

**OPINION OF THE AGENCY FOR THE COOPERATION OF ENERGY
REGULATORS No 16/2016**

of 16 December 2016

ON ENTSOG'S WINTER SUPPLY OUTLOOK 2016/17

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 Regulators¹ (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 1775/2005², and, in particular, Article 9(2) thereof,

HAVING REGARD to the favourable opinion of the Board of Regulators of 14 December 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”) developed, adopted and published on 14 October 2016 the Winter Supply Outlook 2016/17, 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, as submitted to the Agency pursuant to Article 9(2), first subparagraph, of Regulation (EC) No 715/2009,

HAS ADOPTED the following Opinion on ENTSOG's Winter Supply Outlook 2016/17:

1. The Agency welcomes the publication of the Winter Supply Outlook 2016/17 by ENTSOG ahead of the start of the winter season.
2. The Agency appreciates the analysis of the gas supply and demand trends and patterns contained in the Winter Supply Outlook 2016/17 and in the documents accompanying the Outlook. The Agency underlines the importance of the main conclusions of the Outlook, notably that:

¹ OJ L 211, 14.8.2009, p. 1.

² OJ L211, 14.8.2009, p.36.

- the European gas infrastructure is able to transmit gas – assuming that it is physically available – to the whole European gas market in high demand situations;
 - the level of gas stocks in the European underground gas storages was higher in October 2016 than in October 2015 (91% vs. 82% of total working gas capacity at European level³);
 - a certain level of gas supply can be provided via flows from the European Union to Ukraine in all simulated cases;
 - in case of a disruption of Russian gas supply via Ukraine in a high demand situation, demand may need to be curtailed in some Member States in South-Eastern Europe.
3. The Agency notes that the variations in the supply-demand balance and in the remaining flexibility in comparison to those of last year's Winter Supply Outlook stem mostly from the updates of gas demand and storage deliverability data, and to a lesser extent from changes which occurred in the infrastructure in the meantime.
4. The Agency therefore calls on ENTSOG to include more elements in its future Outlooks taking into account:
- the physical availability of gas supplies and its plausible variations;
 - the technical ability of the gas suppliers outside the European Union to fulfil short-term requests for substantially higher deliveries into EU Member States and Energy Community Contracting Parties;
 - a more comprehensive overview of the bottlenecks within the gas transmission systems (including bottlenecks identified via hydraulic modelling) which impact the actual cross-border gas transmission capacities under different weather and load conditions; and
 - the potential effects of demand-side measures on the gas supply and demand balance, taking into account interruptible supply contracts and the possibilities for demand side response.
5. The Agency notes that it is essential that ENTSOG be in a position to deliver a more comprehensive assessment, including both the network capability and the physical gas flows, as well as the gas supply and demand balance. An analysis including all the points in paragraph 0 above is vital in light of the proposed new role for ENTSOG in carrying out a Union-wide simulation of supply and infrastructure disruption scenarios in the framework of the revised Regulation concerning measures to safeguard security of gas supply⁴.
6. The Agency recommends that the future Winter Supply Outlooks take into account the findings of ENTSO-E's winter outlook for electricity, in particular regarding the impact that a predicted unavailability of generation capacity may have on gas consumption levels

³ ENTSOG does not indicate how the overall level of working gas capacity in the EU gas storages has developed compared to 2015, hence it is unknown to what extent the absolute level of gas stocks changed between last year and this autumn. Gas Storage Europe's transparency platform, AGSI is offline for data quality assessment at the time of the drafting of the current Opinion, making it impossible for the Agency to carry out this check.

⁴ The European Commission's proposal is presented in "COM(2016) 52 final". The Agency notes that at the time of drafting the current Opinion, the co-decision procedure of the European Institutions is not finished.

- and the other potential impacts of such a scenario. The Agency invites ENTSOG to strengthen its cooperation with ENTSO-E in the analysis, scenario development and the comparison and alignment of the anticipated impacts on both the electricity and gas sectors.
7. The Agency notes that the concept of “optimal crisis management”, as used in the Winter Supply Outlook 2016/17, is amended compared to the Winter Supply Outlook of 2015/16 and it is now calibrated assuming more cooperation among Member States, which is more in line with the concept of solidarity outlined in the proposed revised Regulation concerning measures to safeguard security of gas supplies⁵.
 8. The Agency welcomes the good cooperation between ENTSOG, GSE and GLE for the elaboration of the Winter Supply Outlook 2016/17, and the inclusion of the actual gas stock levels in storage and the storage withdrawal curves in the analysis.
 9. The Agency notes that the Winter Supply Outlook addresses one gas quality, without distinguishing between H-gas and L-gas. The Agency highlights that the consecutive decisions of the Dutch government further to reduce the production cap imposed on the Groningen gas field and the resulting lower levels of L-gas flows impacts safeguarding L-gas supplies in the L-gas market and impacts the interconnected operation of the H-gas and L-gas transmission systems. ENTSOG is invited better to account for the gas quality parameters in its assessment, and to examine the effects of the reducing L-gas production in the Netherlands in its future Outlooks.
 10. The majority of the disruption incidents observed during the last winter, as indicated in ENTSOG’s Winter Review 2015/16, originated in North-West Europe, notably in Norway, as well as one case in the Netherlands and the one other case in the UK. The permanent shutdown of six wells in the UK’s Rough underground gas storage (UGS) facility in September 2016 and the resulting limited withdrawal capacity at this storage are likely to impact storage deliverability in the upcoming winter period in the UK. The Agency calls on ENTSOG to widen the scope of disruption scenarios used for the elaboration of the Winter Supply Outlooks, by including gas supply disruption scenarios from Norway and from North-Africa in the upcoming outlooks as well as via Belarus and via Nord Stream.
 11. The Agency notes that a crucially important type of analysis is still missing from the Winter Supply Outlook, namely the one determining the required minimum level of supplies from each major supply corridor that cannot be substituted for by other gas flows from the internal energy market due to infrastructure constraints. Such an assessment of minimum gas supply levels by source would clearly indicate the level of gas supplies below which the integrated European gas system is unable to provide the necessary gas flows to areas impacted by a gas supply disruption.
 12. The Agency notes that the reasons for the projected higher gas supplies from Algeria, Libya, Norway and Russia and the lower level of LNG supplies during the winter of 2016/17, as compared to the winter of 2015/16, could be better investigated. The Agency

⁵ *Ibidem*

encourages ENTSOG to provide a more detailed analysis of the projected variations of gas supplies in forthcoming Outlooks, as well as of the possible reasons for such variations.

13. The Agency understands that the supply-demand balance, the UGS-related information, and the remaining flexibility in the national markets of Ukraine and Moldova are not covered in the Winter Supply Outlook 2016/17. The Agency finds it important that the TSOs of these two Contracting Parties of the Energy Community provide ENTSOG with all the necessary information, and that ENTSOG include these two Contracting Parties in the full analysis of the upcoming Winter Supply Outlooks.
14. The Agency notes that, according to ENTSOG, “*the network model for the Winter Supply Outlook is the same as used in the TYNDP 2017 to be published in December 2016*”⁶. The Agency notes that the findings of this Opinion are without prejudice to the findings and recommendations regarding the TYNDP 2017 itself and the related methodology, network model and network modelling.
15. The Agency invites ENTSOG to indicate in forthcoming outlooks what new infrastructure items, compared to the existing infrastructure system, are taken into account when calculating capacities, and how the level of gas stocks in LNG tanks is defined.
16. The Agency recommends ENTSOG to indicate on the maps the exact remaining flexibility for each examined Member State and Energy Community Contracting Party in the various scenarios, by clearly indicating in physical units both the remaining capacity and the potential gas flow.
17. The Agency welcomes the Winter Review 2015/16, which is prepared by ENTSOG on a voluntary basis. The Agency notes that the Review provides a valuable insight into the trends and patterns actually observed in the past winter season.
18. The Agency is of the view that the Winter Supply Outlook 2016/17 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.
19. This opinion is addressed to ENTSOG.

Done at Ljubljana on 16 December 2016.

For the Agency:



Alberto Pototschnig
Director

⁶ Page 7 of the Winter Supply Outlook 2016/17