securing competitive energy for industry

IE COMMENTS ON THE PROPOSAL FOR A REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL CONCERNING MEASURES TO SAFEGUARD THE SECURITY OF GAS SUPPLY AND REPEALING REGULATION (EU) NO 994/2010

IFIEC Europe welcomes the new proposal from the Commission to enhance the Security of gas Supply in Europe. From IFIECs view this could be an important building block for the completion of the Internal Energy Market. However, from an industrial consumer's perspective there are some topics, which may need to be addressed more in detail, although the basis is laid down in the new proposal.

Three layer approach for market based measures

From IFIEC´s understanding of the proposal, the Commission has set up a three layer approach to address shortages of gas. The three layers are national, regional and the solidarity approach. All those layers can and should include market based measures if possible. One of those market based measures could be demand side response from industrial end users. As foreseen in the regulation those demand side measures could be used on national level, on regional level and in the solidarity case.

What works on paper may run into difficulties, when adapting it to the reality of the different gas market surroundings on member state level. An example: Germany is currently developing a market based system, where industrial end users can provide their demand side measures in SoS situations via the balancing system. It is planned to be implemented at the end of the year. It is expected, that many industries will participate, since the German national law otherwise foresees no compensation for curtailments. Supposed that the German industrial end users will join that national SoS system linked to the national balancing market, how could they provide their demand side potential for the region or in the solidarity case. From an end users view the demand side potential cannot be provided twice or triple. That is a link, IFIEC is currently not seeing covered by the proposal. Therefore we are asking to insert a mechanism, which can link and harmonize the national, the regional and the solidarity planning. This may need an approach with a centralized processing unit being able to manage all market based in one portfolio. Ideally industrial end users are given the possibility to provide their demand side potential in just one process, but with the opportunity that this potential could be used national, regional or in the solidarity case without unintended side effects.

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Process how to determine demand side response potential

Procedure

- The national authorities (or TSO) arrange an auction once a year.
- Time of the auction should be September
- Industrial consumers could on voluntary basis participate.
- National authorities (or TSO) select the most attractive offers.
- Selected industrial consumers are informed during October.

Elements in the auction procedure

- Period
  - Nov, Dec, Jan, Feb and March are the most critical months.

- Volumes
  - Bidders offer volumes on a monthly basis.

- Notification of interruption
  - Bidders inform how many hours they need from receiving a notification of an interruption until the actual reduction of demand has to be effective.

  - Duration
  - Bidders define the maximum number of days which they accept to be interrupted during each month.
  - Bidders define the maximum number of interruptions they accept during each month

Financial compensation

Option 1

- Consumers receive a premium to give the TSO the right to interrupt.
- In case consumers are interrupted, consumers receives a compensation per MWh the TSO «takes» from the consumer.

Option 2

- The consumers only receive compensation if they are interrupted. This compensation should be higher than the compensation described in Option 1.

Amendments Proposals to European Commission/ ITRE Committee

Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL concerning measures to safeguard the security of gas supply and repealing Regulation (EU) No 994/2010

Amendment 1

Text proposed by the Commission:

"(28) Demand-side measures, such as fuel switching or reducing the gas supply to large industrial consumers in an economically efficient order, may have a valuable role to play in ensuring energy security, if they can be applied quickly and significantly reduce demand in response to a supply disruption. More should be done to promote efficient energy use, particularly where demand-side measures are needed. The environmental impact of any demand and supply-side measures proposed must be taken into account, with preference being given, as far as possible, to measures that have least impact on the environment. At the same time, security of supply and competitiveness aspects must be taken into account. "

Amendment – recital 28 is replaced by the following:

"(28) Demand-side measures, such as fuel switching or reducing the gas supply to large industrial consumers in an economically efficient order, **but also a market-based system for industrial consumers, e.i. voluntary reduction of demand offered by industrial consumers against a fair and timely financial compensation,** may have a valuable role to play in ensuring energy security, if they can be applied quickly and significantly reduce demand in response to a supply disruption. More should be done to promote efficient energy use, particularly where demand-side measures are needed. The environmental impact of any demand and supply-side measures proposed must be taken into account, with preference being given, as far as possible, to measures that have least impact on the environment. At the same time, security of supply and competitiveness aspects must be taken into account. "

Justification:

Due to the significant impact of the industrial companies' performance on economy and the fact that gas is used as a raw material in production processes, as a fuel or an energy source, with installations that must operate continuously all the time, **every disruption increases fixed costs, causes technology perturbations and a decrease or stoppage in production.**