

Energy of the Future
Reliable. Efficient. Smart



Regulatory Framework for Hydrogen

The Role of DSOs



- **Our Vision: *A New Age of Gas Networks***
 - corresponding paper published on May, 18 2020
- **Transformation of natural gas networks** in integrated networks for hydrogen, natural gas, biomethane, ...
- Giving our more than 300 Mio. customers the opportunity to switch to a decarbonized gas supply with fair prices
- Support our members to become ***combined network operators*** by building on existing rules of common gas market

- Creating **combined network operators**
 - Operation of hydrogen networks alongside natural gas networks in the short term
 - Operation of hydrogen networks alongside other clean and renewable gas networks in the long term
- **Shaping energy transition** based on national, regional and local needs and conditions
- **Reduce financial burden on end-use customers** for decarbonization by using **natural gas cash flow**
- **Plus: Avoiding special write-offs and deconstruction costs for natural gas networks** (+ levy on end-users)

What we need



- A **uniform gas market regulation** for all gaseous energy carrier to create **integrated Network for natural Gas and Hydrogen**
- **Value benefits of repurposing of gas assets** for hydrogen transport and distribution
 - Giving current (natural gas) distribution network operators **the possibility to operate hydrogen in same entity**
- Apply cost-reflectivity to reduce burden on end-use customers via **common regulatory asset base**
 - Today's natural gas customer is tomorrow's hydrogen customer
 - Early switch of industry/commerce in separate hydrogen networks burdens remaining residential customers in natural gas networks

What we propose



- **Expanding the scope of the Gas Directive (2009/73/EC)** from natural gas to „gas“ in general
- Implementation of the ***Hydrogen Strategy for a climate-neutral Europe*** to enable repurposing of existing assets and network operators to operate Hydrogen networks
- Permission for the simultaneous operation of multiple gas networks by DSOs (including certification/finance)
- Keeping established principles to protect pluralistic network economy:
 - Third party network access
 - Dedicated market rules for distribution and transport

Strengthen the Role of DSOs



- Besides TSO, common market for gas and hydrogen requires not only cross-border connections but also **distribution**
 - The vast majority of gas/hydrogen consumers will have grid access
 - Key is a meshed network of TSOs/DSOs that supply those consumers
 - Regulation is the framework of a common market
- If TSOs have to unbundle Gas/Hydrogen, wide exceptions for “smaller” DSOs necessary for transformation
 - While TSO repurpose existing/unused pipelines, DSO have to transform together with their customers
 - TSO tariffs do not apply to DSO – for a good reason
 - Regional plannings for heat supply require different approaches

Reasonable concerns remain...



- Start of legislative processes in some members states and the road map consultation by the EC **is very welcome**
- But some developments give reasons for concerns
- ACER / CEER White Paper on ***When and How to Regulate Hydrogen Networks?*** (9.2.2021):
 - “Separation of activities between the entities for Gas and Hydrogen infrastructure”
- Proposal of the German Government for a interim-regulation (10.02.21):
 - Hydrogen \neq Gas \rightarrow separate regulation of hydrogen and natural
 - Opt-in approach and network access based on negotiations
 - Marginalization the role of DSOs for hydrogen distribution
 - Hydrogen ramp up slowed down – later market entry for DSOs impossible