

7. Storage

Question 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?

Response:

Gas storages play an important role for the overall system stability. Besides ensuring system integrity (variation between supply and demand – system value) and supply (in any case of supply failure – security of supply), they serve as an important flexibility source. It is our belief that with the hasten decline of the domestic production in North-West-Europe (NWE), storage facilities will play an even more significant role. This is mainly due to the fact that countries, such as the Netherlands use their indigenous production as a flexibility source. Therefore, the production decline will generate the necessity for alternative flexibility solutions, which gas storages are able to provide sustainably, even if the gas demand is expected to stay stable in the future.

In this regard, the major challenge is to adjust and keep available sufficient storage capacities for both seasonal import demand and for peak demand / shortfall scenarios in a market environment that, on the one hand, enforces competition of infrastructure in normal demand situation but is, also, strategically designed to meet extraordinary peak load scenarios of all kinds.

With regard to the possible role of LNG volumes there are lots of uncertainties, as most of the short-term available capacities are so-called “spot-cargoes”, which entitle the supplier to withdraw from the contract in case higher prices, at its final destination, can be achieved. Even if the price rises due to a crisis those cargoes need at least 2 weeks to reach their destination. Therefore, it remains uncertain if the market will actually revert to LNG volumes as estimated and consequently, if actual long-term investments will be able to redeem.

Question 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)?

Response:

Looking at the historical filling levels within the German gas market and comparing them to different crisis scenarios, it becomes apparent that we have closely walked past possible shortages. In 2013, the filling levels of around 53% on 1st February would not have been able to cover all crisis scenarios. The market might not be prepared to compensate every potential shortfall scenario at all times.

In this regard, we recommend the full implementation of the EU 3rd Energy Package and the corresponding Network Codes in order to create a level-playing field for storages as flexibility provider. Particularly important is the application of reasonable transport fees

to and from storage facilities and that storage flexibility must not be discriminated against other flexibility products.

Moreover, with regards to strengthening the security of supply situation, we believe that the different role responsibilities of market participants need to be further specified within the legal framework in order to ensure the provision of volumes for peak-demand scenarios. Here, we see this responsibility on the side of the shippers, as they are the physical owners of the gas. Otherwise, the storage facilities are not able to fulfil their role in addressing supply shortages.

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

Response:

In general, we believe that functioning markets are best placed to determine the most economic mix of flexible supply sources and the corresponding storage filling levels. However, the current market environment bears the risk that security of supply is shouldered only by a very limited number of participants. Therefore, besides considering the possible introduction of mandatory reserves (or security of supply certificates), we would also support the following market based instruments:

Firstly, we would welcome the tightening of balancing group management rules. Yet, although they are seen as an effective additional instrument, we also believe that a stronger sanctioning of imbalances is probably no crucial incentive to ensure long-term security of supply, due to the current situation of high spot-market availabilities.

Secondly, we see the strengthening of the Demand-Side-Management as an effective, yet, again only additional measure for non-protected customers under the regulatory framework of the SoS regulation 994/2010. For protected customers who need sufficient volumes at all times, this measure is not seen as an optimal solution.

Last, and seen as most necessary by us, adjustments are needed in the storage market regarding the grid access (e.g. tariffs and availability of transport capacity) in comparison to other flexibility sources, as this offers potentials to minimise the opportunity costs of storage reserves and, consequently, generates market incentives for the usage of storages.

Question 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?

Response:

It is difficult to give a formula to what would be an optimal share of storage. More interconnectivity and regional cooperation could be a step forward but does not exclude

the necessity to ensure that gas must be available when needed and this is best done by ensuring that gas storages are being used.

Therefore, we support the results of the BBH study, a recently published study that was commissioned by the German Federal Ministry of Economics and Energy (BMWi) regarding the necessity of the required filling level of gas storages in Germany. Its purpose was to evaluate different concepts of storage obligations (strategic storage, shipper obligation, etc.) on their ability to strengthen the security of supply within the gas market. According to the authors, the targeted storage filling level in Germany to reduce possible supply risks would on 1st February need to be between 40 % and 60 % of which 40 % amounts for a 7 day peak, 50% for a 30 day peak, and 60 % in case of a Russian supply disruption. On 1st November, the study estimates a targeted filling level between 70 % and 90 %, with a similar demand structure as presented for February.

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

Response: No, the regulatory framework of the TEN-E Regulation is sufficient for the coordination for projects of common interest.

Question 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 weigh those against risks to gas security and resilience? What options exist in your view to reduce the risk of stranded assets?

Response:

In order to reduce the risk of stranded assets, the role of gas in the decarbonisation policy must be clarified. Consistent policies are required from EU policy makers that natural gas has a key role to play in the future of the EU energy mix.

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

Response:

In order to further increase the markets' ability to trade gas across borders throughout the EU, the full implementation of the Network Codes under the 3rd Energy Package should be completed in due time.

Moreover and, as indicated under question 13, gas storages play a key role in meeting short-term peaks in demand and secure supplies. This ability can also positively affect the security of supply situation in neighbouring countries and, consequently, offers ample room for regional coordination. Yet, in order to guarantee that the full potential of storage facilities connected to multiple market areas can also be used in multiple

markets, the access of storage facilities to necessary cross-border capacities needs to be more transparent and in some cases even requires additional regulatory adjustments.

In this regard, we believe that particularly the current obligations under the EU-regulation 984/2013 (NC CAM) creates regulatory barriers for the optimal use of storage in a regional setting. We come to this conclusion based on the following two experiences. Firstly, the NC CAM states that all available transport capacity at cross-border points need to be put up for auction, which created at some cross-border points inflexible capacity pools (storage and regular transport capacity). As a consequence, we experienced that although firm cross-border capacity was available to the market, the demand of transport capacity for storage facilities were not able to be considered by the respective TSO. We would therefore advise, that existing available cross-border capacity should be offered to storage facilities with access to more than two different markets.

Furthermore, we believe that adjustments in the storage market regarding the grid access (e.g. tariffs and availability of transport capacity), as mentioned under question 15, in comparison to other flexibility sources are necessary.

Question 20: Do you think on-going 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?

Response: We welcome the initiatives taken by the German National Regulatory Agency on reducing the transport tariffs to and from storage facilities in the German market (BEATE) on the legal basis of the NC TAR. This adjustment is seen by us as an effective tool to minimise the opportunity costs of storage facilities, as it generates market incentives for their usage. Furthermore, also the possibility to take part within the consultation process of the national grid planning is seen positively.

However, there should be further initiatives to reduce the transport tariffs to and from storage facilities in Germany as gas storages provide a high system stability.

Furthermore, as mentioned in the previous part, the accessibility of cross-border capacity for storage facilities with access to more than two different markets should be more transparent and ensured. We therefore support the development of a well-coordinated 10 years grid development plan for gas.

Question 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 to meet the objective of secure gas supply?

Response: According to our understanding, there is currently no further necessity for EU-level rules in this matter. Article 11 in the current draft version (31-07) of the network code on rules regarding harmonise transmission tariff structures for gas (TAR) already provides a EU legal basis for national regulatory authorities to reduce transport tariffs to and from gas storage facilities.

Moreover, it is our belief that different security of supply situations in member states require various solutions.

Again, we believe that a reconciled approach regarding the grid planning on European level (TYNDP) and national level should be pursued to avoid any inconsistencies.

Question 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.

Response: We have not encountered any difficulties in this regard.

Question 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.

Response: No.