

## Hungarian Gas Storage Ltd. response

### *Consultation on an EU strategy for liquefied natural gas and gas storage*

*13. What opportunities or challenges do the supply projections for different sources, in particular LNG and pipeline gas and low carbon indigenous sources, present for the use of gas storage / for gas storage operators?*

There are several supply forecasts for gas consumption in the EU. Although gas consumption plays an important role in the use of gas storage, there are other factors with substantial impact on storage use: the import dependency of the region should also be considered. Since import dependency in the Central European region is rather high, UGS will still play a significant role in the gas supply value chain.

*14. Are, in your view, current market and regulatory conditions adequate to ensure that storages can fully play their role in addressing supply disruptions or other unforeseen events (e.g. extreme cold spells)?*

Keeping a balance between market- and regulatory based operation is always a difficult task in the storage market. The market's strategy for storage use is driven by the summer-winter spread. Since the spread is considerably lower than the value of last years' average, the market is motivated to use alternative flexibility products, which cannot ensure the level of security of supply offered by UGS. The physical availability of gas must be guaranteed. There already are several regulatory tools, e.g.: mandatory storage booking or strategic storage, but none of them is suitable for the whole EU. Hence, we are convinced that regional storage use could solve the problem of SoS.

*15. As an alternative to mandatory reserves, how could market based instruments ensure adequate minimum reserves?*

As mentioned above, we believe that using UGS on a regional level would ensure SoS. Yet, the conditions required for regional use should be established. Regional storage use could be motivated by fair transmission tariffs, or regional mandatory booking could also be a solution. Regional use would result in higher filling levels and effective storage use.

*16. Do you have any analysis or view on what an optimal level/share of storage in a Member State or region would be? What kind of initiatives, if any, do you consider necessary in terms of infrastructure development in relation to storage?*

Every member state is different from the other, therefore we cannot apply the same volume for every country. The following inevitable factors should be considered: import dependency; existing

infrastructure; gas demand; demand of power generation. Modelling should be made in order to establish a tool which would enable to analyse the optimal level of regional storage.

*17. Do you think, in addition to the existing TEN-E Regulation, any further EU action is needed in this regard?*

In our opinion, sufficient UGS capacity is available in the EU. On the other hand, the efficient use of interconnectors could promote the use of UGS on a regional level.

*18. Given uncertainties over future gas demand, how would you assess the risk of stranded assets (and hence unnecessary costs), lock-in effects, the risk of diverting investments from low carbon technologies such as renewables, delaying a transition in energy systems and how would you and weigh those against risks to gas security and resilience? What options exist in your view to reduce the risk of stranded assets?*

As we indicated above, the UGS filling level could be increased with regional usage.

*19. What do you think are the most critical regulatory barriers to the optimal use of storage in a regional setting?*

UGS users calculate not only with storage capacity cost, but also with the cost of the whole transmission route when developing their strategy. A fair tariff system would facilitate UGS use on a regional level.

*20. Do you think ongoing initiatives and existing legislation can tackle the remaining outstanding issues or is there more the EU could do? Do initiatives need to include additional issues further to the ones described here?*

The consultation and updating of EU 994/2010 SoS regulation is a good start in revising the SoS and UGS policy in the European gas market.

*21. Do you consider EU-level rules necessary to define specific tariff regimes for storage only or should such assessment be made rather on a national level in view of available measures able to meet the objective of secure gas supply?*

Specific transmission tariffs for underground gas storages are necessary and should be part of the tariff network code. When setting tariffs for entry/exit points to and from storage facilities, one must take into account that gas storage is not a net source of supply or demand and that users have already paid entry and exit tariffs at import/ production and at end consumption.

22. Have you ever encountered, or are you aware of, difficulties in accessing storage facilities? Has this concerned off-site or on-site storage facilities? Please describe the nature of the difficulties in detail.

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23. Have you ever encountered, or are you aware of, difficulties related to feeding LNG gas from the storage site back into the gas network? If so please describe the nature of these difficulties (regulatory provisions, company behaviour, technical problems) in detail.

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