



## **Position Paper**

**on**

### **EU Commission's proposal for a Regulation concerning the measures to safeguard security of gas supply (SoS-Reg)**

GEODE principally welcomes the EU Commission's proposal for the SoS Regulation. The proposal's provisions, such as establishment of coherent infrastructure and supply standards, conducting of the mandatory risk assessment, establishment of Preventive Action Plan and Emergency Plan, as well as reference to a reinforced cooperation among the Member States (MS), contribute to strengthening of the security of supply and are welcomed in respect of the deficient legal situation at the European level.

#### **1. Defining of the infrastructure and supply standards**

GEODE considers the Commission's proposal concerning ensuring the infrastructure and supply standards (such as the obligation to satisfy natural gas demand during a period of 60 days during the coldest period) appropriate.

With regard to implementation and structuring of the compliance measures, by the means of Preventive Action Plan and Emergency Plan, the MS shall enjoy sufficient manoeuvring room in order to ensure that both national and regional-European specificities are considered.

In the light of the variety of crisis scenarios and optimal reactions on unpredictable events, a further reaching concretisation of these standards does not seem to turn out useful. The choice of the concrete remedial measures shall remain the task of MS, which shall follow the aims prescribed in the Regulation proposal.

With regard to application of concrete means for standards' achievement, GEODE believes that the efficiency concept should be considered more thoroughly. Out of a range of measures, that are equally suitable and equally appropriate, the MS should always choose the most efficient ones. Consequently, only the costs generated by efficient measures should be reflected in the grid charges in order to protect the consumer against excessive grid charges.

Against this backdrop, the obligation to enable bidirectional gas flows (gas transport in both directions) at all important interconnections seems questionable. GEODE emphasises the need to clearly and bindingly lay down the recognition of efficient costs in the grid charges. In this context, the establishment of the exception principle regarding the obligatory reverse flows seems difficult, especially as the exemption requirements do not explicitly refer to the efficiency criterion, but "only" to the security of supply.

In GEODE's opinion, it shall be guaranteed, that in case the capacities necessarily available for the protected customers are firmly determined, this shall not lead to a situation, where the markets are permanently deprived of these capacities and congestions are likely to occur.

## **2. Establishment of Preventive Action Plan and Emergency Plan**

With regard to the establishment of Preventive Action Plan and Emergency Plan, GEODE considers important to stronger emphasise the regional-European references. Therefore, GEODE proposes that the MS shall be obliged to examine the possibility to replace the national plans through regional-European plans, thus introducing the primacy of regional-European plans in the sense of a principle-exception rule. Consequently GEODE notes a need to clarify the definition of the "calculated area" so that the n-1 standard could take the regional consideration even better into account.

## **3. Community Emergency and coordination through the EU Commission**

Principally, GEODE believes that the crises management at the European level shall remain ultima ratio, that is, the Community Emergency shall only be called out, when the natural gas undertakings and the MS are not in the position to react to the supply crises on their own.

In this context, GEODE notes, that the proposed 10% threshold of daily gas import loss for declaring of Community Emergency, seems too inflexible and is too lowly assessed. GEODE fears that the Community Emergency could become a rule and the MS will be deprived of any incentives to act on their own, within the framework of their own national or regional-European plans, in order to provide for security of supply and react to a supply crisis. Therefore, GEODE suggests that the threshold of daily gas supply loss should be raised, and at the same time be defined as a rule, which for its part shall be affirmed by general market consideration.

The EU Commission takes over a role of a coordination unit. GEODE welcomes the willingness on the EU Commission to coordinate the cooperation of the MS, yet it does not seem necessary to equip the EU Commission with direct intervention competences. In this respect it shall be sufficient that the Commission is entitled to ex-post verification of the plans and of the applied measures.

In order to enhance the authority of the European measures, there is a need to strengthen the role of the Gas Coordination Group and thus the role of the direct market participants.

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