Minutes

5th SJWS for the development of TYNDP 2017

Brussels, 10 March 2016, from 10:30 to 15:30

ENTSOG, Av. De Cortenbergh 100, 1000 Brussels

Introduction
Céline Heidrecheid, ENTSOG Business Area Manager

Demand: update from SJWS#2
James Gudge, ENTSOG Adviser

Presentation available for download

ENGIE:

Q: Considering the potential adjustments from the TSOs, is there any consultation scheduled in order to understand the modifications done?

A: We will have a dedicated session to inform about demand results in June/July

Elengy:

Q: will this be a meeting only for information or also for discussion?

A: The meeting proposed for early summer is mainly informative but if there are any points you don't understand we can always go for further explanations.

ENGIE:

Q: How are the WEO prices presented here used?

A: The gas data from the WEO is used as reference price for gas in TYNDP, around this import price we also have sensitivity analysis.

CRE:

Q: If the figures in the data collection change can we know why? The WEO NPS data is stable and might have inconsistency for blue transition demand in Europe? He suggests price scenarios process transparency.

A: Assumptions and reasons why they change default data is an important feedback loop of the process. ENTSOE model works through markets and we don't know the granularity of detail so demand for gas of our TSOs could be potentially changed. The information and explanations we collect from TSOs will be part of annex of TYNDP.

We consider other possibilities for BT prices in last SJWS but the output was to use NPS. If we are far when we collect the data we might consider other possibilities, but we currently don't see a huge inconsistency.

CREG:

Q: Peak demand is most important indicator for regulators so we are happy to have more information on it and also to understand how it changes in the different scenarios. Synchronization of the peaks? Power plants peak demand per year in the investigation to identify investment gap to build the capacity?

A: We will know these peak demands once we have collected the data, depending on the scenario, the yearly averages should result impacted because TSOs are asked to give different peaks for the different scenarios.

For synchronization, we expect TSOs to give power and the final demand and consider the overall peak as a combination of both.
Data will be collected independently for the 3 scenarios from our TSOs.
We trust this to the expertise of the TSOs so we don't go into the detail of every power plant, TSOs design the peak demand for every country or balancing zone. Remind that the assessment we do is for a whole year situation.

Supply potentials: update from SJWS#3

Stefan Greulich, ENTSOG Adviser

Presentation available for download

ENGIE:

Q: preliminary remark, for Supply Potentials, we agree with the consultation process but we don't if TSOs will be trying to change the scenarios behind it.

A: we are still in discussion phase and some topics need to be re-discussed. We come back to you with the changes in more mature state to keep you updated and to have your feedback again in SJWS before we finalize the topics.

Q: How are these scenarios used, to understand min and max figures in the assessment? The proposition is to discuss publicly the results of this modelling to see if we understand the probability and to have clearly stated comments on the results.

A: Supply is used as a different element of the assessment, contrasting supply mixes and flows are used to assess the network. Min and maxes are respected across all sources. This is part of the TYNDP results and no probability is given.

Q: Min and max of Russian gas may still be a central scenario. Explanation required to understand the results.

A: Reason why we have several supply configurations that will be available with the TYNDP results. Min and max define the range in which the model is allowed to optimize, TYNDP will include the figures to compare the results of the modelling and every reader is allowed to build its own interpretation of the results.

Q: In the last TYNDP we had maps with countries in different colours. The use of the results by other parties is different from ENTSOG's and this is why a clear reasoning must be given. Not a criticism of TYNDP but ENTSOG need to understand that other people will use the information and the outputs from the TYNDP should be well explained.

Elengy:

Q: Several pipelines to Europe from Norway – if one of these was out of action, how do you decide the split between the remaining pipelines?

A: For a disruption of Franpipe or Langeled the TYNDP – Model would decide how import routes are used, to best handle the demand situation. The model would disaggregate the flows between the Norwegian import routes to manage the situation in the different EU countries.

ENGIE:

Q: Algeria, compared to other sources, has a big range trend. Before production was high and now it is reducing. Current range is not as volatile but shows a downwards trend and this could be a bit misleading. In the max situation there is low LNG and vice versa – how does this fit with scenarios? MEDpro is outdated and do not believe in this high scenario as there is contradictory info.

A: True, MEDpro is from 2012 but still the latest figures we could find. Calibration with 2014 levels out of BP Statistical has been considered to improve it. The LNG part is done separately based on recently observed figures – past could happen in future. WEO data is used for the minimum.

Share of exports to EU in terms of volumes.

Q: High pipe and high LNG could lead to unrealistic assumptions, double counting.

A: ENTSOG will look further into double counting.

CRE:

Q: Algeria has a combination of all elements. If production is low, is it too extreme to imagine domestic demand would not be reduced. Are the combinations logical in terms of what the Algerian government and producers would do? Like having a high demand and still a high LNG share?

A: Would they cut demand in order to export more, who knows, we cannot say how they will behave. The sources used for quantification have data from BP statistical review (past). Same data source for demand and productions WEO should have more consistency.

Q: Are we sure these assumptions really make sense, with low production would domestic demand really be high? I understand the need for min and max but it looks too extreme.

A: We build the scenarios within our experts group and we think it is in a reasonable range for use in the model.

Elengy:

Q: Papers available on Algeria show lack of investment. Present price of oil is expected to continue, it is difficult to imagine production will increase or even maintain without any investment. Egypt is an example of how a country may behave in the choice between export and domestic consumption, interrupting LNG plants to meet their own demand. Maximum figures are overestimated by at least 30% based on what is available.

SNAM – input – We can understand the doubts but to exclude min and max means that we should be sure they will not happen. Paper news yesterday talked about investment but there are different news every day. We need to build an envelope combination to keep them neutral and we cannot use the news like data sources.

A: for the first years we will set a narrower min max range for all the sources that will impact how much could we use from Algeria as it will be constrained by how much is used in the minimum of the other supplies.

ENGIE:

Q: We take an enormous range for Algeria and a small range for Libya, a country with a huge potential for problems in the near future. There could be some incoherencies in these minimum difference as the "zero" scenario for Libya has potential.

A: Libya won't change much the TYNDP assessment. We can discuss the proposal, but not planning to be that pessimistic.

Gaz Systems

Q: Polish terminal will be in operation from 1st June 2016 and should be considered from 2017 on the modelling.

A: We intend to do this as the picture represents now.

ENGIE:

Q: During 3rd workshop I said that there is downside potential because of the fall of prices. I understand the methodology and thank you for the transparency and public use of the source but what will happen next? Will we still have a rising scenario?

A: We had some discussions with IEA about volumes behind their trading matrix and LNG volumes. WEO trades as a balanced view and build the max potential based on top of it. Our max scenario was below these IEA figures (2025) which creates an inconsistency in scenario so we had to update the figures.

Q: The question relates more to the workshop, I don't hear anyone else. Is this the end of the process? Will there be more changes in the scenario?

A: We are here to hear your input, and we are near the end of the process but the idea is to fix the input so we can start working on the simulations.

Q: Depending on what we consider as maximum recent prices, market signals are bearish and expect to see these figures decreasing. We can live with scenarios if these are presented in the correct way, is the LNG reasonable?

A: It must be clear that this is a max that is credible but not necessarily probable.

Q: It's a real max, already high given current production. I understand the method, I don't have a better way or alternative scenario, but starting from 82 and adding really is a max.

A: Hear your comments, we are in this max view, looking at the next 20 years, so we need to accommodate for uncertainties, supply-demand adequacy. There is not just production coming online plus a potential Asian downward in demand so it is indeed a complex issue to look at.

Elengy:

Q: Can we get the data rather than the charts… I mean the exact figures.

A: The interpolation – 135 – 180 – so 171 for 2037

Q: LNG is competing with pipeline and Russian gas and we need to have a reasonable look at what will happen. Do we accept a reduction of Russian share in Europe? If there is high competition between US LNG and Russia… the winner will be Russia. This reasoning is written in a lot of papers today. Saying LNG will arrive at a cheap price but still have competition… it will be as cheap for Asia and we have pipeline gas.

A: If a single case I would agree but we are looking at a broad range of scenarios. We just want to see what happened in different cases. There is not a reference scenario and Russia will always participate with their minimum.

Edison:

Q: About Israel supply sources, as we are developing the project East MED, selected as PCI, which could import from Israel and Cyprus 10 Bcm per year. We feel these sources should be considered in TYNDP.

A: There is no TSO in Cyprus so we are in contact with the Ministry of Economy. Hopeful we will have some figures for our model. For Israel we are looking for data but there are no exports for the moment and we would need more info in a mature state.

R: We are looking on being able to provide this. Pipeline to Turkey is not the target market, it is supposed to reach Europe but it could be difficult implementing it because of political issues.

E-Control:

Q: LNG is built on WEO max?

A: LNG maximum is based on WEO but with own assumptions. Details on the slides.

Q: If you combine pipe with LNG figures they don't fit…

A: Figures don't match exactly as countries like Norway (OCDE Europe) are not included.

ENGIE:

Q: IEA + 40bcm is your starting point. You start at 82, the big maximum is there. Adding 40 Bcm to the scenario is a real max at the start.

A: Please remember that for 2017 we will be using historical. The max will take place from 2020 and the other minimums should be also taken into account.

Q: Yes but even in 2020 and beyond, I understand a range but the margin is very high from this point. Can the comments be published on the website to say SJWS5 are being used? Can we be informed before May?

A: We don't expect any change now… next workshop we will be able to confirm. SJWS have been designed to inform people about the TYNDP concept, but we will not publish stages of approval process after this point.

GIE:

Q: Timeline: when will the assumptions be fixed and will we see the complete package before or after it is fixed?

A: They are fixed now during this session with inputs from today taken into account. We take this package to our decisional body to be approved. During the workshop in April we would be able to inform.

Q: Every presentation is the state of play of the assumptions, if these change, it would be good to know.

A: Yes they are the state of play…

Wrap-up on projects

Céline Heidrecheid, ENTSOG Business Area Manager

Presentation available for download

ENGIE

Q: Clusters of projects, scenarios level on which the results will be given.

A: Dealt later in the presentation.

Elengy:

Q: Is the legal notice published? Required for promotor's legal teams, is it part of the documentation kit?

A: Legal notice will be part of the package – documentation kit and also uploaded to the data portal.

ACER:

Q: the two proposals were not given at the same time. We need to check if we are still fine with them. This amount of PCI projects should be on a reasonable basis.

A: there was bilateral discussion with Acer and there was no clear preference on the targets. We take pictures every 5 years in 2020, advance projects we have here we consider the projects 2029. There is no need to be restrictive in commissioning day.

Elengy:

Q: Query around use of OR and AND in the slide.

A: OR corresponds to FEED or Permitting.

EC ENER B1:

Q: How are the projects clustered?

A: Applying the lesser of rule to dates, capacities and status.

Q: More advanced projects will only be assessed against the PS CBA?

A: We do not plan to restrict the basis for PS CBA. If you are advanced or less advanced it is a valid basis for the assessment. If only half of the project is advanced there is no possible flow in the advance picture.

ENGIE

Q: When are these going to be public? Transparency for this CBA will be public by project or cluster of projects?

A: Legally PS CBA are promotors responsibility, cannot engage ENTSOG on this topic, broader question above the TYNDP itself.

Q: Can ACER or EC clarify?

E: clustering of projects is more about promotors and not TYNDP; beyond that you need a number of projects to materialize. ACER said how projects were clustered. Legally speaking, it is promotor's responsibility and ENTSOG cannot decide for them.

EC DG ENER:

Q: query about clustering – rules for promotors. Is there any control on the process? Also if clusters change in PCI, is CBA repeated?

A: Call for candidates by EC, no formal rules on clustering of projects, not enforced by ENTSOG. Once proposed fully transparently shared and available for NRA and member states to react. Cluster should remain consistent throughout the PCI Selection.

Q: Should there be some sort of consistent application of clustering in order to avoid situation of clustering to increase benefits. Proposals for clusters present in presentation of clusters…

A: This is how it happened last time. This discussion is now going to past TYNDP.

EC ENER B1:

Q: TYNDP is the first port of call to question cluster. Still a question over artificial clustering. Ask promotors how they would like to promote themselves for PCI selection.

A: Clustering of dependant projects does not already exist within the TYNDP. Clustering doesn't not exist in the TYNDP as such. A project is an item by an operator. When assessing for PS CBA you need to assess both sides of the item. Projects will be made transparent from the summer… allow early thinking of promotors on how they would like clusters for PSCBA assessment to be formed.

ENGIE

Q: Projects are most subsidised or socialised. Users of the system should be informed about these projects. We should be consulted early in the process. Transparency or comments to the market for reaction on the clustering of the projects and the specification of them.

A: Clusters are out of the TYNDP.

EC DG ENER:

Q: Summarizes the steps of the process and proposes to separate items so the clusters are defined in the regional groups. This year we are improving the methodology and have in the regional group's discussions, regulators can express their opinion about clusters and Entsog will help after.

CRE:

C: ENTSOE has the project info in the report, ENTSOG data falls into different parts of the report. Outside of TYNDP no steps should be un-transparent. Clusters and CBA details need to be made more available for transparency.

SNGN ROMGAZ:

Q: Same methodology as before?

A: Same methodology as before, it is available on the website.

Elengy:

Q: Is this methodology valid or should it have to be adapted?

A: CBA methodology is the one in force and cannot be changed. Version approved in February 2015, can only be opened at request. We are not modifying but we are complementing it better. ENTSOG is not modifying CBA Methodology but enhancing outputs. Entsog will be in the

position to do PS CBA methodology for those projects or clusters discussed after in regional groups.

Q: The Supply Curve is different in the methodology than the ones presented in these workshops?

A: Discussion with Lawyers – everything relating to input data should be updated

Wrap-up on TYNDP assessment

Céline Heidrecheid, ENTSOG Business Area Manager

Presentation available for download

Engie

Q: the 5 Euro spread, I get that it is used as value to trigger the use of the sources but it has no economic sense and it should be reflected as an unit value of spread gained per an energy value (like every 100 TWh).

A: It is a standardised approach. We will take point on to the board for consideration.

Q: What is the difference between this consideration and the Russian max scenario?

A: Price at -+5€, here it will be different price in different countries.

Q: There are already 24 scenarios per project, 4 infra and 6 supply, so what is the added value of this extra one?

A: Meeting ACER recommendations as integrated market configuration does not reflect some of the benefits of some projects like diversification and competition benefits. Associated import flows, marginal prices, for poli-diversified countries flows will not change.

Engie

Q: There are lots of discussion about value of lost load, value of disruption etc. What is the value of this indicator? Is it comparing projects or giving the value?

A: Tricky subject, the approach may underestimate the value of lost load, direct output is amount of demand, estimated cost, we will be very transparent what this value is and that it is just a calculated value.

CRE:

Q: Price Spread or value of lost load, the different prices could be relevant. Could the templates be flagged with the fact these values are hypothesis and that you can make sensitivities on this value in order to determine benefits?

A: showing the assumptions ok, but not changing sensitivities, if we allow promotors to change sensitivities it would not be possible to have consistent comparison. Harmonised process is a basis of the CBA Methodology.

Q: Could still be an option…

A: Noted! We keep that in mind.