

IFIEC RESPONSE TO THE EC CONSULTATION ON THE ESTABLISHMENT OF THE ANNUAL PRIORITY LISTS FOR THE DEVELOPMENT OF NETWORK CODES AND GUIDELINES FOR 2014 AND BEYOND

Introduction

IFIEC welcomes the current results of Network Codes which are highly important for completion of the internal gas and electricity market in 2014. They provide the basis to prevent barriers for free trading and therefore energise competitive pricing. Nevertheless, the energy revolution in the United States of America has created a competitive disadvantage for the European Industry. Therefore it is of most importance, that the 3rd Energy Package will be implemented as fast as possible. Any delay will weaken the Industry even more.

On the short term ACER and the NRA's need to ensure, that the implementation should take place in all Member States at the same speed. Moreover the EC should encourage the exploration and production of shale gas in Europe, as well as the construction of more pipelines and LNG terminals in order to secure gas from new sources. This increase competition and security of supplies.

Additional sources and new transport routes will lead to a higher variation of gas qualities, which could lead to short term gas quality variations. This problem is not fully addressed in the scope of the current network codes. Also not addressed is the total height of the costs for using the network. This is still a national dominated issue. IFIEC is convinced that a European benchmark of TSO costs will show some surprising results. In order to achieve the goal of an internal energy market 2014 in an efficient and effective IFIEC manner the EC should decide to develop a network code for gas quality and a network code for benchmark related efficiency including its tariffs.

Reasons for a Network Code on Gas Quality

On the network code level, gas quality is only partly addressed within the current ENTSOG proposal of the Network Code Interoperability and Data Exchange Rules. The network code presents rules, how customers could be informed in case of changing gas qualities on entry points. However, the NC does not determine how to deal with quality or quality fluctuations of natural gas compromising operations, operational safety and/or compliance with emissions regulation of gas utilizing end-users' facilities.

IFIEC considers access to real time information highly desirable, because fluctuations of gas qualities within the allowed bandwidth are likely to occur more frequently and more suddenly than in the (pre-

regulation) past. Appliances of industrial users, such as turbine operation or using gas as a feedstock in the chemical industry are often highly sensitive to such fluctuations of gas quality. However, this effect can be mitigated when information is made available reasonably ahead of the occurrence of gas quality changes. ENTSOG should consider mandating European TSOs to inform industrial customers and power plant operators in real time about changes in gas quality in the system to enable them taking necessary steps to adapt their equipment. This should be regarded a complementary and implicit (without individual payments by end-consumers) service.

Although implementation of the latter proposal would be a step in the right direction, it just will help the industrial end consumers to switch off their installations and consequently interrupt production in order to prevent gas revealing unsuitable quality reaching and compromising their production facilities. Therefore, this would not solve the main problem, which is. that there are no clear rules on the European level determining the responsible party with regard to gas quality. Related to our concern about liability and responsibility, IFIEC would like to emphasize the uncertain legal situation in case gas is supplied within the legal quality specifications of the individual Member States, but outside the current operational bandwidth of many industrial applications, covered by the warranty of the end-users' facilities manufacturers. Manufacturers do not guarantee reliable and safe operation of their gas utilizing products when applying them with gas off the operational boundaries.

To conclude, IFIEC considers the development of a Network Code for Gas Quality highly important in order to

1. strengthen competitiveness of European industries by preventing disturbance of production due to gas quality issues, while not hindering cross-border trade of natural gas and/or diversification of sourcing
2. ensure health and safety of personnel acting in the sphere of end-users' gas utilizing facilities
3. ensure operability of end-users' gas utilizing facilities within legal emission regulations

In order to approach these goals on a European scale, IFIEC encourages the European Commission to develop a standalone Network Code for Gas Quality.

Reasons for a Network Code on Benchmark Related Tariffs

Currently the national TSO tariffs are regulated by the NRAs. Experiences from industrial consumers with European portfolios show that the services provided and the tariffs to be paid for that services could widely differ depending on the country. There is no real transparency for end consumers, if that differences are based on real cost or on inefficiencies of the relevant TSOs. Every TSO, without any exception, can claim to be most efficient Therefore IFIEC encourages the European Commission to develop a standalone Network Code for benchmark related tariffs. As a starting point ACER could be mandated to do a tariff comparison of all European TSOs, including all provided services.

IFIEC Europe and Fertilizers Europe represent energy intensive industrial consumers where energy is a major component of operating costs and directly affects competitiveness.