

ENTSOG Response to DG ENER's Public Consultation on the Preliminary Consultant Report on Cost-benefit assessment of Gas Quality Harmonisation in the EU

1. General Notes:

1.1 Importance of a cost-benefit analysis

Gas quality is a key interoperability issue for the creation of a competitive single European gas market. The ability to move gas freely throughout the EU, without undue barriers, is an important feature of a well-functioning internal market for gas. Further harmonisation of gas quality may potentially remove some of these barriers.

ENTSOG (European Network Transmission System Operators Gas) welcomes the fact that the European Commission has launched an analysis to examine the costs and benefits of harmonising Europe's gas quality specifications and has organised a Public Consultation on the Preliminary report to collect market participants' views. A cost-benefit analysis is an important input to any decision to harmonise gas quality specifications.

1.2 Outcome of the Preliminary report and cooperation with ENTSOG

ENTSOG notes that this Preliminary report is based on numerous assumptions and relatively poor quality data (as clearly indicated in the report) and even some erroneous data or assumptions could be identified. A key starting point for the study is that the EASEE-gas Common Business Practice (CBP) on gas quality would be adopted throughout the EU, up to and including end-user level. It should be noted in this regard that the rationale of the EASEE-gas CBP, the application area of which is the EU cross-border points only, is that gas meeting the EASEE-gas recommended specifications can be freely exchanged throughout the whole of Europe.

The finding of the study that the cost of converting the entire EU market (including the residential sectors) within a short space of time to a harmonised and relatively broad-band specification is far greater than the benefit is hardly surprising. At the very least, in the cases where replacement of appliances and installations would be called for, as much as possible alignment should be sought for with the natural replacement cycles for the equipment. A long-enough transition period would allow the vast majority of the replacements (if and where needed) to take place without any additional cost on the end-user side. Also, experience suggests that regular maintenance and inspection programs may in many cases obviate the need for replacement of appliances.

In any event, the conclusion of the study that "a net benefit would not materialise from harmonisation of Europe's gas quality specifications" is much too general and is as such not

supported by the findings in the study, which only addresses a specific case under a specific scenario. This is an important shortcoming of the study.

A more 'tailor made' study focusing on regional gas quality issues (e.g. most critical parameters), different timelines for implementation and taking into account a broader range of issues would have been more appropriate. As several countries are already allowing the distribution of gases close to the EASEE-gas ranges, further analysis should be carried out to determine which specifications could be acceptable to the largest number of countries, with a regional approach, in order to limit costs and impacts on the domestic appliances and industrial processes.

Whereas at first sight the findings of the study seem to present a clear case that the costs far exceed the benefits, this can be questioned. Benefits are being presented on a per-annum basis (0.61 bln per annum) whereas costs are presented as one-off (10.6 bln). This suggests a 17-year payback. If the study estimates are, say, 50% off (which is entirely plausible) this could reduce to less than 6 years.

Such study should in particular also address the environmental aspects. Replacement of very old appliances by appliances that are more efficient provides indeed also a contribution to emission and energy efficiency goals. Installation of instrumentation on equipment that adjusts the set point of equipment to follow the actual gas quality may provide similar benefits.

ENTSOG is open to cooperate with the European Commission and exchange information on relevant gas quality data (gas flow, gas composition and gas treatment) at EU cross-border points. In line with point 3.1.2 of the Transparency Guidelines (Decision of 10 November 2010 amending Chapter 3 of Annex I to Regulation (EC) No 715) gas quality data can be found in the TSOs websites (Wobbe index or Gross Calorific values usually). Furthermore, in the ENTSOG Transparency Platform (<http://www.gas-roads.eu/>) information on gas specification at cross border points can be obtained.

ENTSOG wants to refer also to the TYNDP (Ten Year Network Development Plan), available on its website (www.entsog.eu). This plan contains information about future evolutions in gas demand and supply.

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1.3 Cost allocation and recovery

Harmonisation of gas quality may induce additional investment and operational costs for the gas market participants (e.g. processing the gas).

The installation of gas processing facilities should not be an obligation for infrastructure operators. Offering such additional services to market participants should be a choice for the operators.

However, in the case that infrastructure operators are obliged to invest in gas treatment facilities, a key principle should be that the regulators ensure that these additional costs (investments in facilities-CAPEX, operational costs-OPEX) should be recovered by infrastructure operators from downstream users, independently of the use of these facilities.

1.4 Safety aspects

ENTSOG wants to outline that the issue of paramount importance regarding any proposal to change gas quality is safety – both at the burner tip and in transportation. *Changes to gas quality specifications may lead to unintended consequences that have an impact on safety standards.*

1.5 Responsibilities

Responsibilities have to be defined to deliver gas within specification at cross-border points and to the end-users. These responsibilities should correspond to the places where measures can be taken most efficiently along the entire value chain (i.e. EU border points).

2. Detailed response to the Questionnaire

1- Do you agree with the high-level conclusions of this report?

See General Notes 1.2

2- As a manufacturer do you maintain an inventory of installed appliances?

Not applicable

3- Are there any specific gas quality related issues not recognised within this report?

1. ENTSOG would welcome a clear decision on which parameters are to be covered under a gas quality specification, e.g. dew point etc.
2. Sulphur and Oxygen

The report does obviously not reflect the fact that almost all group H-gases transported to Europe are virtually free of sulphur and oxygen. Gas treatment facilities to reduce these trace substances are therefore not required in most cases.

3. Biomethane

The EC launched the Mandate M/475 to CEN for Standards for biomethane for injection in natural gas pipelines in November 2010.

Considering the ongoing transition towards a green economy and the role that gas intends to play in it, this missing point is particularly relevant. Currently, some countries are starting / have already started to inject biogas not only into distribution network but also into the high pressure networks; therefore it might have been worthwhile to consider it in the study.

4. Odorization

Mandate M/400 to CEN excludes the odorization topic. Odorization is an issue that crosses borders, also affecting the free movement of gas, that hence should be addressed accordingly.

4- Do you manufacture appliances that can operate over the full EASEE-gas specification without loss of efficiency or increased of emissions?

Not applicable

5- Do you have evidence of damage or failures caused by appliance operating on gas that is not compliant with the local gas quality specification?

Not applicable

6- Would you support the adoption of the proposed EUROMOT gas quality specification, (Appendix B)

ENTSOG believes that the EUROMOT specification is for many end user categories needlessly narrow in some circumstances (e.g. the maximum variation of Wobbe-Index +/- 2% is too small).

An overly narrow specification for all of Europe will not allow the acceptance of gas from some supply sources without treatment. This will translate into increased prices for the end-consumers.

Parameters such as Methane Number, Ignitability and Laminar Combustion seem very specific to gas engines and not representative for the entire EU market. This would mean more restrictions which are not required in the vast majority of the Member States, since currently these systems operate without experiencing any inconveniences.

Furthermore, having wider specifications make the use of gases from many other supply sources possible, thus facilitating gas exchanges as well as increasing flexibility and security of supply.

7- Are there any specific circumstances that should be assessed in detail?

Yes, see General Notes 1.2

8- Do you consider that the data used to undertake this analysis is sufficient to support the conclusions presented in this report?

No, see General Notes 1.2

9- Should significant effort be made to improve the data used in the analysis presented in this report?

A full overhaul of the report is necessary, see General Notes 1.2. However, it is not just the quality of the data that should be improved, but also the scenarios studied and the aspects taken into account.

10- Do you have access to further data that could (if it were made available) improve the quality of the data used in the analysis presented in this report?

Yes, see General Notes 1.2. Also, the results of GasQual's work to discharge phase 1 of the mandate M/400 to CEN would be expected to improve the data inputs to this study.

11- Can you provide typical detailed gas composition at cross border points?

Yes, see General Notes 1.2.

12- If so, can this data be made available (respecting confidentiality, as required)?

Yes, see General Notes 1.2.

13- How should data be collected for such a study?

Information about current and future gas qualities should be obtained from the large producers supplying gas to the European market together with ENTSOG's TYNDP. It should be also examined which gas qualities are expected to come to the European market from new gas sources.

If a questionnaire is developed, it should be ensured that the vast majority of stakeholders receive it and are aware of the importance of the process.

Bilateral meetings with different stakeholders.

Organisation of workshops