



South Gas Regional Investment Plan 2019

South GRIP 2019

- Communication -

The Transmission System Operators of the South Region - GRTgaz and Terega, REN Gasodutos, Enagás and Reganosa, “The TSOs” – have agreed to prepare a concise South GRIP update for 2019, given that the status of the interconnection projects within the Region contained in the TYNDP 2018 is currently being reassessed, and therefore the publication of the South GRIP in the usual format would not fulfil the goal of adding clarity to the TYNDP.

The rationale for this option is detailed in the concise South GRIP update for 2019 accompanying this Communication.

The TSOs wish to clarify that they will keep collaborating to ensure the publication of following GRIP editions with the best information available.

The way to proceed has been consulted in advance with the European Commission, ACER and the competent authorities of each Member State, as well as ENTSOG. The South GRIP update for 2019 (concise version) will be published in ENTSOG and TSO’s web sites.

- South GRIP update for 2019 (concise version) -

Background

Promotion of regional cooperation arises from the requirement for Member States and regulatory authorities to “cooperate with each other for the purpose of integrating their national markets at one and more regional levels” established in Article 7 of the European Directive 2009/73/EC. Regulation (EC) No 715/2009 of the European Parliament and of the Council, of 13 July 2009, on conditions for access to the natural gas transmission networks, lays down in Article 12 (1) Regional cooperation of transmission system operators: *“Transmission system operators shall establish regional cooperation within the ENTSO for Gas to contribute to the tasks referred to in Article 8 (1), (2) and (3). In particular, they shall publish a regional investment plan every two years, and may take investment decisions based on that regional investment plan.”*

In order to comply with the Regulation, EU Transmission System Operators (TSOs) have ensured the above-mentioned regional cooperation with the publication of the Gas Regional Investment Plans (GRIP) GRIPs

South GRIP editions have already been published for 2011 (24/Nov), 2014 (27/Mar) and 2017 (27/Jul) by the TSOs of the three countries in the South region: France, Portugal and Spain. The 2014 publication was the South GRIP 2013, which had a public consultation between the 12th of December 2013 and the 5th of January 2014. In the year of 2015, the TSOs of all the regions and ENTSOG agreed that none of the GRIPs would be published because future editions would be prepared based on a set of data common to previous TYNDP. In general, despite the participation and responsibility of all TSOs involved - GRTgaz and Terega (formerly TIGF), REN Gasodutos, Enagás and Reganosa (in the 2017 edition) - the coordination of the necessary activities and correspondent workload has been provided, on a rotational basis, by one of the TSOs. After the coordination from the TSOs of Spain and France for elaborating the previous editions, REN Gasodutos has assumed this role since summer 2018, and thus for the 2019 South GRIP edition.

The main aim of the GRIPs, together with the European Ten-Year Network Development Plan (TYNDP) reports, is the assessment of the level of completion of the European Energy policy pillars (security of supply, market integration, competitiveness and sustainability) from an infrastructure perspective. The TYNDP pursues the development of an assessment of the gas system resilience and a supply adequacy outlook, along with the identification of the investment gaps related to infrastructures needed in order to achieve the basis of a single internal gas market, called upon by the European Single Act ratified by all members. This way, the TYNDP analyses how the submitted infrastructure projects would contribute to cover these infrastructure gaps and gas system needs.

Added value of the GRIPs

The added value of the GRIP is to go further in terms of analysis and details on the assessment of the transmission system at regional level, and the projects that remedy these needs. It investigates the role

of these projects in the improvement of market integration in the South Region and of the South Region with the rest of the European Union. Another objective of this document is to explain in more depth the benefits of the projects.

Since the first publication of the GRIP reports, many efforts were put on the improvement of the quality of the documents by the TSOs, in close cooperation with all stakeholders. Based on the feedback on previous editions and the views of the Agency for the Cooperation of Energy Regulators (ACER) during the Stakeholders Joint Working Sessions organised by ENTSOG throughout 2016, some significant improvements have been included in the last edition of the GRIPs (2017). One of the major improvements of the GRIPs 2017 was the agreement established between the regional groups and ENTSOG in order to get it closer to the TYNDP, sharing the same calendar and the same set of data. The projects collected in this document were sourced from the TYNDP 2017 portal according to three categories: Transmission, UGS and LNG Terminals. Demand forecast and project impact assessments were totally aligned with TYNDP 2017, allowing an in-depth analysis of the South Region investment gap and how the proposed projects address the regional needs.

In past editions of the South GRIP, special attention has been put on the identification of the infrastructure gaps in the South Region, due to its dependence on LNG (specifically in Spain, Portugal and South of France) and limited access to alternative supply sources, resulting in large price spread between South hubs and North West hubs, particularly when LNG is expensive. As a consequence, the importance of the PCI projects in the region has been highlighted as of crucial importance for the region. For example, it is referred in South GRIP 2017 Executive Summary that:

“Gas network in this Region is resilient enough... The only lack of robustness in the gas network is related to the N-1 indicator for Portugal, since the Portuguese gas system is not able to cover the supply in these circumstances for all the scenarios. However, the commissioning of the 3rd Interconnection between Spain and Portugal would solve this problem.”

“Regarding the competition and, more precisely, the access to different supply sources... the three countries of the South Region would have access to five different sources after the commissioning of the PCI infrastructure cluster (Russia, Norway, Algeria, LNG and European national production), thus complementing the respective supply mixes of each country.”

“The Iberian Peninsula and South of France have been identified in ENTSOG TYNDP 2017 as areas with dependency on LNG... The dependency of the Iberian Peninsula would be mitigated with the commissioning of PCI projects, especially in low demand scenarios.”

“... projects submitted for TYNDP 2017, both FID and non-FID projects, are expected to enhance the operation of the network, increasing interconnectivity of the countries involved, ensuring the security of supply and granting the access to a more diversified portfolio.”

For the 2019 GRIP editions, ENTSG members agreed to keep the same coherence between the TYNDP and the GRIPs. This means that the projects to be included in the South GRIP 2019 should be the same as the ones already regarded in the TYNDP 2018, including the PCI projects of the region. The assessment done and the conclusions regarding these projects should be mentioned, and a deeper analysis should be conducted in order to support its importance.

Development / state of play of the South GRIP 2019

South GRIP 2019 has followed the planning presented in the table below for the year 2019.

GRIP 2019	Entity	February	March	April	May	June	July	August	September	October	November	December
1. GRIP coordination / initial preparation												
1.1 Request for simulations from ENTSG	TSOs / ENTSG	12, 22										
1.2 Request of data results from ENTSG	TSOs / ENTSG	22		16								
1.3 Discussion of table of contents	TSOs				10							
1.4 Chapter assignment between TSOs					16							
2. GRIP draft elaboration / content development												
2.1 Exchange of data between TSOs	TSOs											
2.2 Draft chapters elaboration	TSOs											
2.3 Exchange of draft chapters for TSOs comments	TSOs											
2.4 Comments and review of chapters	TSOs											
2.5 Draft GRIP compilation and final review	REN / TSOs											
2.6 Final GRIP for Board approval	TSOs											
3. GRIP approval and publication												
3.1 TSOs' Board approval	TSOs											
3.2 Editing and printing	REN / Editing SP											
3.3 Final document publication	REN/TSOs/ENTSG											

The development of the project has been divided in three main stages:

1. The tasks associated to the initial preparation of the report and the coordination of the necessary activities and correspondent workload, which included the request for simulations and data results to ENTSG, discussion of the table of contents and assignment of the chapters' responsibility between the TSOs;
2. The elaboration of the draft GRIP report and its content development, including exchange of data between TSOs, preparation of the content of each draft chapter, exchange, revision and final compilation of the final draft GRIP for Board approval in each company;
3. Board approval in each company, graphic editing, printing and web versions preparation for publication before the end of 2019.

Interconnection projects included in the TYNDP 2018

The projects included in the TYNDP 2018¹ are:

1. **STEP (South Transit East Pyrenees)**, promoted by Enagás and Teréga, a third physical interconnection between France and Spain on the eastern part of the Pyrenees. The project

¹ Projects included in TYNDP 2020 Annex A – Projects Detail

provides up to the following capacities: 230 GWh/d from Spain to France and 180 GWh/d from France to Spain. In the French side, these physical capacities are interruptible. In the Spanish side, the project provides the following firm capacities: 110 GWh/d from France to Spain and 120 GWh/d from Spain to France, being the rest interruptible.

2. **MidCat (Iberian-French corridor, Eastern Axis – MidCat project)**, promoted by Enagás, GRTgaz and Teréga, which aims to develop the interconnection capacity between France and Spain. This project creates 160 GWh/h from France to Spain and 230 GWh/h from Spain to France firm capacities. The project consists, in addition to STEP infrastructures, on the following sections:
 - ✓ In Spain (Enagás section): a pipeline (loop) from Castelnou to Villar de Arnedo; a pipeline (loop) from Tivissa to Arbós; new filter in CS Tivissa; and an increment in CS Arbós and in CS Zaragoza
 - In France (GRTgaz and Teréga section): the specific Teréga investment related to the creation of a new physical interconnection; and new infrastructure in the core of GRTgaz network necessary to offer capacity on a firm basis

3. The **3rd Interconnection** between Portugal and Spain is promoted by Enagás and REN and developed in 2 phases:
 - 3.1. The **1st phase** consists of a pipeline connecting both countries, between Celorico da Beira (PT) and Zamora (ES) and a compression reinforcement in the Zamora Compressor Station (ES). The first phase of the 3rd Interconnection Portugal – Spain will have a capacity from Spain to Portugal of 70 GWh/d and from Portugal to Spain of 70 GWh/d.
 - 3.2. The **2nd phase**, in Portugal, will include the installation of a compression station in Cantanhede, and a construction of a second gas pipeline parallel to the pipeline between the Cantanhede and Mangualde stations. In Spain, this 2nd phase comprises the construction of a Guitiriz-Zamora-Abrades gas pipeline.

It is important to notice that these projects were included in all the PCI lists adopted before in 2013, 2015 and 2017, except STEP, which was included for the first time in 2017 as a stand-alone project, although its infrastructures were already part of MidCat. From a European perspective, these projects aim at contributing to integrate the European systems to get a single internal gas market within the UE. The projects would ensure that no Member State is isolated from the European network, along with reinforcing the overall security of supply and increasing the solidarity between countries.

Adoption of the 4th List of PCI

Recently, with the adoption on October 31, 2019 of the Delegated Act containing the 4th List of Projects of Common Interest (PCI), for submission to the European Parliament and Council,² doubts came

² The 4th List of PCI will be published in the OJEU after two-month non-objection period by the European Parliament and Council, extendable once.

regarding the working group as to the usefulness of drafting this edition of the South GRIP 2019 with the usual detailed content, in a context in which the main projects in the region – PCI 5.5.1 South Transit East Pyrenees (STEP), 5.5.2 Eastern Gas Axis Spain-France interconnection point (Midcat) and 5.4 Interconnection ES-PT (3rd interconnection) - will lose their PCI status, knowing that under these conditions they will not be eligible to apply for funding from the Connecting Europe Facility (CEF) and for other regulatory advantages as the accelerate planning and permit granting, improved regulatory conditions and increased visibility to investors, among other.

In the NSI West Gas corridor, and considering the impact in one of three countries of the South region, only one project, PCI 5.21 Adaptation L-gas – H-gas, has been kept from one list to the other, as can be seen from this slide presented by ENTSOG in the Investment Working Group meeting of November, 19.

3rd PCI List vs 4th PCI List NSI West Gas corridor projects

4th PCI list: NSI West Gas corridor



3 rd PCI List Cluster	TYNDR20 Project Name	TYNDR20 Project Code	Country
5.1.1	PCI 5.1.1 Physical Reverse Flow at Moffet interconnection point (IE/UK)	TRA-A-829	Ireland
	Moffet Physical Reverse Flow	TRA-N-1064	United Kingdom
5.1.2	Physical reverse flow from NI to GB and IE via SNIP pipeline	TRA-N-27	United Kingdom
5.1.3	Islandmegee Gas Storage Facility	UGS-A-294	United Kingdom
5.3	Shannon LNG Terminal and Connecting Pipeline	LNG-A-30	Ireland
5.4.1	Interconnection ES-PT (3rd IP) - 1st phase	TRA-N-168	Spain
	3rd IP between Portugal and Spain (pipeline Celorico-Spanish border)	TRA-A-283	Portugal
	Interconnection ES-PT (3rd IP) - 1st phase	TRA-N-168	Spain
5.4.2	3rd IP between Portugal and Spain (pipeline Celorico-Spanish border)	TRA-A-283	Portugal
	3rd IP between Portugal and Spain (Compressor Station)	TRA-N-284	Portugal
	3rd IP between Portugal and Spain (pipeline Cantanhede-Mingualde)	TRA-N-285	Portugal
	Interconnection ES-PT (3rd IP) - 2nd phase	TRA-N-729	Spain
5.5.1	South Transit East Pyrenees (STEP) - ENAGAS	TRA-A-161	Spain
	South Transit East Pyrenees (STEP) - TEREGA	TRA-A-252	France
5.5.2	Iberian-French corridor: Eastern Axis-Midcat Project	TRA-N-256	France
	Iberian-French corridor: Eastern Axis - Midcat Project	TRA-N-727	Spain
5.10	Reverse Flow TENP Germany	TRA-F-208	Germany
5.11	Support to the North West market and bidirectional cross-border flows	TRA-F-214	Italy
5.19	Melita TransGas Pipeline	TRA-A-31	Malta
5.21	Adaptation L-gas - H-gas	TRA-A-429	France
	L/H Conversion Belgium	TRA-F-500	Belgium

 Project was in the 3rd PCI list but is NOT included in the 4th PCI list
 Project was in the 3rd PCI list and is also included in the 4th list
 Project was in the 3rd PCI list and is completed in TYNDR20 or expected to be completed in 2020 (and not included in the 4th list)

Source: ENTSOG

The decision to exclude the interconnection project of the South Region included in the TYNDP 2018 follows the decisions on STEP adopted by NRAs and ACER in the first half of 2019, after the submission in July 2018 of an Investment Request by Enagás and Teréga following Regulation (EU) No 347/2013.

The NRAs, CNMC, CRE and ERSE, published their decisions on January 22, 2019, failing to reach an agreement on the allocation of investment costs to be borne by each TSO for the project.

- CRE and CNMC published a common decision noting that the project, with the configuration and capacities presented, failed to comply with market needs and lacked sufficient maturity to be considered for CBCA according to Article 12 (3) of Regulation (EU) No 347/2013. CRE and CNMC recommended the TSOs to perform further evaluations on this PCI, and in particular the possibility to offer firm capacity and study an alternative configuration considering the most efficient costs for the benefit of the SW consumers.
- ERSE adopted its own decision proposing an alternative allocation of costs, based on different hypothesis but accepting the model presented by the TSOs.

Having failed to take coordinated decisions, ACER took the case and, on June 22, 2019, communicated to TSOs that it had conducted an assessment of the completeness and maturity of the Investment Request, and concluded that sub-criteria (a), (b), (d) and (e) of Section 2.1 of ACER's Recommendation 5/2015 were not fulfilled and therefore STEP was not sufficiently mature to be considered for a CBCA decision. The Agency's conclusion did not, however, preclude the possibility for the promoters to reconsider the Investment Request.

The final outcome of the process, concluding that STEP is not sufficiently mature to be considered for a CBCA decision, has caused an uncertainty on the next steps and on the rest of gas interconnection projects in the South Region, requiring that a High-Level Group on Interconnections for South-West Europe (HLG-SWE) is convened by the European Commission in order to decide on the way forward. As a consequence:

- STEP has been excluded from the 4th List of PCI;
- MidCat has not been presented to the 4th List of PCI;
- The 1st and 2nd phases of the 3rd Interconnection between Spain and Portugal have been excluded from the 4th List of PCI in the understanding that, under the Madrid Declaration³, they are conditioned to the development of STEP and MidCat, respectively.

³ On March 4, 2015, the President of France, the Prime Minister of Spain, the Prime Minister of Portugal, and the President of the European Commission, signed the "Madrid Declaration" in order to enhance the integration of the Iberian Peninsula energy markets with the rest of Europe. In this declaration, they "agree on the need to actively assess in order to complete the Eastern gas axis between Portugal, Spain and France, allowing bidirectional flows between the Iberian Peninsula and France through a new interconnection project currently known as the MidCat. The 3rd Portugal-Spain interconnection should be developed in accordance".

Way forward

Taking into due consideration the situation described in the previous points, the TSOs from France, Portugal and Spain consider that the preparation of GRIP 2019 in the South region on the basis of past assumptions would not fulfil the goal of adding clarity to the TYNDP, and it could confuse readers due to what could emerge as a contradiction between the latest decision taken by the European Commission regarding the PCI label of the affected projects, and the decision to maintain the proposal to develop those projects as if they were unaffected by the new UE energy policy.

Thus, as a line of action, the TSOs of the South Region - GRTgaz and Térega, REN Gasodutos, Enagás and Reganosa – have agreed to prepare this concise South GRIP update for 2019, instead of the usual detailed version that was published in the previous editions. This South GRIP update for 2019 (concise version) will be published in ENTSOG and TSO's web sites.

The TSOs wish to clarify that they will keep collaborating to ensure the publication of following GRIP editions with the best information available. In particular, the TSOs plan to work on:

- 1) The potential inclusion or reconfiguration of interconnection projects in the South Region according to the needs identified by the HLG-SWE;
- 2) The inclusion in the South GRIP of new Energy Transition Projects (ETRs)⁴ to achieve the EU decarbonisation objectives. These ETRs will be included on the TYNDP2020 for first time and are being assessed by ENTSOG.

The way to proceed has been consulted in advance with the European Commission, ACER and the competent authorities of each Member State, as well as ENTSOG. The South GRIP update for 2019 (concise version) will be published in ENTSOG and TSO's web sites.

⁴ According to ENTSOG's definition, "energy transition project" are those which facilitate the integration of renewables, the achievement of decarbonisation and efficiency targets, reduction of other air pollutants, sector coupling initiatives and, more generally, all projects specifically aimed at the energy system transformation for reaching sustainability goals and not already included in the previous project categories (LNG, transmission and UGS).