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The Bridge beyond 2025

INES-Response

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Initiative Erdgasspeicher e.V.

INES is an association of German gas storage system operator based in Berlin. INES represents with 12 Members approximately 90 % of the German gas storage capacities. The INES-Members therefore operate nearly 25 % of the gas storage capacities within the European Union.

Target Regulation and market functioning

(Related to question 1 and 1b)

Transmission Tariffs

To ensure a cost-efficient energy grid in the electricity as well as in the gas sector, however, an integrated tariff structure of the energy grids is needed. Most important an economical incentive for Power-to-Gas facilities to reduce the load of the electricity grid for any investing market participant is required to ensure an efficient sectorial coupling. Furthermore, this economic principle has consequently also to be applied in the gas sector, ensuring that gas storages in all member states are sufficiently remunerated and used to significantly reduce non-economic gas grid developments.

The target regulation therefore should

- Improve **efficiency in network** usage via the **transmission tariff system** by setting incentives for avoiding non-economic grid developments (i.e. non-economic investments). The future tariff system needs to value positive system externalities created by gas storage for example.
- Improve **efficiency in network developments** by using the **system value** of facilities (e.g. gas storage and power-to-gas). A recently published study assessed that without gas storage facilities in Germany the system would have to bear additional costs of €2.2 billion per annum[1].

Level-Playing-Field for Electricity and Gas-Flexibilities

The structure of energy tariffs, levies and taxes needs to be designed in all European member states in such a way that renewable gases are not discriminated in the cross-sectoral market for flexibility. For example, the conversion levy in Germany has still to be paid on storing renewable gases in gas storages while electricity storage systems don't have to pay this levy at all.

The market functioning therefore should be improved by creating a

- **Level-playing-field** by reorganising levies and their exceptions.

[1] Source "System Value of Gas Storage –Intelligence rather than Steel" by Enervis, February 2019, https://erdgasspeicher.de/files/20190619_studie_systemkosten_u_gasspeicher_en.pdf

Enabling new products and enhancing infrastructure governance

(Related to question 3 and 3c)

TSOs face conflicts of interest in planning gas and electricity infrastructure, because gas and electricity TSO can both provide transmission services for renewable energies. Furthermore, grid developments can replace or at least have an impact on parts of the flexibility market. So, still today TSO have conflicts of interest with flexibility provider within their own sector but even more when it comes to a cross sectoral flexibility market because grid developments increase their regulated asset base (RAB) with a (nearly) riskless high return on investment (ROI) whereas using system values will not lead to a ROI. Therefore, a transparent process is needed together with correct incentives in the regulation to avoid discrimination of market providers of flexibility services. The regulation should be strengthened so that TSO rather chose the best economical solution (e.g. system values of electricity or gas storages, PtG) than preferring grid developments.

To avoid distorting impacts on markets, PtG investments should be organized market based and they shouldn't be done by TSO. It is very important for a healthy and sustainable development of renewable gas markets to preclude regulated TSO from investing in these already competitive activities.

Electricity and gas TSO should rather identify bottlenecks and suitable locations for PtG in the network, based on a coordinated Network Development Planning procedure. The role of TSO should be in addition to tender their physical balancing energy demand open for all market participants. Within this tender it could be beneficial to the whole system if they subsidize specifically the PtG technology. Reduction of PtG-technology-costs is critical. The energy system will need PtG at large scale, e.g. to reduce emissions of industrial processes. If learning curves aren't used in advance it could be difficult to go along the pathway of energy transition because the switch to renewable gases isn't feasible when needed at large or industrial scale (leading to carbon leackage).

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