

Eurogas Response to ACER's Public Consultation on the Bridge beyond 2025

General Comments

Eurogas welcomes ACER's public consultation on the Bridge beyond 2025 and the opportunity to provide feedback.

The uncertainties and challenges currently faced by the gas market have changed fundamentally in the face of the energy transition and the European climate objectives. This entails re-assessing the effectiveness of the available regulatory toolkit.

We believe that gas in its different forms will remain essential to the energy market¹. Hence, the primary objective of this exercise must remain to achieve a liquid, well-functioning gas market to maximise EU welfare stimulated by the setting up of a fit for purpose regulatory framework reflecting real market needs.

Its key aspects should ensure security and diversification of supply, the development of renewable and low carbon and decarbonised gases, including green and blue hydrogen, their integration into the gas market, the protection of the interests of customers, and facilitating the energy transition through sector coupling.

In other words, the regulatory framework resulting from this exercise should support an efficient use of existing infrastructures as a precondition for a healthy energy system and gas market functioning. At the same time, the revision of the current regulatory framework should be based on a long-term vision, in which natural gas is increasingly replaced by renewable, low carbon and decarbonised gases and there is an increasing interconnection between gas and electricity infrastructures.

ACER already has an important role to play in monitoring market performance, promoting cooperation between NRAs and ensuring effective oversight of regulated activities. Eurogas considers it important that ACER is equipped with sufficient resources and competences to perform well on its existing tasks. Any future additional competences will need to be sufficiently justified and, once awarded, sufficiently funded to ensure the effectiveness of the Agency. For example, as further explained in the document, Eurogas supports a review of ACER powers to monitor and assess the level of competition across markets in Europe, and a role for ACER in actively supporting the implementation of EU rules where lack of progress is proven.

¹ This will depend on the initial energy mix of each MS. In countries with high CO₂ emissions due to coal power production, natural gas will be a positive avenue to explore.

1. Is the proposed response set out above appropriate to address the challenges the sector faces? What should be done differently and why?

Eurogas supports ACER's approach in addressing the challenges the sector faces and agrees that "a more targeted GTM-based approach appears to be merited" which does not necessarily mean fundamentally altering the existing Gas Target Model but rather finding ways and tools to improve its implementation and its effectiveness.

As highlighted by the last Market Monitoring Report, gas market integration has improved in Europe in recent years and gas wholesale prices have shown increasing levels of convergence in many hubs. But there is still a lot to be done to achieve the Gas Target Model objectives (not totally and not homogeneously achieved across Europe). In this context, Eurogas would welcome further details on the possible measures ACER intends to use so as to improve market monitoring and remains at the Agency's disposal to discuss these new avenues and their impact.

In sharing our support, we believe that it is appropriate to differentiate between measures that may be implemented on a EU wide basis and measures belonging to a regulatory tool kit which could be implemented on an ad hoc basis and whenever the renewed and deepened ACER's monitoring activity so recommends.

Notably, the activation of the measures to be implemented on an ad hoc basis to address specific issues, would require defining a set of standard monitoring benchmarks at EU level as well as general rules for ACER's monitoring activities, covering inter alia the way ACER may collect data and ACER's enforcement powers to ensure that potential recommendations are thoroughly executed. More details in this regard are covered in our answer to question 1.b.

With respect to measures potentially implementable at EU wide level, Eurogas could support, subject to further elaboration of more detailed proposals and analysis:

- We note the idea to create an EU-wide blacklist for rogue market participants. We would underline that the priority should be to ensure that NRAs, TSOs, DSOs and market operators are enabled to detect fraudulent behaviours. If detection is insufficient in protecting customers then, we would encourage the use of an EU-wide blacklist, the publication of which would be subject to clear conditions.
- The introduction of an EU passport principle for all licences (or at least for licenses required to operate on the wholesale markets), whereby a license acquired in one market could be considered as "a passport" for accessing other EU markets. This should be based on standardised minimum requirements.
- The obligation for TSOs to delegate or mandate legally required tasks only as long as there is an equivalent regulatory oversight onto the delegated entity (e.g. capacity booking platforms should ensure the same level of transparency which TSOs are subject to).
- The move away from balancing platforms and towards national traded markets or to a neighbouring traded market as already prescribed by the BAL NC.
- The improved enforceability of ACER's opinions prescribed in the TAR NC. The recommendations included in the ACER's opinions are currently left to the willingness of NRAs

to comply with even when such recommendations clearly identify situations of non-compliance with the TAR NC or a cross border impact.

Some of the above measures may require changes to European legislation.

In addition to the measures mentioned above, we support ACER's suggestion that additional specific measures may be needed when issues are identified through monitoring and confirmed by thorough assessment. We believe that these are measures that, while being part of a new pre-defined regulatory toolkit, should only be implemented when objective market conditions so require and always with a local (national or regional) approach rather than at EU level. Inevitably, the measures of this toolkit should be designed so as to grant NRAs and ACER enough flexibility for their most suitable activation. As part of this list we would encourage ACER to further explore the following measures:

- Cross-sectoral coordinated Security of Supply (SOS) measures considering cross-commodity and cross-facility competition. This should ensure implementation of synergies between the gas and power sector enhancing security of supply in the most efficient way possible, e.g. making sure that interruptibility mechanisms are effectively open to CCGTs and take into account scarcity signals both on the gas and power markets.
- To tackle high cross border transmission tariffs that at a specific IP negatively affect cross border trading, Eurogas supports cooperation between NRAs to agree a tariff reduction at the identified IP. NRAs should cooperate towards a transmission tariff reduction provided that it brings benefits in terms of overall liquidity, competition and costs to final consumers. This may require ACER support and it may entail the introduction of adequate measures to take into account the impact of the change on capacity holders.
- In case an ITC mechanism is implemented, additional transparency requirements covering the calculation and the value of the allowed revenues.
- Bottom-up market merger initiatives designed on the basis of thorough cost benefit analysis to be approved by ACER when NRAs struggle to find a workable agreement. CBA analysis should consider the impact on neighbouring markets.
- Where they exist, the removal of administrative and legal requirements representing major blocking issues that create disproportionate burden and hinder market access, e.g. Polish storage obligations, Romanian central market obligations, language barriers and limits to transparency, registration procedures of different nature, reporting obligations, and many others.
- On tariffs and with respect to defining entry-exit system needs more accurately, we consider necessary to also clarify the definition of "standard firm and interruptible capacity products" notably building on CAM NC and give more transparency to evolution of technical capacity.
- Rules around capacity bookings may have both a backward (with reference to existing bookings) and a forward (future bookings) looking dimension. Eurogas believes that with respect to future bookings, the CAM NC contains sufficient power to make sure that capacity is acquired by market players without hampering the level of competition. On the contrary, with respect to existing bookings, we observe that in some markets, CMP rules, and in particular long term UIOLI measures, have proven to be insufficient to prevent players to preserve a dominant position.

- To avoid risk of dominant position developing, Eurogas is of the view that, throughout Europe, capacity is to some extent still linked to old long-term capacity contracts which do not match the move towards liquid short-term commodity markets and may cause access issues in less developed markets. Eurogas has consistently supported a regulatory framework that enables shippers to build a diversified portfolio of capacity contracts of different durations which suit companies' commercial strategies and evolving market conditions.
- To create a level playing field and ensure long-term contestability, Eurogas would support a higher share of capacity (existing capacity and bookings) being allocated on a short-term basis. Taking into account the impact on the market, this could be achieved, for example, by first allowing shippers to voluntarily release existing long-term bookings. This could avoid reverting to more intrusive interventions.
- The impact of the capacity release on the market varies and depends on whether the capacity released would be booked again. Therefore, a threshold could be considered for possible mitigation to take account of the potential impact on tariffs and network users.

Eurogas would welcome options increasing the amount of capacity allocated on a short-term basis provided that this does not diminish shippers' ability to deliver on existing long-term commodity contracts, in line with EU security of supply objectives.

With respect to governance, the 2020 process offers an opportunity to review the existing governance framework to improve the current process for implementation and enforcement of EU rules. Eurogas would in particular support:

- A review of the Commission's enforcement powers to ensure that the Commission is able to address instances of consistent lack of progress in implementing EU rules more effectively and quickly;
- A review of ACER powers to monitor and assess the level of competition, and actively support the implementation of EU rules (for example: members states should be obliged to follow structured processes supported by regional roadmaps). ACER has currently very limited ability to go beyond the reporting of formal compliance and to play a role in implementation processes.

At this stage however, we are not convinced of the need for ACER to approve the ENTSOs budgets. ACER already provides reasoned opinions on their draft annual work plans, which include staff numbers. To the extent a degree of ex-ante scrutiny of ENTSOs budgets is considered necessary, the draft annual work plans could be adapted to include high level budgetary information.

a. For monitoring the GTM metrics and prompting action, should the threshold values be set out at EU level? What should they be? Who should set these values?

Whilst GTM metrics are valuable tools aiming at the development of the internal gas market, they should try to address regional issues adequately, for instance the implications of the storage obligation e.g. Poland, the discriminatory regulatory framework of certain member states e.g. price cap for domestic consumers in Romania, the impact of merging multiple balancing zones e.g. Germany.

This means that, while general GTM metrics focusing on monitoring the competitiveness of the different markets may be well defined at the EU level, certain situations may require more specific analytical tools.

It is Eurogas opinion that for sake of efficiency monitoring efforts should focus on the biggest markets in Central and Eastern Europe – Poland and Romania – which have recently witnessed strong re-nationalisation trends in their respective gas markets.

In Poland competition indicators (number of active market participants, HHI, etc) are deteriorating due to national energy independence related policy, with the latter supporting the re-emergence of a national, integrated gas, LNG and infrastructure (storage). In Romania, the level playing field to export indigenous gas/access indigenous gas could pave the way for a competitive domestic gas market.

Transforming these markets may in fact provide a pull-factor for adjacent ones.

Furthermore, competition level should be monitored through indicators such as HHI or switching level, currently part of the GTM metrics. At the same time, the GTM should acknowledge that forward and future trading and relevant risk management is expected to be concentrated at TTF.

Finally, the relevant GTM metrics should set adequate targets, clearly identifying both positive and negative outliers, while no monitoring activity should lead to market operators being burdened by further administrative/reporting duties.

b. Should there be new principles for tariff and allowed revenue methodologies in legislation e.g. ensuring a level playing field between the gas and electricity sectors? What principles would be crucial?

Sector coupling will be instrumental in delivering a socially acceptable, cost-efficient energy transition and ensuring there is a level playing field between the gas and electricity sectors will be of utmost importance in this sense. Eurogas supports ACER's approach in ensuring that network charges provide a level playing field between gas and electricity.

As new markets take shape, emphasis should first and foremost be put on creating the policy and regulatory framework which supports the commercial development of new technologies for the production of renewable, low carbon and decarbonised gases. This may require explicit support to commercial development until new technologies reach maturity and gradual phase out of support as innovation and competition drive a reduction of costs.

EU legislation commands that "in calculating tariffs for access to networks, it is important to take account of the actual costs incurred, insofar as such costs correspond to those of an efficient and structurally comparable network operator, and are transparent, as well as of the need to provide appropriate return on investments and incentives to construct new infrastructure" (cit. Gas Regulation). Achieving such an objective should allow at least some degree of benchmarking of TSO tariffs among the different countries. Notwithstanding the differences and the specificities of

each gas system, comparing how allowed revenues and cost allocation are performed in each market should be possible and it should lead to the identification of outliers, both to praise and to criticize. To this end article 34 of the TAR NC should, for instance, be reinforced as to make more explicit the function and the use of the report on the methodologies and parameters used to determine the allowed or target revenue of transmission system operators ACER was asked to produce by 6 April 2019 and that will be renewed once the first round of TAR NC implementation action is concluded by all Member States.

The impact of transport LTCs coming to an end should be monitored by ACER. In case LTCs are not renewed and level of tariffs at some IPs prove to be an issue, Eurogas supports ACER's suggested measures including ad hoc cross-border tariff reduction based on NRAs agreements or a regional merger approach, possibly supported by an ITC mechanism (see answer to question 1 for additional detail). This course of action should be based on a sound cost benefit analysis in order to not induce excessive long-term investments with the risk of stranded assets.

In particular, we would like to emphasize that, from a system users' perspective, three points are important in this context: a) it should be ensured that such a mechanism would not lead to higher grid fees; b) if an ITC was introduced, harmonisation of the methodology to calculate grid fees would be needed; and c) an independent auditor would be needed to oversee the ITC and the fee structure.

When assessing investments, Eurogas recommends taking into account the impact on the whole energy system, including related investments into grids and flexibility assets. This holistic approach would ensure technology neutrality. Consequently, the costs of support schemes for renewable and decarbonised gases should be compared to other schemes taking into consideration this holistic view, and in particular all regulated investments in grids and flexibility assets, to ensure the most cost-effective solutions for end-users.

Electricity and gas end-user tariffs should be more cost reflective. This is key to ensure a level playing field in the decision-making process of end-users' investment choices, for instance when choosing between gas and power heating solutions. To achieve this cost-reflectiveness, the structure of the tariffs should reveal more efficiently the costs generated by different consumption patterns e.g. focusing on seasonal consumption that is the most demanding in terms of infrastructure investments. Furthermore, transparency should be given on these end-user tariffs expected evolution, especially when massive infrastructure investments are planned.

Transparency on the expected evolution of regulated costs should be increased for consumers to have a full overview and understanding of future tariffs. Additionally, while keeping yearly bills constant, the tariffs could be adapted to the consumers' consumption patterns in order to incentivise the most sustainable investment direction.

2. Should the Agency develop a joint Electricity and Gas Target Model in view of sector coupling and what key features should this model have?

Eurogas has consistently supported ACER's work on the Gas Target Model and its overarching objective to create an efficient, secure and competitive gas market.

Eurogas takes note of ACER's long-term ambition to develop an efficient model for the optimal coupling of the Electricity and Gas sectors and would welcome the opportunity to contribute to any future work ACER will undertake in this area. Eurogas believes that integration of the electricity and gas sectors will require some degree of convergence in the approach taken for both infrastructure development and market design rules.

With respect to infrastructure, since the end of 2016 the TSOs are developing the interlinked model which has been foreseen in regulation 347/2013. The aim of the interlinked model is to make sure that all transmission infrastructures as well as storage and LNG facilities are put to best use. For the construction of new infrastructure, the interlinked model defines the rules in which cases a CBCA should be followed through to define which investment in the various infrastructure is the most efficient and resilient in the long run. That way a joint infrastructure assessment is created. In the CBCA the effect of the investments for the end consumer has to be taken into account in the sense, that the costs borne by the end consumers e.g. switch from gas heating to electricity heating or comparison between electric vehicle to CNG or hydrogen vehicle are as relevant as the project costs itself when taking into account the impact of changes in consumption and sectoral sharing on the system itself and the costs thereof.

An important goal of the interlinked model should be cost efficiency paired with an increase in resilience. As the interlinked model builds on the scenarios and outcomes of the TYNDP's, we propose that for the scenario building the system resilience is especially taken care of. In the discussion of the scenarios we miss a layer of calculation projecting that planned projects are not built or built later than expected and how this could influence the projects for the future. All forecasts need to be done with a critical test of the effects of extreme weather like longer cold spells, dark-windless-periods, low water levels in the rivers.

We consider the interlinked model only a first step to support sector coupling. Alongside the work on the interlinked model, we propose to align the national grid development plans – which are the base for the national transition scenario – between electricity and gas. The joint exercise on EU level has proven to be very efficient. If in the national grid development plan, electricity and gas do not take each other into account the results risk making the EU level exercise less consistent. An extreme case would see an electricity TSO to plan for 100% residential heating electrification whilst the gas TSO in the same country would plan for 100% gas heating. With separate scenario processes this could easily happen.

Secondly the work between the DSO and the TSO has to be intensified. The large majority of onshore renewable plants in electricity and gas are connected to the DSO. Therefore, a close cooperation between all infrastructure providers is key, not only the TSO.

On the market design side, policy makers and regulators have developed the GTM and the electricity market design having in mind each sector as largely separate from the other one. As sectors become more and more integrated from an infrastructure point of view and joint infrastructure planning is adopted, we agree with ACER on that sector coupling will require reviewing both the gas and the power market rules with a view to identify possible areas where greater convergence or consistency of rules may be needed. For example, to the extent that power to gas can offer balancing system stability services to the power sectors, the power market design and the gas market design should allow for power to gas to compete against other flexibility services in the power balancing or ancillary services market. Equally, to the extent that power to gas can offer balancing and security of supply services on the gas market, it should be able to compete with other gas flexibility sources (e.g. withdrawal from gas storage or gas interruptibility services).

Eurogas would welcome the opportunity to contribute to ACER's thinking in this area and believe that any changes in the existing rules will need to be properly justified and supported by thorough analysis showing that the change is needed to ensure maximisation of overall market efficiency and competitiveness across both sectors as a whole.

3. Is the proposed response set out above appropriate to address the challenges the sector faces? What should be done differently and why?

Eurogas is of the view that the effective separation of networks from activities of production and supply is a fundamental pillar for achieving the objective of a well-functioning internal gas market. DSOs and TSOs play a crucial role in facilitating the development of a competitive market. Unbundling rules guarantee that network operators act as neutral market facilitators in undertaking their core functions. As a first principle, TSOs and DSOs as regulated entities should not be involved in competitive activities different from the regulated missions they have been entrusted. Such a mission should include transport of all different forms of gas, including renewable and decarbonised gas.

R&D projects may help to improve grid operation and linked activities and we note that different Member States may develop different pathways. As new markets take shape, the principles above should be maintained, and emphasis should first and foremost be put on creating the policy and regulatory framework which supports the commercial development of new technologies for the production of renewable and decarbonised gases. This may require explicit technology specific support - through competitive tenders for larger projects - to commercial development until new technologies reach maturity and gradual phase out of support as innovation and competition drive a reduction of costs.

If, however, an adequate framework to support commercial deployment of new technologies is not developed and the market is not reacting and developing autonomously because there is not enough appetite to kick-start some activities, for example power to gas installations, a role could be envisaged for other interested parties, including network operators, to own and develop these assets provided that:

- The tendering process should be transparent;

- In case of absence of market response to the auction process, further work on the development of the market framework/creating a framework for commercial viability has to be carried out.

This should be allowed only for a limited period, until a market test reveals market uptake, with potential new revenue streams linked to this market facilitator role and respecting unbundling rules. This role for network operators should be subject to appropriate regulatory oversight, to avoid any detrimental impact on existing and future competition, with clear principles/criteria to determine the degree of contestability in an agreed set of activities. Similar to the proposed electricity provisions in the Clean Energy Package, these new activities should only be done by grid operators if other parties, following an open and transparent tendering procedure, have not expressed an interest to carry out those activities. In case TSOs or DSOs develop power to gas facilities, these should operate under TPA rules and network operators should not own the electron or the molecules. A regular market test should monitor whether the market situation is evolving and exit conditions should be clearly expressed and defined in advance.

Eurogas considers the need for the creation of a DSO entity for gas:

- to deal with issues of cross-sectoral relevance, the EU DSO entity for electricity Distribution system operators shall ensure coordination, on an equal footing, with Gas Distribution system operators.
 - Indeed, several topics of which the proposed entity will take charge, such as data management, cyber security or the coordinated planning and operation of TSO and DSO networks, are areas in which decisions will concern and impact both the electricity and gas sectors and the energy system as a whole.
- a. Who should provide data on the availability of decarbonised gases by location so as to enable assessment of changes of gas system needs and flows, in parallel to greater availability of decarbonised gases? At what frequency should this data be provided to the Agency?**

To achieve the Paris commitments at least cost European gas infrastructure will be needed to transport and distribute high levels of renewable and decarbonised gases, such as H2 and biomethane, by 2050. The injection of different gases shall not endanger the existing interoperability of the EU gas infrastructure which is crucial for the integrity of the internal market.

As such and considering this, the first step could be to assess the maximum blending level in TSO pipelines as a pre-requisite to blending further down to value chain all the way down to appliances connected to the grid. This level could be considered as a starting point especially for the cross-border-pipelines. Higher levels in certain parts of the TSO or DSO grids might be possible according to the different materials making up the grid. Polyethylene or PVC pipelines, for instance, would be able to accommodate larger amounts of hydrogen. As some countries have a very low threshold that is not based on extensive tests of the grid components or appliances but rather historical rule settings, we want to attract attention to work currently taking place in technical associations to which Eurogas is participating. We would recommend that ACER monitor and take stock of this work as it is being finalised.

A close cooperation would then be required between the DSO and TSO – similar to the L-Gas/H-Gas- conversion planning –to optimize the gas being fed in. In certain areas H₂ could be methanated and transformed into synthetic gas, for example with local CO₂ from biogas plants, to ease the transition towards a decarbonized future. The most cost-effective solution, depending on local conditions, should ensure minimal impacts on tariffs for final consumers, and market-based solutions (e.g. to guarantee a minimum flow of methane at certain points of the grid) should be privileged to limit investments.

In addition, gas quality fluctuations in the grid outside the allowed ranges could be adjusted through filters separating H₂ and CH₄ molecule at the exit for example.

All options would need to take into account technical feasibility in terms of end users and appliances. Over time, the latter will be replaced in any case (lifetime of 15-20 years) and new appliances that can take higher levels of hydrogen up to 100% could substitute the existing ones. These appliances which are already in the design phase should be able to operate not only in a wide range of the Wobbe Index but have the possibility –e.g. through an exchange of the burner unit - to be operated also at 100 % of H₂.

The gas quality according to the CEN standards should be ensured for final users by TSOs and DSOs. Therefore, the DSO will need more timely information from the TSO to inform their sensitive consumers in case of unexpected changes outside the designated Wobbe index ranges. They could be complemented by the installation of in-grid sensors that could adequately map the evolutions of quality of the blend along the grid and deliver relevant data to applications with the future possibility in the future also to provide additional information to installers and smart meters. CEN is currently working on updating the current gas quality standards to adequately take into account the new dynamics which will come out of the development of renewable and decarbonised. As the current work foresees a proposal based on three ranges for gas qualities, and a need for DSOs and TSOs to select a range depending on the parts of the networks, Eurogas would suggest that ACER take stock and monitor this work over the coming months. This work and its conclusions should be incorporated when considering the regulatory framework beyond the Bridge.

In order to meet the needs of sensitive consumers the possibility of producing synthetic gas from methanation should also be considered to keep parts of the grid on more narrow gas quality ranges for prolonged time through stable mixtures.

As per the frequency of data reporting, we think a yearly reporting scheme would be optimal. This should not preclude TSO and DSOs at the national level from sharing this data at more regular timestep to ensure gas quality and balancing rules are met, or that data is shared more often with national regulators. Additionally, as most renewable gas today is injected at the local/distribution level, and as this data is increasingly being shared and consolidated in the TYNDP exercises today, we believe that regulated operators are the most relevant entities to provide this data. The “fundamental data” that is outlined in the consultation paper should avoid imposing administrative burden on system operators by requiring high levels of granularity in the information or detailed operational data.

- b. Do TSOs face a conflict of interest in the future in planning gas and electricity infrastructure? If so, would stronger regulatory oversight resolve the problem? Which powers are needed and at which level (European, regional, national)? Would transparency requirements on TSOs/ENTSOs mitigate this problem and if yes, what shall be done?**

The issues raised in question 2 are important and require a high level of neutrality. Increased involvement of ACER for the European TYNDP exercise and in applying the interlinked model, in particular to guarantee a high level of transparency on all upcoming investments, to ensure proper taking into account of all constraints (in particular climatic), on consequent tariff impacts, and on requiring sensitivity analysis, could be key to help solving these issues, but indeed requires significant dedicated resources to avoid delaying the process. Moreover, ACER's intervention should not lead to stiffen the delivery of the TYNDP which must remain indicative plans rather than prescriptive or mandatory tools.

On transparency requirements, enforcing the European acquis would already be a key progress. For TSOs, more transparency on the internal constraints of their grids could help the market to better anticipate possible congestions and improve the transparency of technical capacity definition exercise.

As regulated entities, and along with DSOs, TSOs have the responsibility to facilitate a well-functioning market; increasingly facilitating the injection of renewable gas also comes to the fore considering current energy transition objectives.

Along with this, regulated entities typically have safety and security responsibility linked to public services contracts for the delivery energy to final consumers. A possible risk of conflict of interest could therefore arise if TSOs on the electricity and gas side work in isolation, with the extension to the DSO level too. A possible conflict of interest could arise, for example, in case a network congestion could be addressed by either an expansion of the electricity grid or the installation of a power to gas facility providing flexibility to the power network. In such a case, the TSO should consider power to gas and the procurement of a long-term congestion management service as an alternative to the expansion of its own grid. As the TYNDP now includes a joint scenario stimulating joint planning, and as the development of the interlinked model is looking at CBCBA for gas and electricity as a way to plan more adequately and coherently this should help addressing trade-off between gas and power infrastructure. Considering the expected evolution of the production pattern of renewable and decarbonised gases being more decentralised, we expect further emphasis on DSOs in the planification of the energy system. To facilitate this process, Eurogas reiterates its call for separate entities to ensure issues are tackled adequately. Coordination between the entities and with the ENTSOs would be required as well.

4. What powers are needed for dynamic regulation to be effective?

Eurogas supports ACER's approach to dynamic and flexible regulation especially in relation to the future decarbonisation and sector integration objectives. We support market-based measures where conditions allow. A technology neutral approach is by definition the least-cost approach where tenders are published and answered by interested market parties in a competitive way. Pro-active regulatory intervention can be supported only in case of a proven market failure due,

for example, to externalities which cannot be internalised by market participants. There should be a review of market rules across gas and electricity as they affect sector coupling assets such as power to gas and gas to power assets to ensure no undue distortions are emerging. More details on to the functioning of power to gas facilities is outlined in answer to question 3.

Eurogas supports the inclusion of investments in power to gas and, more generally, investment supporting new forms of gas, such as decarbonised gas produced with CCS, or renewable gas produced from waste, into the TYNDP and possibly PCIs, where this would facilitate increased efficiency to support the energy transition. In addition, we call for the definition of a binding target at EU level for renewable and decarbonised gases together, based on the existing EU renewable energy target and to be established within National Energy and Climate Plans, without affecting the revised Renewable Energy Directive (REDII). The target should be time-limited with the objective of enabling r-gas and d-gas to reach technology maturity and scale. It should encompass both r-gas and d-gas on a technology-neutral basis. Delivery of the target should be based on market measures such as tendering. The target can help create a predictable environment for innovation and investment.