

The Network for Networks



WG Gas
11 December 2023



The Network for Networks



Agenda



I. Welcome - Agenda



WG Gas meeting

Date 11 December 2023
Time 15:30 – 16:30 CET
Place Online (Microsoft Teams)

AGENDA

I. Welcome *Christian Thole*
15:30

II. Policy Updates – Focus *Federica Bruni*
15.35 Gas & Hydrogen Package

III. Policy Updates: *Federica Bruni*
16.00

- Methane Regulation *Carmen Gimeno*
- Net Zero Industry Act
- EPBD
- Integration of gas DSOs into EU DSO Entity

IV. AOB
16.20

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II. Policy Updates



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Policy Update Focus - Gas Package



Gas Directive & Regulation - Timeline



»» Gas Directive

Draft EP report	June 22
Debate on EP report	13 Jul 22
Deadline AMs EP report	13 Jul 22
EP Committee vote	9 Feb 23
Council general approach	28 Mar 23
First Trialogue	1 June 23
Trialogue	18 June
Trialogue	28 September
Trialogue	12 October
Trialogue	7 November
Open Ended Political Trialogue – Agreement Found	27 November
Technical Meeting	4 December

»» Gas Regulation

Draft EP report	June 22
Debate on EP report	13 Jul 22
Deadline AMs EP report	13 Jul 22
EP Committee vote	9 Feb 23
Council general approach	28 Mar 23
First Trialogue	1 June 23
Trialogue	18 June
Trialogue	28 September
Trialogue	12 October
Trialogue	7 November
Open Ended Trialogue	27 November
Political Trialogue – Agreement Found	8 December

Gas Directive & Regulation – Latest Trialogue Discussions



Open Ended Political Trialogue - 27 November








- **GAS Directive – Agreement found :**
 - Hydrogen unbundling; Confirmation Split between TSO and DSO for Hydrogen (Art. 2)
- **GAS Regulation:**
 - Diversification of Gas supply; Upscaling of renewable gas and low-carbon gas in coal and carbon-intensive regions; Biomethane; Tariffs for hydrogen and gas networks; Cross-border coordination of gas quality in the natural gas system; EU entity for Hydrogen Network Operators; Demand Aggregation; Solidarity.

Technical Trialogue 4 December

Political Trialogue (Regulation) - 8 December – Agreement found

- ENNOH vs. ENTSO G & H; Demand Aggregation; Hydrogen Network Tariffs

Gas & Hydrogen Market Directive – at a glance

		 Transport & Distribution		 Storage		 Terminals	
		Natural gas & electricity	Hydrogen	Natural gas	Hydrogen	Natural gas	Liquid hydrogen & ammonia
	VERTICAL UNBUNDLING	TSO: Ownership unbundling; Grand-fathering for ITO/ISO	TSO: Ownership unbundling; Option for <u>unlimited</u> ITO & ISO	Legal unbundling of storage from production & supply	Legal unbundling of storage from production & supply	Legal unbundling of terminal from production & supply	Legal unbundling of terminal from production & supply
		DSO: Legal unbundling with MS option for De-Minimis exemption for < 100.000 connections					
	HORIZONTAL UNBUNDLING	Legal & accounts unbundling of H2, elec & CH4 networks, with MS opt-out for DSOs → Gas TSOs & DSOs able to operate H2 networks; separate tariffs for H2 and CH4 network use, no (substantial) cross-subsidies		Legal and accounting unbundling between H2 & natural gas storage, liquid H2/ammonia & LNG terminals and H2 & natural gas networks			
	THIRD-PARTY ACCESS (TPA)	rTPA (= regulated TPA)	rTPA as of 2031/2036 Member State option to use nTPA earlier	MS decision to use either nTPA or rTPA	rTPA as of 2031/2036 Member State option to use nTPA earlier	rTPA	nTPA (= negotiated TPA)
		Opportunity to apply for exemption from TPA and tariff regulation for new infrastructure (Art. 60 of Regulation; still negotiated in Trilogue)					
	NETWORK PLANNING	Yet open if ENTSO-E plus joint ENTSO-G&H or separate ENTSO-G & ENNOH		Storage operators to provide input into network development plan		Terminal operators to provide input into network development plan	
		Per default separate network development plans for elec, CH4 & H2, but MS option to request joint plan					

Focus – Article 34 – GAS Directive

Political Agreement – main highlights



Refusal of access and connection



Possibility to refuse access or connection to the gas or hydrogen system on the basis of lack of capacity



MS will need to ensure that DSO refusing connection, makes the necessary enhancement as far as economical possible when a potential customer is willing to pay for them.



Derogation to paragraph 1-3 based on compliance with the implementation of the climate neutrality objectives:

- Network development plan envisages decommissioning
- National authority has approved the decommissioning plan
- DSO is exempted to submit a network decommissioning plan has informed the national authority of the decommissioning of the network or relevant parts thereof
- Member States to set up regulatory framework for the disconnection, taking into account adequate measures to protect users when allowing for disconnection (art. 11a)






Focus – Article 11a – GAS Directive

Political Agreement – main highlights



Consumer Rights and protection in relation to the phasing out of natural gas

The Article presents conditions for disconnections of users based on article 34(4).

-  Network users, stakeholders and consumers organization have been consulted
-  Network users and stakeholders are informed in advance of the planning and timeline of the disconnection.
-  Final customer is informed and has received sufficient advice on sustainable heating options, and financial support through bodies identified by national authorities
-  When planning and carrying out the phase out, vulnerable customers are taken into account. Member states have to set up appropriate measures in removing adverse effects of the phase out (public funding, and funding facilities at UE level)
-  When carrying out financial transactions no discrimination against different categories of customers and energy carriers shall take place.

Focus – Article 52 – GAS Directive

Political Agreement – main highlights



Hydrogen Distribution network development plan

- ○ ○ Every 4 years Hydrogen DSOs to submit to the NRA a plan presenting the hydrogen infrastructure they aim to develop. Plan in cooperation with Gas, electricity and district heating DSOs.
- ○ ○ Possibility for DSOs active in the same region to develop a joint plan. The plan shall include separate modelling per energy carrier with chapters showing maps for natural gas and network maps for hydrogen
- ○ ○ Where Separate plans for gas and hydrogen are submitted, cooperation among gas and hydrogen DSO within decision making process is encouraged, to ensure system efficiency e.g. Repurposing of the existing infrastructure.
- ○ ○ The plan shall in particular include:
 - Information on capacity needs in terms of volume and duration
 - Information on the extent of repurposing of natural gas pipeline for hydrogen transportation
 - Be in line with the integrated national energy and climate plan
- ○ ○ Cross border cooperation in the development of network development plans
- ○ ○ Possibility for NRA to mandate another competent authority to examine, amend and make recommendations to the plans

Focus – Article 52a (former 52b) – GAS Directive Political Agreement – main highlights



Network Decommissioning plans for natural gas distribution system operators






- DSO to develop decommissioning plan when reduction in gas demand is expected. Decommissioning plan shall be developed in cooperation with hydrogen, electricity and district heating DSOs.
- Possibility to develop joint plans for DSOs in the same region, if part of the natural gas infrastructure will be repurposed
- NRAs are tasked to assess the developed plan.
- Plans will have to take into consideration the protection of the final customer in accordance with article 11a
- Derogation for the development for DSO which serve less than 45 000 connected customers.
- In case of decommissioning, ahead of projected lifecycle, NRAs will set up guidelines for a structural approach to the depreciation of the assets and tariffs settings.

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Focus – Article 42 – GAS Directive – Political Agreement Text



Unbundling of distribution system operators and hydrogen distribution network operators

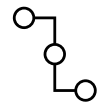
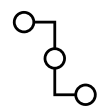
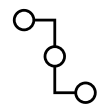
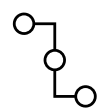
-  Legal Unbundling for both Gas and Hydrogen Distribution System Operators in relation to activities not linked to distribution (paragraph 1)
-  Possibility for Hydrogen Network Operators to rent or lease assets from Gas Network Operators, as long as it is not cross-subsidized (paragraph 1)
-  Sets minimum criteria for legal unbundling (paragraph 2)
-  Monitoring by regulatory authorities or other competent bodies that the vertical integration distorts competition. Particular focus on communication and branding (paragraph 3)
-  Possibility for Member states to apply de minimis rule (undertaking under 100 000 connected customers); In case of an undertaking that distributes both gas and hydrogen, the combined number of connected customers is considered for the provision to apply.

Focus – Article 63 – GAS Directive

Political Agreement – main highlights



Horizontal unbundling of hydrogen network operators

-  Application only to Transmission Network Operators (paragraph 1)
-  Possibility of derogation based on a cost-benefit analysis by Member States (paragraph 2)
-  Obligation for MS to publish an assessment of the derogation's impact on transparency, cross subsidies, network tariffs and cross-border trade with the inclusion of a calendar of expected transfers of assets from the natural gas sector to the hydrogen sector; Assessment to be published every 7 years. (paragraph 5)
-  If NRA concludes that the continued application of the derogation would have a negative impact, the derogation shall be withdrawn. (paragraph 5)

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Methane Regulation



Methane Regulation – Timeline

Council general approach	19 December 2022
EP Committee vote	26 April
EP Plenary vote	10 May
First informal trialogue	30 August
Second informal trialogue	10 October
Final informal trialogue – Political Agreement Found	14 November



Being a Regulation, the provisions included in the text will directly apply at national level. This means that DSOs – except in countries where methane detection rules are already very strict – will need to comply with more frequent detection programmes.

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NZIA & EPBD



Other Fit for 55 files – State of Play



NZIA

- European **Parliament** has adopted in Plenary reading its **position on 22nd of November**, however extending the coverage of the text on the entirety of the Supply Chain, diverging from the original proposal by the EC.
- Council has adopted its **General Approach on the 7th of December**, the negotiation were halting on the inclusion of nuclear fission in the list of strategic technologies. The Council mandate also include CO2 injection infrastructure.
- **Triologue negotiations** are scheduled for: 13 December, 22 January and 6 February.



Energy Performance of Buildings Directive

- **Agreement found on 7th of December**
- Negotiations were halting on the question of minimum energy performance standards for building, despite a partial agreement had been found mid-October.
- **Phasing out for boilers by 2040 has been retained, however EC should issue guidance on the definition of a fossil fuel boiler. (not a technological ban)**
- Halt to subsidies for self-contained fossil fuel boilers from 2025.

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Integration of Gas DSOs into EU DSO Entity



Integration of Gas DSOs into EU DSO Entity



Art. 36 Gas Regulation proposal



Definition of a common position



Approach European Commission



Approach EU DSO Entity

EU DSO Entity – Gas DSOs Integration



The principles the 4 Secretary General agreed on are the following:

- EU Electricity Market Regulation 2019/943/EU – with all the governance rules it contains - is the basis for the integration of gas DSOs.
- There is 1 Board, composed of 27 members, representing both electricity and gas DSOs.
- There are 3 categories , with the limits as described in the Regulation text.
- The composition of the Board will be shared between electricity and gas DSOs, in principle on a 50/50 basis.

Based on these principles, a Taskforce has been set up among the four EU GAS DSOs associations, and a first proposal has been developed.

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V. AOB & next meeting





Thank You!

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ANNEX – GAS Directive Articles



Focus – Article 42 – GAS Directive – Political Agreement Text



Article 42

Unbundling of distribution system operators and hydrogen distribution network operators

1. Where the distribution system operator or the hydrogen distribution network operator is part of a vertically integrated undertaking, it shall be independent at least in terms of its legal form, organisation and decision making from other activities not relating to distribution. Those rules shall not create an obligation to separate the ownership of assets of the distribution system or the hydrogen distribution network from the vertically integrated undertaking.

Member States may provide that hydrogen distribution network operators may rent or lease hydrogen network assets from other gas distribution system owners, gas distribution operators or hydrogen distribution network operators within the same undertaking. Such leasing shall not lead to cross-subsidies between different operators.

Focus – Article 42 – GAS Directive – Political Agreement Text



2. In addition to the requirements under paragraph 1, where the distribution system operator or the hydrogen distribution network operator is part of a vertically integrated undertaking, it shall be independent in terms of its organisation and decision-making from the other activities not related to distribution. In order to achieve this, the following minimum criteria shall apply:

- a. ~~the persons responsible for the management of the~~ management of the distribution system operator or the hydrogen distribution system network operator shall not participate in company structures of the integrated natural gas undertaking or the vertically integrated undertaking responsible, directly or indirectly, for the day-to-day operation of the production, transmission, ~~transportation~~ transport and supply of gases;
- b. appropriate measures shall be taken to ensure that the professional interests of persons responsible for the management of the distribution system operator or the hydrogen distribution network operator are taken into account in a manner that ensures that they are capable of acting independently;
- c. the distribution system operator or the hydrogen distribution network operator shall have effective decision-making rights, independent from the integrated natural gas undertaking or the vertically integrated undertaking, with respect to assets necessary to operate, maintain or develop the network; in order to fulfil those tasks, the distribution system operator or the hydrogen distribution network operator shall have at its disposal the necessary resources including human, technical, financial and physical resources; this shall not prevent the existence of appropriate coordination mechanisms to ensure that the economic and management supervision rights of the parent company in respect of return on assets, regulated indirectly in accordance with Article 72(7) in a subsidiary are protected; in particular, this shall enable the parent company to approve the annual financial plan, or any equivalent

Geode - The Instrument of the distribution system operator or the hydrogen distribution network operator and to set global limits on the levels of indebtedness of its subsidiary; it shall not permit the parent company to give instructions

Focus – Article 42 – GAS Directive – Political Agreement Text



- c. the distribution system operator or the hydrogen distribution network operator shall have effective decision-making rights, independent from the integrated natural gas undertaking or the vertically integrated undertaking, with respect to assets necessary to operate, maintain or develop the network; in order to fulfil those tasks, the distribution system operator or the hydrogen distribution network operator shall have at its disposal the necessary resources including human, technical, financial and physical resources; this shall not prevent the existence of appropriate coordination mechanisms to ensure that the economic and management supervision rights of the parent company in respect of return on assets, regulated indirectly in accordance with Article 72(7) in a subsidiary are protected; in particular, this shall enable the parent company to approve the annual financial plan, or any equivalent instrument, of the distribution system operator or the hydrogen distribution network operator and to set global limits on the levels of indebtedness of its subsidiary; it shall not permit the parent company to give instructions regarding day-to-day operations, nor with respect to individual decisions concerning the construction or upgrading of distribution lines, that do not exceed the terms of the approved financial plan, or any equivalent instrument;

Focus – Article 42 – GAS Directive – Political Agreement Text



- d. the distribution system operator *or the hydrogen distribution network operator* shall have effective decision-making rights, independent from the integrated natural gas undertaking *or the vertically integrated undertaking*, with respect to assets necessary to operate, maintain or develop the network; in order to fulfil those tasks, the distribution system operator *or the hydrogen distribution network operator* shall have at its disposal the necessary resources including human, technical, financial and physical resources; this shall not prevent the existence of appropriate coordination mechanisms to ensure that the economic and management supervision rights of the parent company in respect of return on assets, regulated indirectly in accordance with Article 72(7) in a subsidiary are protected; in particular, this shall enable the parent company to approve the annual financial plan, or any equivalent instrument, of the distribution system *operator or the hydrogen distribution network* operator and to set global limits on the levels of indebtedness of its subsidiary; it shall not permit the parent company to give instructions regarding day-to-day operations, nor with respect to individual decisions concerning the construction or upgrading of distribution lines, that do not exceed the terms of the approved financial plan, or any equivalent instrument;

Focus – Article 42 – GAS Directive – Political Agreement Text



- e. the distribution system operator ~~shall~~ or the hydrogen distribution network operator shall establish a compliance programme, which sets out measures taken to ensure that discriminatory conduct is excluded, and ensure that observance of it is adequately monitored; the compliance programme shall set out the specific obligations of employees to meet that objective; an annual report, setting out the measures taken, shall be submitted by the person or body responsible for monitoring the compliance programme, the compliance officer of the distribution system operator or the hydrogen distribution network operator, to the regulatory authority referred to in Article 70(1) and shall be published; the compliance officer of the distribution system operator or the hydrogen distribution network operator shall be fully independent and shall have access to all the necessary information of the distribution system operator or hydrogen distribution network operator and any affiliated undertaking to fulfil his task.

Focus – Article 42 – GAS Directive – Political Agreement Text



3. Where the distribution system operator or the hydrogen distribution network operator is part of a vertically integrated undertaking, the Member States shall ensure that the activities of the distribution system operator or the hydrogen distribution network operator are monitored by regulatory authorities or other competent bodies so that it cannot take advantage of its vertical integration to distort competition. In particular, vertically integrated distribution system operators or the hydrogen distribution network operators shall not, in their communication and branding, create confusion in respect of the separate identity of the supply branch of the vertically integrated undertaking
4. Member States may decide not to apply paragraphs 1, 2 and 3 [of this article and Article 63] to distribution system operators which are part of an ~~to~~-integrated natural gas undertakings serving less than 100 000 connected customers. Where a distribution system operator benefits from a derogation in accordance with this paragraph on [date of entry into force of this Directive] Member States may decide not to apply paragraphs 1, 2 and 3 [and Article 63] to a hydrogen distribution network operator within the same undertaking as long as the combined number of connected customers of the distribution system operator and the hydrogen distribution network operator remains less than 100 000;

Focus – Article 63 – GAS Directive – Political Agreement Text



1. Where a hydrogen **transmission** network operator is part of an undertaking active in transmission or distribution of natural gas or electricity, it shall be independent at least in terms of its legal form.

2. **Member States may grant derogations, on the basis of a publicly available positive cost-benefit analysis, from the requirements of paragraph 1 to hydrogen transmission network operators, subject to a positive assessment by the regulatory authority in accordance with paragraph 5.**

3. **The derogation shall be published and notified to the European Commission, accompanied by the assessment referred to in paragraph 5, preserving the confidentiality of commercially sensitive information.**

4. (deleted)

5. **At the moment of granting a derogation pursuant to paragraph 2, or at a reasoned request by the European Commission, the regulatory authority of the Member State granting the derogation shall publish an assessment of the derogation's impact on transparency, cross subsidies, network tariffs and cross-border trade. Such assessment shall include at least the calendar of expected transfers of assets from the natural gas sector to the hydrogen sector;**

If the regulatory authority concludes that the continued application of the derogation would have a negative impact on transparency, cross-subsidies, network tariffs and cross border trade or when the transfer of assets from the natural gas sector to the hydrogen sector has concluded, the Member State shall withdraw the derogation.

At least every 7 years as from the granting of the derogation pursuant to paragraph 1, the NRA shall publish an assessment of the derogation's impact on transparency, cross-subsidies, network tariffs and cross border trade.

6.(deleted)