b) of Regulation (EC) No 715/2009 require ENTSO-E and ENTSOG, respectively, to adopt and publish a non-binding Union-wide ten-year network development plan (“TYNDP”) biennially. Pursuant to Article 48(1) of Regulation (EU) 2019/943 and Article 8(10) of Regulation (EC) No 715/2009, the electricity and gas TYNDPs shall include, among other features, scenario development.

¹ OJ L158, 14.6.2019, p. 22.

² https://2022.entso-tyndp-scenarios.eu/wp-content/uploads/2022/04/TYNDP2022_Joint_Scenario_Full-Report-April-2022.pdf

- (3) As scenario development is carried out and published as a separate activity before the preparation of the electricity and gas TYNDPs, ACER has assessed the draft Scenario Report separately from the forthcoming draft TYNDPs.
- (4) The Agency's assessment takes primarily into account the TYNDP requirements defined by Regulation (EU) 2019/942, Regulation (EU) 2019/943 and Regulation (EC) 715/2009, i.e. the contribution of the TYNDPs (and specifically of their scenario development) to non-discrimination, effective competition, the efficient and secure functioning of the electricity and gas markets and a sufficient level of cross-border interconnection open to third-party access.
- (5) Due to the reasons explained in the rest of the Opinion, the Agency's assessment focused on a few key aspects: scenario development process, stakeholder involvement, inappropriate assumptions on some key drivers and considerations following the Russian invasion of Ukraine.

2. ASSESSMENT OF THE DRAFT SCENARIO REPORT

2.1. Scenario development process and stakeholder involvement

- (6) The ENTSOs organised a public consultation on scenario storylines (3 November – 15 December 2020) and a public consultation on a draft version of the scenario report (7 October - 18 November 2021). The stakeholder involvement activities included a public webinar on the TYNDP 2020 scenarios and kick-off of TYNDP 2022 scenarios³ on 3 July 2020, one on the draft storyline report⁴ on 2 December 2020 and a third one on the draft scenarios⁵ on 20 October 2021. According to the information published⁶, the ENTSOs also organised meetings with stakeholders and associations.
- (7) ACER recognises the ENTSOs' continued efforts to improve stakeholder interactions and appreciates the transparency on stakeholder feedback, e.g. via the publication of a question and answers document from the last webinar of 20 October 2021⁷.
- (8) However, ACER continues to observe shortages, both in terms of process setting, storyline selection and stakeholder interactions, namely:

³ <https://www.entsoe.eu/events/2020/07/03/webinar-on-final-tyndp2020-scenarios/>

⁴ <https://www.entsoe.eu/events/2020/12/02/entso-e-entsog-tyndp-2022-scenarios-draft-storyline-report-stakeholder-consultation-workshop/>

⁵ <https://www.entsoe.eu/events/2021/10/20/entso-e-entsog-tyndp-2022-draft-scenarios-report-stakeholder-consultation-workshop/>

⁶ https://2022.entsoe.eu/wp-content/uploads/2022/04/WGSB-2022_Stakeholder-Meeting-Log-FINAL.xlsx

⁷ https://2022.entsoe.eu/wp-content/uploads/2021/11/20Oct21_TYNDP2022-Draft-Scenario-Report-Consultation-Workshop-QA-Form.pdf

- a. The scenario building process continues to take too long (nearly two years), increasing the risk of using obsolete data and compressing the timelines for the other TYNDP activities, as already flagged in the ACER Opinions on draft TYNDP 2018 scenario report⁸ and on the draft TYNDP 2020 scenario report⁹;
 - b. Compared to the previous practice of offering five scenario storylines for stakeholders to choose from, which ACER found overly restrictive and kept under full discretion of the ENTSOs, the latter decided to completely discontinue this approach for TYNDP 2022. This means that stakeholders could not influence the identification of scenarios, but were limited to reflect on the pre-set storylines.
 - c. Although the ENTSOs mention in the Scenario Report that NGO CAN Europe was consulted on the carbon budget for the Distributed Energy and Global Ambition scenarios, there is insufficient information on whether and how expert knowledge from other stakeholders was requested and utilised. Lack of substantial stakeholder involvement in the storyline development process (beyond providing comments and feedback on a preselected set of storylines) results in the key scenario variables potentially not reflecting the most up-to-date expertise.
 - d. Last, the ENTSOs, similarly as for 2020 Scenario Report, again qualify their scenario report as “Final” instead of “Draft” for ACER’s Opinion. ACER reiterates that this may confuse the readers regarding ACER’s role as defined by Regulation (EU) 2019/942.
- (9) As in the 2018 and 2020 scenario building, ACER again observes delays in the scenario process. The ENTSO-E Work Programme 2021¹⁰ stated that the draft Scenario Report was to be developed by the end of 2021, while the actual publishing of the draft Scenario Report occurred in April 2022.
- (10) ACER reiterates the need to have a timely scenario development, which is to be completed in the year before the preparation of the TYNDPs, after a simplified and faster process, reducing the risks linked to too early data collection.

2.2. Key elements of scenario development

- (11) ACER welcomes the many improvements the ENTSOs have included in the scenario development process of the TYNDP 2022 scenarios, such as enhancements of the sector

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https://documents.acer.europa.eu/Official_documents/Acts_of_the_Agency/Opinions/Opinions/ACER%20Opinion%2010-2018%20on%20the%20ENTSO-E%20and%20ENTSOG%20draft%20TYNDP%202018%20Scenario%20Report.pdf

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https://documents.acer.europa.eu/Official_documents/Acts_of_the_Agency/Opinions/Opinions/ACER%20Opinion%2006-2020%20on%20ENTSO-E%20and%20ENTSOG%20draft%20TYNDP%202020%20Scenario%20Report.pdf

¹⁰ https://eepublicdownloads.azureedge.net/clean-documents/Publications/ENTSO-E%20general%20publications/201022_ENTSO-E_AWP_2021.pdf

coupling methodology, improvements of hydrogen considerations, prosumer modelling, etc.

- (12) ACER notes ENTSOs' efforts to produce a contrasting set of scenarios, but on the other hand, observes that some variables are still confined within too narrow value ranges. Especially, the determination of gas prices was in the low end of the spectrum of possible assumptions. Namely, at the study year 2030 the gas price was assumed as follows:
- a. 4.02 eur/GJ (i.e. 14.5 eur/MWh) in the Distributed Energy (DE) scenario;
 - b. 4.02 eur/GJ (i.e. 14.5 eur/MWh) in the Global Ambition (GA) scenario;
 - c. 6.23 eur/GJ (i.e. 22.4 eur/MWh) in the National Trends (NT) scenario;
- (13) Appendix VIII to the draft Scenario Building Guidelines refers to the World Energy Outlook (WEO) as a source of information, indicating that fuel prices were published in USD 2019/tonne for hard coal and USD2019/Mmbtu for natural gas, but without clearly specifying which WEO edition was used. More generally, the availability of these important assumptions only in the draft Scenario Building Guidelines and its absence in the Draft Scenario Report raises serious doubts on the transparency on ENTSOs activities and key decisions.
- (14) As already indicated in previous ACER Opinions regarding e.g. the economic development pace, differentiated and sufficiently contrasted assumptions are essential to evaluate the uncertainties in the energy sector developments.
- (15) The inclusion of a "higher" gas price, e.g. the 8.8 eur/GJ assumption used in the ENTSOs TYNDP scenario report 2018 for the "Distributed Generation" and "Sustainable Transition" scenarios, in at least one scenario of the TYNDP 2022, would have significantly increased the level of differentiation on this important assumption.
- (16) In addition, the set of contrasting scenarios would greatly benefit from a slower economy scenario, as was the Current Trends scenario, used by ENTSO-E in the TYNDP 2020.
- (17) In addition, since the differentiation between the different scenarios is not based on clear drivers, the results of project assessments are hard to correlate. This can make the decision to endorse projects often more difficult, especially in those cases where benefits and/or costs are greatly diverging between different scenarios.
- (18) To alleviate the issue described here, ACER proposes to clearly define the contrast between key scenario drivers for future Scenario Reports, which would enable the stakeholder to understand how the scenario contrast affects the results of the project assessments.

2.3. Reflections on the impacts of Russian invasion of Ukraine and the following developments on the European energy scenarios

- (19) On 24 February 2022, Russia invaded Ukraine. Despite the fact that the full aftermath of this remains unclear, it is evident that the energy prices are affected to a large extent and it is increasingly likely that (at least) the gas price will remain substantially higher than initially expected for a considerable amount of time, making especially the DE and GA scenarios implausible when it comes to gas pricing. In addition, other important aspects, such as the rate of RES integration (in line with the Fit for 55 and REPowerEU objectives), have been revised or are under revision in national policies.
- (20) ACER acknowledges that this act of aggression materialised only during the finalisation phase of scenario development. A complete reassessment of the modelling and the scenarios may not be manageable by the ENTSOs within the “end of 2022” timeline indicated in the disclaimer of the draft Scenario Report.
- (21) However, due to the crucial impact this will have on Europe’s energy system and infrastructure development, and considering an already existing need for improvement of the draft Scenario Report, appropriate adjustments should be swiftly undertaken.
- (22) ACER appreciates the commendable efforts the ENTSOs are making by expanding the scope of their assessments in their security of supply analysis (e.g. both ENTSOs’ summer supply outlook). This has enhanced their operational value for decision-makers in a time of enhanced complexity and change. Along the same lines, ACER highlights that in order to enhance the operational value of TYNDPs for decision-makers, similar approaches could be highly beneficial, notwithstanding the considerable timing constraints,

HAS ADOPTED THIS OPINION:

ACER acknowledges ENTSOs continuous efforts to improve the scenario development and welcomes the opportunity to tackle the remaining issue jointly via the forthcoming TEN-E Scenario Guidelines.

As for the 2022 TYNDP, while recognising the extraordinarily tight timeline, ENTSOs are strongly encouraged to swiftly update at least one scenario by considering the following:

- a. ENTSO-E should amend the gas prices considered, and, as far as they are relevant and already available at national level, updated RES integration levels.
- b. ENTSG should also look into the changes of gas sources.

Done at Ljubljana, on 15 July 2022.

- SIGNED -

*For the Agency
The Director*

C. ZINGLERSEN