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

Den Haag, 28 May 2020

Subject: VGN view on the GTS Investment Plan 2020

Dear Madam/Sir,

Vereniging Gasopslag Nederland (hereafter: VGN) welcomes the opportunity to comment on the draft Investment Plan 2020 (hereinafter: IP) as published by Gasunie Transport Services B.V. (hereafter: GTS) which provides an overview of all planned expansion and replacement investments of GTS from 2020 to 2030. 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.

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 IP. 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 the draft IP as set out below.

1. The important role of gas storages in the period up to 2030

VGN agrees with a number of points made by GTS in favour of 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 that “security of supply will require continued availability of seasonal L-gas storage facilities through to 2030 at least” and that “any closure of a seasonal H-gas facility will lead to shortages in the market for H-gas flexibility”.

VGN shares the view 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 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 2030 as within the horizon of the draft IP. 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 2022 (*de Methodebesluit*). 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. Forecasted usage of the GTS transmission system

VGN notes that the draft IP contains various tables on the forecasted usage of the GTS transmission system in the period up to 2030. 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 2030 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).

3. Investments for the development of hydrogen infrastructure

The Dutch Climate Agreement (*het Klimaatakkoord*) includes a programme for hydrogen, and the development of a market for hydrogen is one of the policy goals for the Dutch government. As such, the draft IP also takes into account demand scenarios for hydrogen and the possibilities for developing hydrogen infrastructure using existing natural gas infrastructure. On this point GTS refers to a previous analysis which concluded that almost all parts of the GTS network are suitable for the transmission of hydrogen with additional investments (estimated at €1.7 billion in 2019 excl. any acquisition costs).

GTS further refers to the question of whether hydrogen will become an integral part of the current gas market or whether it will constitute a separate market with its own dedicated infrastructure. While there can be a future role for hydrogen in the Netherlands and in parts of Europe, VGN believes that natural gas and hydrogen can only be complementary components of the energy mix and do not constitute perfect substitutes. It is therefore important that there is no cross-subsidization of hydrogen investments via transport tariffs charged to natural gas system users.

The proposed hydrogen system should be clearly separated from the existing natural gas system, whereby users of the natural gas system are not exposed to the costs of developing the hydrogen market and infrastructure. Similarly, where existing parts of the natural gas infrastructure are made available for hydrogen, such parts should be sold at a market price and the proceeds taken out of the RAB.

In order to ensure transparency and safeguard the ability of interested parties to respond to the proposed investments, GTS should make clear which investments are linked to which types of gas. VGN notes that there are no hydrogen investments included in the current draft IP. In the future, separate overviews of the investments planned for hydrogen, natural gas, and other types of gas should be included in the IP (as appropriate) or otherwise provided to all interested parties.

4. Implications of the IP procedure for the Method Decision 2022

The requirement to carry out a consultation on the draft IP 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 IP can only be initiated by GTS for changes which GTS considers to be significant.

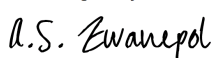
VGN has concerns regarding the separation between the process for finalizing and/or amending the IP, and the process for finalizing the Method Decision 2022 where discussions led by the ACM are still ongoing. The method decisions set out the calculation methodology for natural gas transport tariffs, including the determination of the RAB. As such, the outcome of the Method Decision 2022 is of central importance to system users, including VGN, who are 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.

Therefore, 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 IP has been finalized. VGN would like to invite GTS and the ACM to provide additional clarity to system users on the relationship between the separate processes for the IP and the Method Decision 2022, especially with regard to the status of concrete investments outlined in the IP in case of a re-determination of the total RAB.

As a final note, we assume that the IP represents the best available forecast of GTS investments and will also be taken into account in 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 IP. We reserve all rights.

Yours sincerely,

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René Zwanepol
Chairman
Vereniging Gasopslag Nederland