



European Union Agency for the Cooperation
of Energy Regulators

Regulatory requirements to achieve gas decarbonisation

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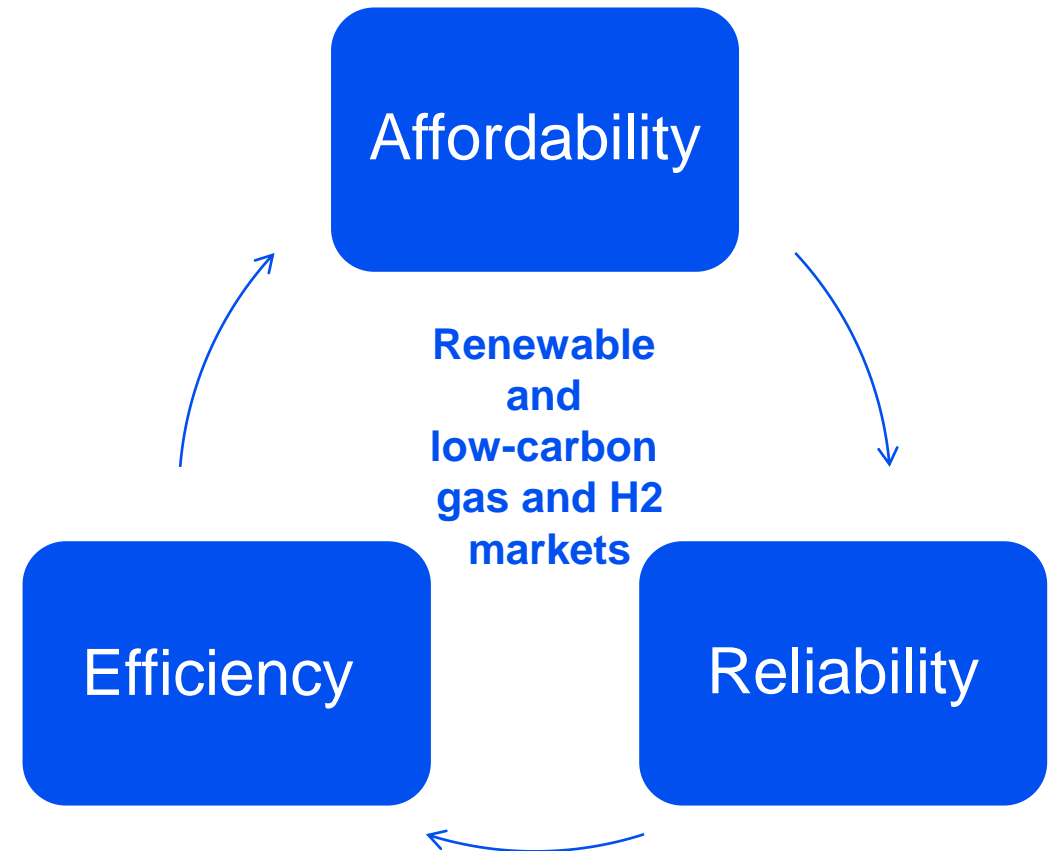
Regulatory discussion

1. Regulators' positions ahead of the EC proposal
2. ACER preliminary views on the EC proposal
3. Areas for additional regulators' recommendations (exp. June '22)

Regulators' position paper

ACER & CEER's position ahead of the publication of the EC package – December 2021

- **Foundations:** ACER-CEER past publications (H2, P2G and Methane Emissions White Papers, CEER response to EC public consultations, TEN-E position paper, etc.)
- **Broader policy objective:** facilitate efficient decarbonisation efforts at lower cost (per *Fit-for-55* package)
- **Guiding principles** for renewable and low-carbon gas and hydrogen markets
- **Approach:** given the uncertainty, adapt to an evolving and new sector and learn from past experience





Enabling gradual and flexible regulation for hydrogen

1. Adopt a gradual and flexible regulatory approach to facilitate emergence of competitive H2 markets (define core market and regulatory principles: level playing field, ownership unbundling, third party access, transparency and regulatory oversight)
2. Monitor H2 markets periodically to identify their development and whether more regulation is needed



Ensuring a level playing field in a decarbonised and integrated energy system

1. Apply cost reflectivity and beneficiary-pays principles to H2 networks, avoiding cross-subsidies between energy carriers
2. Ensure an integrated, liquid and interoperable EU internal gas market, also by foreseeing more flexible approach to application of relevant network codes with respect to cross-border charges
3. Adopt a more integrated approach to infrastructure development, both in relation to different levels of the supply chain (vertical), and to the various energy carriers (horizontal), consistent with the revised TEN-E Regulation



Empowering and protecting consumers for the energy transition

6. Guarantee consumer rights regardless of energy carrier
7. Embed robust consumer protection, future innovation, technology developments and new market trends in decarbonisation policies, recognising specificities of gas markets
8. Ensure cost efficiency and affordability to safeguard inclusiveness and a just transition, including by promoting and facilitating energy efficiency measures and information
9. Provide consumers with clear and reliable information and support, as well as ensure effective enforcement of their rights and consumer-centric digitalisation rules to enhance their empowerment and trust in the energy transition

ACER's first observations

on the published EC package

- Proposed horizontal, vertical, and diagonal **unbundling** ensure fair access and competition
- The **phasing out of ITO** after 2030 (only for H2) ensures easier regulatory oversight
- Regulated **third party access** (rTPA) from 2031, with negotiated (n)TPA allowed until then, offers enough flexibility
- Before 2030, existing **private hydrogen undertakings** can benefit from exemptions, which should offer sufficient flexibility
- After 2030, **derogations** (for geographically confined H2 NWs) ensure a flexible approach, if national H2 markets take off in the meantime:
 - Yet in practice, a uniform date (2030) is unlikely to work out for all MSs given widely varying conditions and investment plans → **We see benefit in adopting a possibly differentiated approach**

- **5% blending cap:** sensible rationale (cost-efficiency in terms of NW adaptation and CO2 abatement costs)
- **Removal of cross-border (c-b) tariffs for RES & LC gases:** meaningful rationale, gradual approach (review in 5 years), but:
 - Ensure NRAs can play relevant and timely role in ITCs
 - Risk of perverse incentive, favouring gas exports to get discounts
 - National subsidies are what ultimately determines the take off of RES & LC gases
- **H2 zero c-b tariffs:** meaningful rationale, but:
 - Ensure that cost-reflectivity is reached
 - As for RES & LC gases, ensure NRAs can play relevant and timely role in ITCs
- **Financial transfers** between separate RABs for natural gas and H2
 - Not fully aligned with regulators' preference against cross-subsidies
 - Yet the proposal has retained meaningful guarantees
 - Key role for ACER in determining the value of assets, size and duration of the financial transfer and related charge and its allocation criteria

- Regulators welcome the proposal of a **more coordinated planning** across fuels and network levels
- Yet **energy system integration** also links to other legislation (approved/discussed, such as TEN-E, energy efficiency, RED II delegated act) that can impact locational signals, congestion, and ultimately system security → not an easy objective for the current package alone
- **ENNOH** becoming operational seems to be subject to
 - The creation of certified H2 operators (members)
 - NRAs' approval of H2 national plansThese conditions may materialise after 2030, long after the first steps of starting up ENNOH

- Regulators welcome that **most CEP provisions** have been largely **mirrored**
- Yet provisions on **energy poverty** and **vulnerable customers** have not been mirrored: if the intended policy objective is to offer the same protection to electricity and gas consumers, the proposal may need to be fine-tuned

Topics for further regulators' recommendations

To be developed by June 2022

CEER/ACER have started refining positions on:

1. Definition of different gases
2. Consumer protection and empowerment: energy poverty, H2 smart meter CBA
3. Access to the wholesale market by producers at DSO level and definition of entry-exit system
4. Tariff discounts for low-carbon gases and ITC, including certification aspects
5. The approach to hydrogen regulation and the 2030 deadline, including H2 unbundling and TPA
6. H2 infrastructure development, including H2 planning, CBCA and ITC
7. Governance on gas quality
8. Amendments to SoS Regulation, strategic stocks, risk assessment and access to storage

Thank you. Any questions?

The contents of this document do not necessarily reflect the position or opinion of the Agency.



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