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Gasunie Transport Services B.V.  
Postbus 181  
9700 AD Groningen

Alkmaar, 28 November 2021

**Subject: VGN view on the GTS Investment Plan 2022**

Dear Madam/Sir,

Vereniging Gasopslag Nederland (hereafter: VGN) welcomes the opportunity to comment on the draft Investment Plan 2022 (hereinafter: IP 2022) as published by Gasunie Transport Services B.V. (hereafter: GTS) on 1 November 2021, which provides an overview of all planned expansion and replacement investments of GTS from 2022 to 2032. VGN would like to thank GTS for organizing a number of sessions in the previous months to inform system users on the process, form and content of the IP 2022.

As a general remark, VGN does not have the required expertise or detailed knowledge to be able to make an assessment on the individual investments that are included in this investment plan. We assume that the Authority for Consumers and Markets (hereinafter: ACM) and the Ministry of Economic Affairs and Climate (hereinafter: the Ministry) do have the necessary expertise and knowledge for an assessment on the necessity and efficiency of the proposed investments. However, VGN would like to provide its views in relation to a number of points in IP 2022 as set out below.

### **1. The important role of gas storages in the period up to 2032**

VGN is in favour of promoting the continued availability of both L-gas and H-gas storages in the Netherlands for a well-functioning gas market and security of supply. In particular, VGN supports the observations made by GTS in section 3.3 of IP 2022 concerning the use of storage facilities being crucial for security of supply.

VGN maintains the view, expressed earlier in its response to the draft Investment Plan 2020, that the existing infrastructure and market mechanism should be maintained for the benefit of all consumers. Following the closing of the Groningen field, existing gas storage facilities can serve an especially important role as key providers of flexibility and security of supply for the Dutch gas market as well as for other markets in the region. VGN is interested in hearing the views of GTS on potential measures to ensure that existing storages remain operational and closures are prevented, with due consideration of the full range of benefits provided by gas storages to the functioning of the gas market and security of supply.

Here, VGN would once again like to raise attention on the level of transport costs as a risk factor for the continued availability of storage facilities. Transport tariffs for using the GTS transmission system are projected to increase significantly over the same ten-year period until 2032 as within the horizon of the IP 2022. Further investments in the GTS transmission system, and any proposals for further market integration, should be balanced against the general concern of system users on the rising level of transport tariffs.

Fundamentally, VGN does not agree with placing all demand risk on system users. This is a point that has been raised by VGN in the course of ongoing discussions with GTS and the ACM on the Method Decision (*Methodebesluit*) 2022. VGN also does not agree with the principle that all investments are by definition included in the regulated asset base (hereinafter: RAB) of GTS and thus automatically charged to system users. For instance, the high costs resulting from the policy decision to close the Groningen field, such as the investments for the nitrogen facility in Zuidbroek and for switching L-gas users to the H-gas system, should not be borne by system users.

## **2. Scenario alignment**

The various energy systems are becoming more and more integrated. As such VGN welcomes the scenario approach of GTS and the joint effort with TenneT and the RNB. For consistency VGN would prefer if the scenarios and timeframes used in IP 2022 were identical to those in the document titled "*het energiesysteem van de toekomst*" as published by Netbeheer Nederland. The latter presents four scenarios while IP 2022 contains three scenarios with slight differences in timeframes. It would be useful for market parties if these scenarios and timeframes were perfectly aligned, as this would make it much easier to verify the numbers and assumptions.

## **3. Forecasted usage of the GTS transmission system**

VGN notes that IP 2022 contains various tables on the forecasted usage of the GTS transmission system in the period up to 2032. The forecasted usage of the GTS transmission system is of interest to system users as an important element for predicting future tariffs. In that respect, VGN would like to request GTS to provide an additional table where the forecasted usage up to 2032 is translated into the expected "*Rekenvolume*" for the eight segments corresponding to GTS transport tariffs (being for Entry: Border, Storage, Production, LNG; and for Exit: LDC, Industrial, Border and Storage).

## **4. Transfer of assets for the development of hydrogen infrastructure**

In section 3.9 of IP 2022, GTS states that it expects part of its network to be repurposed for hydrogen. For the asset transfer GTS proposes a uniform valuation method and a transfer price based on average regulated asset base value. VGN supports the repurposing of assets for hydrogen. However, VGN is concerned that the proposed method of asset transfer valuation may lead to gaming, whereby relatively new assets are transferred to the hydrogen grid and the older assets remain in the natural gas grid and lead to higher maintenance costs. VGN would like GTS to further explain the safeguards to ensure that assets will be transferred at fair value in the context of repurposing for hydrogen.

## **5. Conversion of industrial users from L- to H-gas**

The investments planned for the coming years includes the conversion of industrial L-gas users to H-gas. In a recent advice from GTS to the Ministry dated 16 June 2021, the following was stated with respect to the phase-out of the Groningen field:



*“Aangezien twee grootverbruikers na de mogelijke sluitingsdatum van het Groningenveld worden omgebouwd, levert de ombouw van deze twee partijen geen bijdrage aan de reductie van het benodigde Groningenvolume. (...) In het licht hiervan adviseren wij een heroverweging van de industrieombouw, met name van de twee partijen die pas na medio 2023 omgebouwd kunnen zijn. Aangezien de ombouw van deze laatste twee partijen geen bijdrage levert aan bovengenoemde doelstellingen zijn naar onze mening de bijbehorende investeringen van tussen € 90 mln. en € 110 mln door GTS en navenante stijging van onze tarieven moeilijk te rechtvaardigen.”*

VGN would like to reiterate that it fully supports the advice from GTS in this matter and believes that the associated investments of approx. €100 mln would amount to a waste that would in the end have to be paid by the GTS system users. VGN asks GTS and Ministry to reconsider this unnecessary investment.

## **6. Change in IT investments from capex to opex**

In section 5.4 of IP 2022, GTS announces that IT investments will be carried out by Gasunie in the future and that associated costs will change from capex to opex. VGN assumes that this is one of the reasons for the decrease in long term capex investments from €101 mln in the previous investment plan to €85 mln per year in IP 2022. In the Method Decision 2022, the ACM does not apply subsequent calculation (*nacalculatie*) on capex investments of 5 and 10 years. For these types of investments the historical capex figures are used as an estimate for the GTS costs and included in the regulated GTS income. Given the announcement in the draft IP 2022, there will no longer be any capex costs incurred by GTS in relation to IT investments, while GTS will receive income for capex costs that they will not incur. On the other hand, the opex costs of GTS may increase. VGN would like to request GTS and the ACM that the proposed change of IT costs from capex to opex does not lead unnecessary high transport tariffs for the users of the gas grid.

## **7. Implications of the investment plan procedure for the Method Decision 2022**

In this final section VGN would like to repeat arguments made previously in its response to the draft Investment Plan 2022, as they remain relevant for the current process concerning IP 2022.

The requirement to carry out a consultation on the draft investment plans prepared by GTS is provided in the Gas Act, and further rules for the consultation process are provided in a ministerial regulation dated 16 October 2018 as issued by the Ministry. Accordingly, the aim of the present consultation is to provide all interested parties with the opportunity to respond, including on the necessity of the concrete investments, within a fixed procedure. Once finalized, any subsequent revisions of the investment plan can only be initiated by GTS for changes which GTS considers to be significant.

VGN has concerns regarding the separation between the process for finalizing and/or amending the investment plan, and the process for finalizing the method decisions and tariff setting. The method decisions set out the calculation methodology for natural gas transport tariffs, including the determination of the RAB. VGN is concerned about the significant increase expected in the level of transport tariffs over the coming period up to 2030. This is a result of the sharp decrease in forecasted capacity bookings and existing GTS gas infrastructure becoming stranded.


VGN is of the opinion that system users should be given the opportunity to consider the necessity of the investments of GTS within the wider context of the total RAB, regardless of whether the investment plan has been finalized. Therefore, VGN would like to repeat its request to GTS and the

ACM to provide additional clarity to system users on the relationship between the separate processes for the IP and the method decisions and tariff setting.

As a final note, we assume that IP 2022 represents the best available forecast of GTS investments, which should also be taken into account with respect to the Method Decision 2022.

We hope to have informed you sufficiently and look forward to receiving the views of all parties concerned regarding the above points and the final version of IP 2022. We reserve all rights.

Yours sincerely,

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René Zwanepol

Chairman

Vereniging Gasopslag Nederland