



Publishing date: 27/06/2016

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**OPINION OF THE AGENCY FOR THE COOPERATION OF ENERGY  
REGULATORS No 07/2016**

**of 22 June 2016**

**ON ENTSOG'S SUMMER SUPPLY OUTLOOK 2016**

THE AGENCY FOR THE COOPERATION OF ENERGY REGULATORS,

HAVING REGARD to Regulation (EC) No 713/2009 of the European Parliament and of the Council of 13 July 2009 establishing an Agency for the Cooperation of Energy Regulators<sup>1</sup> (hereinafter referred to as "the Agency"), and, in particular, Article 6(3)(b) thereof,

HAVING REGARD to Regulation (EC) No 715/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the natural gas transmission networks and repealing Regulation (EC) No 1775/2005<sup>2</sup>, and, in particular, Article 9(2) thereof,

HAVING REGARD to the favourable opinion of the Board of Regulators of 8 June 2016, delivered pursuant to Article 15(1) of Regulation (EC) No 713/2009,

WHEREAS:

- (1) The European Network of Transmission System Operators for Gas (hereinafter referred to as "ENTSOG") has developed, adopted and published on 20 April 2016 the Summer Supply Outlook 2016, pursuant to Article 8(3)(f) of Regulation (EC) No 715/2009.
- (2) Pursuant to Article 6(3)(b) of Regulation (EC) No 713/2009, the Agency shall provide an opinion to ENTSOG on, *inter alia*, relevant documents referred to in Article 8(3) of Regulation (EC) No 715/2009,

**HAS ADOPTED** the following Opinion on ENTSOG's Summer Supply Outlook 2016:

1. The Agency welcomes the publication of the Summer Supply Outlook 2016 in a timely manner ahead of the season and the earlier publication of the Outlook compared to the previous outlooks, in line with the Agency's suggestion expressed in its Opinion on ENTSOG's Summer Supply Outlook 2015.
2. The Agency underlines the importance of the main conclusions identified in the Summer Supply Outlook 2016, notably the Outlook's confirmation, under ENTSOG's modelling and supply assumptions, that the European gas network can provide the capacity to enable shippers to reach at least a 90% stock level in underground gas storages (UGS) by the end of the summer 2016, while also ensuring the proper maintenance of the system.

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<sup>1</sup> OJ L 211, 14.8.2009, p. 1.

<sup>2</sup> OJ L 211, 14.8.2009, p. 36.

The Agency shares ENTSOG's view that a higher storage level at the end of the winter season 2015/2016 in comparison to last year is beneficial to the supply flexibility of the gas system in view of the summer of 2016.

3. The Agency welcomes that ENTSOG's Summer Supply Outlook 2016 provides important information on potential gas supply patterns by sources as one of the modelled outputs, notably for supply from UGS. The Agency notes that the modelling of possible levels of gas in UGS at the end of the April-September period is the main target of the modelling. However, in the Agency's view, additional focus and more detail on gas supply is needed in future outlooks. The Agency invites ENTSOG to consider providing more insights into the expected supply profiles from the European Union's main gas sources, such as any likely significant changes in volumes and patterns of supply on a per-source basis compared to previous seasons, including liquefied natural gas (LNG). For example, the Agency notes that the Summer Review 2015 attached to the Outlook indicates a 15% reduction of indigenous gas production in the European Union on an annual basis in both 2014 and 2015.
4. The Agency takes note of ENTSOG's approach in the Outlook to the supply assumptions and the integrated flow patterns as hypothetical and designed for the purpose of the Outlook, on the one hand, while at the same time defining gas supply under the Reference Case as essentially based on the actual data of the last three summers, i.e. on a "today same as yesterday" approach, on the other hand. The Agency invites ENTSOG to continue its effort in refining its approach to gas supply assessments in future outlooks by finding an appropriate balance between the use of historic and hypothetical gas supply data. In particular, the Agency is of the view that additional supply-side analyses of a more detailed nature, similar to those provided by ENTSOG for assessing the flexibility in network users' supply strategy and the likely levels of supply to Ukraine, would be beneficial for stakeholders. In this respect, the continuation of the approach used in previous outlooks towards the assessment of the effects of potential gas supply disruptions would also be beneficial.
5. The Agency welcomes the provision by ENTSOG of a more detailed description of the modelling approach used for the purpose of developing the Summer Supply Outlook 2016, and in particular the details provided about the temporal optimisation, monthly demand forecasts, injection in storage, supply constraints and use of supplies. The Agency considers ENTSOG's cooperation with GSE in developing storage injectability curves and linearising them valuable, including in a way that allows the identification of injection limitations at Member State level (e.g. residual limitations in Bulgaria).
6. The Agency welcomes ENTSOG's undertaking of an assessment of the European gas network to analyse whether the gas infrastructure is able to meet both demand and injection needs during the summer of 2016, and the use of a model for this purpose. The Agency takes note of ENTSOG's approach to modelling the system's capabilities and remaining flexibility, whereby modelling has been used to confirm the ability of the European gas network to provide flexibility of injection under different scenarios around a Reference Case targeting 90 percent storage level by 30 September 2016. The Agency notes that the modelling tool is also used for the Ten-Year Network Development Plan. At the same time, however, the Agency identifies a potential for improvement which

could be relevant for the future outlooks, especially from the perspective of improving security of gas supply. In this respect, the Agency would suggest addressing the following:

- ENTSOG builds its model on the results of hydraulic simulations performed individually by TSOs using the methodology of “Network Flow Programming”. However, this approach is not an actual hydraulic simulation of the European gas network and is unlikely to show physical infrastructure constraints (gaps);
  - The model falls short of treating low calorific value gas (L-gas), which is widely used in the Netherlands, Belgium, Germany and France and cannot be mixed with gas of other quality;
  - The model adopts a topology which describes each Member State as a single node and consequently uses nodal arcs, which do not necessarily capture the topology of the actual systems and their interconnection points;
  - Future outlooks could be complemented with an analysis of the role of long-term contracts (notably in the case of LNG), and how their potential flexibility can affect the actual availability of gas<sup>3</sup>.
7. The Agency welcomes ENTSOG’s Summer Review 2015, prepared on a voluntary basis, as an important element in the continued enhancement of seasonal supply outlooks through the provision of actual data and analysis of the European Union’s demand and supply balance, complemented by other market statistics. The Agency considers insightful the main findings of the Review, namely that gas demand in Europe in the summer of 2015 declined only marginally (-0.5%) compared to gas demand in the summer of 2014; that there has been a significant decrease in European indigenous production (-15%) for the second consecutive year; and that the low stock levels in the UGS at the beginning of the summer 2015 were compensated by higher injections during that period. The Agency, as already stated in its Opinion on ENTSOG’s Summer Supply Outlook 2015<sup>4</sup>, would welcome further comparison of key data, such as gas demand<sup>5</sup>, between the data in the *ex-ante* summer supply outlook and the actual data as reported in the *ex-post* summer review, which could help improve the adequacy of ENTSOG’s method and assumptions used for the development of the future outlooks.

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<sup>3</sup> For example, the delivery of the first commercial LNG cargo from the United States to Europe occurred on 27 April 2016 in Portugal on the heels of earlier deliveries from the same source to Argentina, Brazil and India, and ahead of planned deliveries to France and the United Kingdom and possible deliveries to Spain and Italy, events which clearly point to the opening of a new gas supply source for the European Union’s gas market.

<sup>4</sup> Cf.

[http://www.acer.europa.eu/Official\\_documents/Acts\\_of\\_the\\_Agency/Opinions/Opinions/ACER%20Opinion%2007-2015.pdf](http://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Opinions/Opinions/ACER%20Opinion%2007-2015.pdf)

<sup>5</sup> In particular, the Agency renews its invitation to ENTSOG (contained in the Opinion of the Summer Supply Outlook of 2015) to consider gas demand data “as sum of gas for power generation, residential uses, commercial uses, industrial uses and others”, and to provide “...quantitative data about gas demand per country for each of the aforementioned uses, so as to facilitate the understating of gas demand trend, as well as to use for the its activities consistent and sufficiently detailed demand and gas consumption data”. Cf. [http://www.acer.europa.eu/Official\\_documents/Acts\\_of\\_the\\_Agency/Opinions/Opinions/ACER%20Opinion%2007-2015.pdf](http://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Opinions/Opinions/ACER%20Opinion%2007-2015.pdf)

8. The Agency is of the view that the Summer Supply Outlook 2016 meets the objectives of Regulation (EC) No 713/2009 and Regulation (EC) No 715/2009 in terms of contributing to non-discrimination, effective competition and the efficient and secure functioning of the internal natural gas market.
9. This Opinion is addressed to ENTSOG.

Done at Ljubljana on 22 June 2016.

For the Agency:

  
Alberto Pototschnig  
Director



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