



Trans Adriatic Pipeline

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Baar, 22/06/2010

Subject: Consultation TYNDP 2011-2020

Dear Mrs. Čirličová,

As part of the solid dialogue TAP has managed to build and maintain so far with the organization you are representing we would like to express our appreciation for the opportunity granted to provide feedback on the 10-Year Network Development Plan 2011 – 2020.

We regard the work you have performed and the results you have achieved as highly commendable and as a concrete contribution to the development of the single European gas market and to its well-functioning.

Please find attached to this letter our response to your questionnaire and do not hesitate to contact us should you have any query in this respect or should you be interested in discussing our comments further.

Yours sincerely,

Trans Adriatic Pipeline AG

Thomas Zarth
Finance and Commercial Director

Davide Rubini
Commercial Advisor

Infrastructure

- **Collection process**

In order to ensure a consistent, transparent and non-discriminatory collection process of infrastructure projects, ENTSOG launched a public questionnaire during Summer 2010. Information collected through this process was used to provide some aggregate views on the infrastructure development on the ten-year range and, in particular, for network modelling. All information was also published in an annex to the TYNDP 2011-2020.

- Was the call for information process sufficiently well-advertised (a press release, a banner on the ENTSOG website, an email to all participants to the GIE conference 2010). What other communication channels should be used?
 - As one of the promoter of the idea of a questionnaire to be used in the dialogue with stakeholders to collect data and information relevant for the elaboration of the network development plan, TAP appreciated both the way the questionnaire was structured and the way it was presented to stakeholders. The reminder sent by email to all participant is by far the best way to ensure a follow up.

- **Collected data**

- Considering the different interests of the European institutions & MSs (cf. Communication of the European Commission on Energy Infrastructure Priorities for 2020 and beyond; Council Regulation (EC) 617/2010 concerning the notification to the Commission of investment projects in energy infrastructure within the European Union), energy regulatory authorities (cf. ERGEG TYNDP recommendations) and network users, incl. third party project sponsors, with regards to the TYNDP, do you consider the requested data requested as too detailed, balanced or not detailed enough? Please explain your choice.
 - TAP understands that the main elements of the questionnaire have been drawn from the Council Regulation (EC) 617/2010 concerning the notification to the Commission of investment projects in energy infrastructure within the European Union. As such the questionnaire is coherent with alternative existing tools and allows for a sufficiently comprehensive investigative process. Importantly, in giving stakeholders the possibility to freely decide what information and data to provide and to manage autonomously the degree of confidentiality they would like to maintain, it allows for an open and trust based dialogue.
- If you are a third party project sponsor would you be willing to provide to ENTSOG your project cost estimate if ENTSOG committed to keeping it confidential and would use the same aggregation for such information as in the current TYNDP (FID/non-FID projects separately for transmission, storage and LNG)?

- Provided that sufficient guarantee of confidentiality is ensured TAP may agree to share the cost estimate of the project. However, we believe that this should never constitute a mandatory element of future questionnaires.
- Do you think that ENTSOG should or should not include projects in the TYNDP where not all requested information has been submitted?
 - For sake of transparency TAP believes that ENTSOG should provide in advance at least a minimum level of information considered necessary for the project to be included in the TYNDP leaving each stakeholder free to decide accordingly. However, should ENTSOG decide to exclude some of the projects on the basis of limited available information, this should be balanced with an obligation for ENTSOG to verify the reliability of the information provided by all project sponsors. This as to avoid situations whereby some project sponsors may decide not to share part of requested information for confidentiality reasons, i.e. on cost estimate, while others may do differently but sharing data that are hardly credible.

- **Criteria and clustering**

In order to build different infrastructure scenarios to better assess the possible evolution of the European gas network, ENTSOG has chosen to cluster projects as FID (Final Investment Decision taken) or non-FID. The FID criterion is seen by ENTSOG as the only transparent, pragmatic and non-discriminatory one. All projects of a given category have been considered simultaneously while modelling the network.

- Do you consider the FID criterion as relevant?
 - It is TAP opinion that the differentiation between FID and non-FID projects remains the least problematic one in that it is the only one that relies on objective elements to assess the level of maturity of a project and hence it is able to avoid any form discrimination.
- Do you see other relevant criteria? If yes, which ones?
 - One may argue that authorisations and permits may provide another reference to differentiate among projects. However, the strategy project sponsors may decide to pursue could in principle privilege different alternative development patterns. Seeking all permits long before construction should be starting may not appear necessarily as the best way forward. On the contrary efforts to enlarge existing partnerships may prove key to ensure the technical and financial soundness of the project. Ultimately, and at least in the case of an interconnector or of an import pipeline, the fine line between the ability of a project to be realised or not relies on gas supply availability. Only when certainty in this respect exists an FID is normally taken. Any criteria that disregard this fundamental truth may result in some form of discrimination and arbitrary selection.

Demand

- What is your opinion on ENTSOG's approach to demand? Do you think that ENTSOG should apply a demand definition based on more criteria than climatic conditions?
 - The choice of ENTSOG to rely merely on data and information from TSOs to design demand scenarios may have been determined by pragmatic reasons. However, it is appreciated that reference to alternative scenarios has been made and well taken into account. Notably, including criteria other than climatic conditions may prove beneficial to the thoroughness of the analysis.
- If yes, what parameters should be used?
 - As alternative scenarios already do, reference to trends on population, policy patterns and economic development as well as to recent economic downturn and political turmoil in the Mediterranean region may prove beneficial to the TYNDP. A comprehensive European perspective in this respect may enhance the degree of coherence among data and information provided by national TSOs.
- Is the current comparative approach to demand outlooks published by other organisations/stakeholders sufficient or should more analysis be done? (Please consider that currently only the PRIMES and ENTSOG data are provided on country basis).
 - It is absolutely fundamental to include reference to alternative analysis in that this enhances the objectivity of the plan. To the extent possible data for alternative scenarios should be integral part of the scenarios formulation.

Supply

- Considering supply outlook is beyond TSOs' remit, do you consider this first ENTSOG attempt being beneficial?
 - Yes, however dialogue with producers and producers organisation should be maintained and enhanced as to progressively ensure an ever more fit for purpose collection of data and information.

When defining supply shares for the Reference Case scenario, ENTSOG based its approach on historical data of 2008 and 2009, then increased according to the Net Demand (national demand minus indigenous production) increase. In order to assess not only capacity availability some supply potential was used for each source as a supply cap.

- Do you agree on the way to define supply shares under the Reference Case?
 - Yes.

- Do you agree with the definition of the supply cap?
 - Yes.
- If any, in which direction supply analysis could be investigated further?
 - In some cases production profiles are assumed to be flat despite it would normally be expected that a ramp-up phase occurs. Information on actual gas availability is key in order to assess the actual feasibility of listed planned projects and to the extent possible should be part of the supply outlook provided in the TYNDP.

SoS resilience

For this second edition, ENTSOG considered the following scenarios: technical disruption (Norway and North Africa), transit disruption (Ukraine and Belarus), supply disruption (Qatari LNG) and the low deliverability of underground storage facilities.

- Do you consider these scenarios appropriate?
 - TAP believes that such scenarios provide for credible and realistic disruption scenarios in that they refer to crisis occurred in the past or likely to occur. Reference to possible regional political turmoil may further benefit the overall TYNDP exercise.
- What other scenarios should, in your opinion, be used?
 - SoS resilience should be proven not only with respect to import infrastructure or supplies but also with respect to within-EU situations. The Transitgas experience may prove a stringent example to refer to in this respect.

ENTSOG used the remaining flexibility indicator (being one minus the ratio between entering flow into a country and the entry capacity into that country) in order to assess the network resilience and to identify investment gaps.

- Do you consider this indicator as meaningful?
 - Yes.
- What alternative or additional indicator could be used?
 - N/A.

Market integration resilience

In its first attempt to picture market integration at the European level, ENTSOG has considered the supply diversification as a robust and meaningful underlying factor (contractual congestion is supposed to be solved by REG-715). What is your view on the approach parameters:

- No limitation in supply in order to assess network robustness ('capacity potential' approach)?
 - OK
- An even physical spread of each supply source one by one?
 - May not always be appropriate as not reflecting market conditions.
- 3 different supply sources, including indigenous production, as being the benchmark?
 - Some national markets may require a number of years before being able to reach such standards.
- A 5% minimum share to consider a supply source within a given country?
 - OK
- Do you consider this approach as requiring additional development? Or do you consider another approach as being more relevant?
 - N/A

Network model

ENTSOG has chosen the modelling approach based on market zones linked by entry-exit capacity as being consistent with both REG-715 requiring entry/exit regime and market products sold by TSOs.

- Having in mind that translation of a physical network into a commercial offer is a TSO responsibility, how could the model be improved?
 - N/A

When considering the import routes from a given supply source, ENTSOG has considered an equal load factor as a robust approach on a 10-year range.

- Do you consider it as an appropriate methodology? If not what alternative approach would you advocate?
 - Where possible, reference to actual supply conditions should be made as to avoid unrealistic modelling.

Considering that not every theoretical scenario could be run, what should be the priority of a more robust resilience assessment:

- Running some sensitivity on demand (severe climatic conditions, yearly...)? If yes which types?
 - YES, with reference to climatic conditions, economic developments, policy developments.
- Considering additional SoS scenarios? If yes which ones?
 - At least one per each of the supply disruption categories considered above.
- Considering additional Market integration scenarios? If yes which ones?
 - Main interconnectors or alternatively for those interconnectors that represent the sole or the second entry point to a given country or a given region.
- Individual infrastructure corridors? If yes which ones?
 - In this respect the Southern Gas Corridor providing access to gas coming from new sources should be granted special consideration in that it has the potential to have a deeper impact on the future European market outlook.

General questions

Considering that stakeholders' involvement in TYNDP process is crucial regarding the identification of their expectations and the collection of data beyond TSOs' scope, are you satisfied with the dialogue between ENTSOG and stakeholders during the TYNDP process?

- How could this process be further improved?
 - So far ENTSOG has maintained an open dialogue with all stakeholders striking a good balance between one-to-one conversation, public consultations and workshops. It is important, however, that this level of dialogue and openness is maintained and not only with respect to ENTSOG activities on the TYNDP but also with respect to all other tasks and initiatives lead by the organisation, including the development of the gas regional investment plans.
- What were your main expectations regarding ENTSOG TYNDP 2011-2020?
 - For the TYNDP to provide for a substantially improved version compared to the first TYNDP edition, in particular with respect to how infrastructure projects are portrayed, compared and used in relevant scenarios.

- Has the report met these expectations?

- Overall expectations have been met.

Considering the TYNDP as a continuous process facing a rapidly evolving market and expectations which improvement do you value the most in comparison with the first TYNDP?

- Which improvement should be given priority for the next edition (maximum 3 ranked answers)?
 - Information and data provided by stakeholders should to the extent possible be verified, at least in those cases where they are evidently flawed.
 - Coherence of data and information provided by different stakeholders should be verified and guaranteed.