

**OPINION OF THE AGENCY FOR THE COOPERATION OF ENERGY  
REGULATORS No 11/2017**

**of 28 July 2017**

**ON ENTSOG'S SUMMER SUPPLY OUTLOOK 2017**

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 19 July 2017, 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 28 April 2017 the Summer Supply Outlook 2017, 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 present Opinion<sup>3</sup> on ENTSOG's Summer Supply Outlook 2017, with the following main findings, concerns and recommendations:

1. The Agency notes that, in the view of ENTSOG, the objective of the Summer Supply Outlook 2017 is to assess “...*the European gas network to analyse whether gas infrastructures enable to meet both demand and storage injection needs during Summer 2017*”<sup>4</sup>. The Agency notes that ENTSOG's main findings and conclusions are in line with this declared objective, namely that the “*European gas network is sufficiently robust in most parts of Europe to enable:*”

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

<sup>2</sup> OJ L211, 14.8.2009, p. 36.

<sup>3</sup> This Opinion is prepared in line with the Agency's Work Programme for 2017, which assigns resources to various tasks depending on a task's classification in terms of priority as “critical”, “important” or “relevant”. “Relevant” tasks include the preparation of this Opinion, which was accordingly developed by using simplified format and work procedure.

<sup>4</sup> ENTSOG Summer Supply Outlook 2017 and Summer Review 2016, p. 2.

- *at least 90% stock level of the gas storages in preparation of the upcoming Winter;*
- *maintenance in order to ensure infrastructure reliability on the long term;*
- *flexibility for the network users' supply strategy;*
- *supply gas to Ukraine with volumes comparable to previous summer seasons*<sup>5</sup>.

However, the Agency reiterates that the scope of the Summer Supply Outlook should not be limited to assessing the ability of the European gas infrastructure to handle gas demand and supply in terms of reaching 90% gas-in-storage levels at the end of the summer and the systems' reliability and flexibility, but should be broadened to focus on gas supply outlook *per se* instead, and not just to Ukraine. The Agency recommends ENTSOG to incorporate in future assessments the likely gas supply flow patterns across the infrastructure, based not only on the physical capacities of the infrastructure and constraints per gas source, but also on contractual and market conditions and constraints.

The Agency appreciates ENTSOG's comments on minimum-maximum gas supply and flexibility patterns by source (indigenous production, Algeria, LNG, Libya, Norway, and Russia) as provided in Annex B. However, the Agency invites ENTSOG to make the assessment of the gas supply outlook part of the main objective of both seasonal (summer and winter) supply outlooks, and take into consideration in the assessment the actually available network capacity and market data.

2. The Agency notes ENTSOG's finding that, in order to achieve a 90% gas storage inventory level, more supply would be needed in comparison to the previous summer, given the lower volume of gas in storage (35% of maximum working volume) at the start of the injection season, compared to last year (45%). Considering this finding, and the expected decrease of indigenous gas production, the Agency draws the attention of stakeholders to the importance of storing gas during this summer in pursuit of ensuring adequate volumes of gas in storage at the beginning of the winter season.
3. The Agency notes that the modelling tool used by ENTSOG for the Summer Supply Outlook 2017 is the same one as used in the Ten-Year Network Development Plan (TYNDP) and the Winter Supply Outlook<sup>6</sup> and recalls its concerns regarding the quality and the limitations of this gas modelling tool and the underlying model. The Agency urges ENTSOG to implement without delay the recommendations in its recent Opinions on the draft TYNDP 2017<sup>7</sup> and the interlinked electricity and gas market and network model<sup>8</sup>, related, but not limited to:
  - the limited ability of the model and the modelling to define target cross-border capacity needs (if any);

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<sup>5</sup> *Ibid.*

<sup>6</sup> *Ibid.*, p. 3.

<sup>7</sup> Cf. Agency's Opinion No 6/2017, Sections 2.3, 3.1, and 4:

[http://www.acer.europa.eu/Official\\_documents/Acts\\_of\\_the\\_Agency/Opinions/Opinions/ACER%20Opinion%2006-2017.pdf](http://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Opinions/Opinions/ACER%20Opinion%2006-2017.pdf)

<sup>8</sup> Cf. Agency's Opinion No 7/2017:

[http://www.acer.europa.eu/Official\\_documents/Acts\\_of\\_the\\_Agency/Opinions/Opinions/ACER%20Opinion%2007-2017.pdf](http://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Opinions/Opinions/ACER%20Opinion%2007-2017.pdf)

- the assumption used in the modelling that all gas is of one and the same quality, which ignores, *inter alia*, the existence of L-gas and the inability to inject in storage odourised gas or to tranship such gas over certain interconnection points in the gas infrastructure system;
- the representation of the gas supply system as a nodal system where each node is an entry-exit zone, rather than by using a more complex topology closer to the actual physical gas infrastructure system (transmission, storage, LNG terminals);
- the lack of consideration of the role of long-term gas supply contracts and how their potential flexibility (or lack thereof) can affect the actual availability of gas supply;
- the assumption that the gas infrastructure services are free-of-charge (zero tariffs);
- the assumptions used in the modelling regarding services (capacity) and commodity (gas) market conditions, namely the assumption that a perfect capacity (infrastructure services) “market” exists, along with a perfect natural gas (commodity) market, where gas import supply switching from one import supply source to another is instantaneous and infinitely elastic to changes in gas price only. The assumption of already existing perfect gas (commodity) market at EU level, coupled with the assumption that the cost of infrastructure services is zero, represents a major methodological weakness. Thus, the Agency cannot assure that this Outlook effectively contributes to *completion* of the internal energy market<sup>9</sup>, one of the basic objectives of Regulation (EU) No 374/2013.

The Agency expects ENTSOG to build, together with ENTSO-E, an interlinked network and market model as required by Regulation (EU) No 347/2013, a model which should be closer to reality in view of the foregoing. ENTSOG should also avoid assuming a perfect market functioning based on the assumption of perfect competition. Such a market model should aim to capture major gas supply determinants for end users, including the infrastructure constraints, tariffs for the use of gas transmission networks, gas storage facilities and LNG terminal services, and the potential impact of such factors on gas supply.

4. The Agency finds ENTSOG’s Summer Review 2016 an important element in the continued enhancement of seasonal supply outlooks, and encourages ENSTOG to continue releasing such reviews in future supply outlooks. The Agency considers insightful the main findings of the review<sup>10</sup>, namely that seasonal gas demand in Europe in the summer of 2016 was higher (+7.4%) than in the summer of 2015, that the European indigenous production grew (+11%) for the first time in many years, and that the volume of gas in storage reached 91% of maximum working volume by the end of September.
5. The Agency is of the view that the Summer Supply Outlook 2017 contributes reasonably to the objectives of Regulation (EC) No 713/2009 and Regulation (EC) No 715/2009 in terms of non-discrimination, effective competition and the efficient and secure functioning of the internal natural gas market. However, the Agency invites ENTSOG sufficiently to improve, without delay, its model, modelling methodology and assumptions used for the production of the supply outlooks, and, where applicable, for other purposes.

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<sup>9</sup> Cf. Regulation (EU) 347/2013, Recitals (7), (17) *et passim*.

<sup>10</sup> ENTSOG Summer Supply Outlook 2017 and Summer Review 2016, p. 18.

6. This opinion is addressed to ENTSOG.

Done at Ljubljana on 28 July 2017.

For the Agency:

  
Alberto Pototschnig  
Director