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EDISON SPA RESPONSE TO ENTSOG PUBLIC CONSULTATION ON ENTSOG TYNDP 2011-2020

WHO WE ARE

Born in 1881, Edison is one of Europe's oldest energy companies. In 2009, it reported sales revenues of 8.867 mln €, and is carrying out an ambitious investment plan in the electricity and gas sectors. Edison had to diversify its business, when the national monopoly on electricity was established in Italy in 1963. Thanks to the first wave of EU Directives in 1996, it could re-focus its business on energy once again, this becoming the largest new entrant on the Italian market.

With 50,3 TWh produced in 2009, it is now Italy's second largest electricity generator. Thanks to 7.000 MW of new highly efficient and low emission plants (CCGT thermo plants, as well as hydro and wind power plants), the Company has now a total installed capacity of 12.500 MW. In the hydrocarbons business, Edison has an integrated presence in the natural gas chain, from production to importation, distribution and selling, with sales of 13.2 billion cubic meters in 2009.

In 2009 the new LNG terminal in Rovigo started to contribute to the diversification of Italy's supply sources with its regasification capacity of 8 bcm of natural gas a year, equal to 10% of Italy's demand for natural gas. The start-up of Galsi and ITGI pipelines will further connect Italy to Algeria and Caspian Sea, two areas rich in hydrocarbons.

GENERAL REMARKS

Edison Spa welcomes the opportunity to answer ENTSO-G public consultation on the TYNDP 2011-2020. We recognize the efforts made by ENTSO-G to enhance the output of this second report, compared to the previous version (TYNDP 2010-2019), and we share the key objectives identified by the association:

- highlighting future development projects
- showing potential supply and demand scenarios
- modelling future European network resilience to identify potential investment gaps.

We believe that the most important contribution of the Plan should be to identify the existing congestions, thus highlighting the risks for security of supply and providing the market with correct investment signals. Moreover, the inclusion of demand/supply scenarios and a regular update of the projects contribute to adopt a dynamic approach, which is useful for gas users who have to orient their strategies according to the development of transmission infrastructures.

Edison also welcomes the ENTSO-G's choice to exclude from the scope of the TYNDP the evaluation of the technical and economic feasibility of different projects in the view of identifying possible alternative investments. In our opinion, the role of TYNDP should be providing market players with a clear overview of the existing and projected gas transmission, storage and LNG infrastructures, whereas the identification of alternative investments should be left to the competitive market. We wish to support the inclusion in the TYNDP of projects developed by third party sponsors, since they are part of the European gas network.

Thus, Edison believes that the TYNDP, as defined in the Third Energy Package, is a key tool to improve competition and security of supply. Providing all the relevant stakeholders with a clear picture of future investments and focusing on congestion at cross-border entry-exit points, the report can be used as a reference for natural gas undertakings to define their strategies and orientate their investments. Moreover, the TYNDP represents a useful tool to further develop coordination and cooperation among different TSOs within the framework of ENTSO-G.

ANSWERS TO SPECIFIC QUESTIONS

COLLECTED DATA

1. **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.**

In our opinion, data on investment projects requested by ENTSO-G to TSOs and project sponsors for the elaboration of the TYNDP are well balanced and detailed enough, also taking into account the requirements of Regulation 617/2010 CE. Nevertheless, we wish to highlight that commercially sensitive data, such as the cost components of a project, shouldn't be required to TSOs/project sponsors as an essential condition in order for their projects to be included in the Plan.

2. **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?**

We think that the infrastructure questionnaire was sufficiently well-advertised and the chosen communication channels were adequate to the objective.

3. **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 inthe current TYNDP (FID/non-FID projects separately for transmission, storage and LNG)?**

We agree with ENTSO-G that the provision of project cost estimates by third party project sponsors can be acceptable only if information is kept strictly confidential and if publication occurs in aggregate form. Nevertheless, it should be taken into account that this cost estimates are subject to continuous changes dependent on the development process of the projects. For these reasons, we think that the publication of these aggregate data in the TYNDP should be provided only for illustrative purposes, not implying any economic evaluation of projects.

We finally want to highlight that the communication of sensitive data, such as the cost components of a project, should be provided on a purely voluntary basis.

4. **Do you think that ENTSOG should or should not include projects in the TYNDP where not all requested information has been submitted?**

We believe that ENTSO-G should include in the TYNDP all the projects submitted if data necessary for modelling purposes (e.g. technical capacity, entry into operation) are provided by project sponsors and TSOs. Therefore, when missing information turns out to be not essential for the elaboration of the Plan, ENTSO-G shouldn't exclude the project from the TYNDP scenarios.

CRITERIA AND CLUSTERING

5. **Do you consider the FID criterion as relevant?**

We believe that final investment decision is a valuable criterion for clustering projects since it gives due evidence to the different level of maturity reached by planned infrastructures. Moreover, the FID criterion is objective enough to avoid that clustering of projects in different scenarios turns into a discretionary assessment of the projects that could mislead the investment strategy of network users.

6. **Do you see other relevant criteria? If yes, which ones?**

If other criteria for project clustering are to be investigated, they should be aimed to further evaluate the maturity of projects, being this condition easily verifiable, also at EU level. In this light, we propose for instance to take into consideration the progress made by TSOs/project sponsors in the authorization procedures (e.g. number and type of authorization released etc.) for their projected infrastructures.

DEMAND

7. **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?**

As far as average daily demand scenario is concerned, we wish to highlight that the approach adopted, based on TSOs annual demand outlooks divided by the days of the year, doesn't provide any evidence of seasonal swings in gas demand. Therefore, the distinction between a winter and a summer average demand outlook would contribute to make modelling results closer to reality.

Furthermore, we think that TSOs should make an effort in providing further national demand outlooks based on a more top-down approach, e.g considering specific assumptions which don't include only climatic conditions. An example could be the elaboration by the TSOs of a base-case scenario complemented by another demand outlook which assumes, for instance, different levels of implementation of energy and environmental policies (e.g. renewables targets, energy efficiency etc.). This approach would allow do define a top-down demand outlook helping modelling results better reflect possible future scenarios.

Given their relevance for the European gas markets, ENTSO-G should also evaluate the possibility to include demand outlooks of third countries such as Turkey and Norway.

Finally, we wish to highlight that a higher level of transparency should be ensured in the TYNDP as regards the assumptions considered by TSOs in the definition of their national demand figures.

8. **If yes, what parameters should be used?**

The parameters to be considered in the definition of alternative demand outlooks at national level could be the following:

- Targets for the development of renewable energy sources
- Targets for energy efficiency policy
- Phase-out of nuclear power plants
- Fuel mix for power generation.

Scenarios will be defined on the basis of the specific value chosen for each given parameter and, for this reason, maximum transparency should be ensured.

9. **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).**

We think that the comparative approach adopted in this TYNDP as regards demand outlooks from different sources is good starting point to give an overview of scenarios based on different assumptions. It should be assessed, for the next edition, the possibility to integrate these demand estimates from other organization and stakeholders into the elaboration of new scenarios.

SUPPLY

10. **Considering supply outlook is beyond TSOs' remit, do you consider this first ENTSOG attempt being beneficial?**

We consider this first attempt made by ENTSO-G beneficial in order to add a further level of plausibility to the scenarios resulting from the modelling exercise (for reference and SoS scenarios). Nonetheless, ENTSO-G should take into account that data provided by ministerial sources, e.g. the Russian energy strategy, can result too optimistic when considering the actual market conditions.

11. **Do you agree on the way to define supply shares under the Reference Case?**

We believe that the definition of supply shares from each source on the basis of supply figures of 2008 and 2009 can be misleading since these data may reflect transitory events (e.g. low LNG prices etc.). Thus, as far as supply shares are concerned, we suggest investigating on the use of historical data referred to a longer time period, e.g.10-15 years, before the starting year of the Plan.

We agree with ENTSO-G that when new supply sources come on stream, the share of the other existing sources should be proportionally reduced.

12. Do you agree with the definition of the supply cap?

Yes, we agree with the definition of the supply cap based on the lesser of rule between supply potential and the technical import capacity available for each supply source. This assumption contributes to make scenarios closer to reality.

13. If any, in which direction supply analysis could be investigated further?

We suggest to ENTSO-G taking into consideration for the next TYNDP editions the supply potential for non-conventional shale gas. Moreover, where this information is available to TSOs, also contractual constraints should be factored in when defining the supply cap from specific supply sources.

SOS RESILIENCE

14. Do you consider these scenarios appropriate?

We deem these scenarios appropriate to assess the resilience of the European gas network in case of disruptions, possible supply gaps and available remedies.

15. What other scenarios should, in your opinion, be used?

We think that it would be interesting to elaborate scenarios including disruptions of more than one supply source (e.g. Russian and LNG disruption).

Moreover, given the last political events, a further scenario assuming a potential disruption of Lybian gas could be included in the TYNDP.

16. Do you consider this indicator as meaningful?

We think that remaining flexibility is a meaningful indicator to assess network resilience and to identify supply gaps.

17. What alternative or additional indicator could be used?

No answer.

MARKET INTEGRATION RESILIENCE

18. **No limitation in supply in order to assess network robustness ('capacity potential' approach)?**

No answer

19. **An even physical spread of each supply source one by one?**

No answer

20. **3 different supply sources, including indigenous production, as being the benchmark?**

No answer

21. **A 5% minimum share to consider a supply source within a given country?**

We think that a threshold of 5% share of country needs for each supply source is too high. We think that all the supply sources of each country should be considered in order to give a complete overview of the development of gas flows within Europe.

22. **Do you consider this approach as requiring additional development? Or do you consider another approach as being more relevant?**

No, we don't consider that additional development is required on the approach to market integration scenarios.

NETWORK MODEL

23. **Having in mind that translation of a physical network into a commercial offer is a TSO responsibility, how could the model be improved?**

No answer

24. **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?**

We consider it an appropriate methodology since it allows not to discriminate among different projects delivering gas from the same supply source.

25. **Running some sensitivity on demand (severe climatic conditions, yearly...)? If yes which types?**

As already stressed, we think that demand scenarios should be further developed considering the seasonality of demand patterns. We propose, for instance, to add average winter and summer demand outlooks.

26. **Considering additional SoS scenarios? If yes which ones?**

See answer to question 15. Moreover, we believe that ENTSO-G should investigate, as far as it can obtain this information, possible contractual constraints or price dynamics that can influence gas flows across Europe in case of disruptions of specific supply sources.

27. **Considering additional Market integration scenarios? If yes which ones?**

No answer

28. **Individual infrastructure corridors? If yes which ones?**

No, we think that the clustering of projects should be based exclusively on criteria aimed to evaluate the actual maturity of projects, such as FID and non-FID.

GENERAL QUESTIONS

29. **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?**

Yes, we are satisfied with the dialogue between ENTSO-G and stakeholders through the dedicated workshops and public consultations.

30. **How could this process be further improved?**

We think that it would be useful to have a further public consultation on demand and supply outlooks and scenarios to be included in the TYNDP during the elaboration of the Plan, as ENTSO-E does.

31. **What were your main expectations regarding ENTSOG TYNDP 2011-2020? Has the report met these expectations?**

As mentioned in our general remarks, we believe that the most important contribution of the TYNDP should be to identify the existing congestions, thus highlighting the risks for security of supply and providing the market with correct investment signals. Therefore, our main expectations on this second TYNDP were focused on the following issues:

- Inclusion and description of all significant gas infrastructural projects (pipelines, LNG and storage) developed by TSOs and project sponsors
- Identification of existing congestions and possible investment gaps through the definition of specific scenarios.

Thus, we think that this new report meet our expectations and we have appreciated the fact that ENTSO-G avoided making a selection of alternative projects through a technical and economic evaluation of each infrastructure. We strongly believe that the selection of alternative projects should be up to the market, thus out of the scope of the TYNDP.

32. **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?**

In our opinion, the main improvements introduced by ENTSO-G in this second TYNDP are:

- The elaboration of a modelling tool through which several scenarios has been defined
- The inclusion of supply scenarios and the definition of supply gaps
- A clear officialization of the involvement of third party project sponsors.

33. **Which improvement should be given priority for the next edition (maximum 3 ranked answers)?**

All the suggestions we have included in this document should be duly taken into account by ENTSO-G to improve the next issue of its TYNDP.

Notably, we believe that ENTSO-G should consider to increase the number of scenarios to be included in the next edition of the TYNDP, in order for the Plan to further investigate possible evolutions of the markets and their effects at gas network level.