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NETHERLANDS

Paris, 10 June 2015

Object: Market Consultation on the proposed Network Development Plan.

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Dear GTS,

ENGIE welcomes GTS' Market Consultation regarding the first proposed Network Development Plan (NOP), and globally agrees with the 3 scenarios as described in the document.

As an introduction remark, ENGIE would like GTS to provide more information regarding how it plans to finance these investments. Apart from possible funds coming from the European Union in the framework of PCI programme, ENGIE is questioning how GTS intends to "finance" the investments and its impact on the future tariffs.

Overall, GTS announces an **estimated investment of almost 600 M€ over the next 10 years:**

- 220 M€ for a new nitrogen production facility and blending installation with a capacity of 180,000 m³/h nitrogen (commissioning October 2019).
 - On this specific topic, GTS takes the assumption that "the demand capacity decline towards Belgium will start in 2023 at a rate of 15% per year, resulting in no more L-gas exports from 2030" (p.46), entailing that conversion of the L-gas zone in Belgium and therefore France will not start before 2023. However, Belgium will start converting some isolated clients before 2020, and is likely to start broader conversion of the network sooner than 2023. France is also likely to start converting the clients in L-gas zone earlier than 2023. To our knowledge, the consequences of such conversion operations on the demand for capacity is not yet assessed by the relevant operators. Does GTS take these (early) conversions of Belgium and France into account?
 - On this issue, it is important that all players concerned (TSOs, shippers and authorities) cooperate as much as possible. ENGIE suggests that a common study between TSOs and authorities be done.

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- 1 M€ for debottlenecking of gas cleaning section at Oude Statenzijl (commissioning 2019);
- 80 M€ for the expansion of Gate LNG terminal (2019);

If this investment is not strictly required for Security of Supply, it is a commercial bet on pipe and LNG prices and it should be paid by GATE LNG terminal users and not socialized. To assess the need of this expansion, other projects in Europe allowing more LNG should be taken into account : Dunkerque LNG directly linked to Belgium, reverse flows from Italy, new LNG terminals in the Baltic, a possible Isle of Grain extension (especially if IUK forward capacity is kept), possible reverse flows out of France...

- 192 M€ (maximum) to expand the H gas import and export capacity between the Netherlands and Germany as a result of L-gas market conversion in Germany (2020-2025).
 - On this specific point, ENGIE would like to better understand which share of the associated costs will be borne by GTS.
 - ENGIE would like to know if this solution is better than any internal solution in Germany with specific investments in order to connect the future ex-L zone and the current H zone. Indeed, the validity of such an investment has to be observed at a regional level and not only on the Dutch side.
 - Could GTS explain why it assumes that *“the conversion of the Dutch Market will not start before 2030”* (p.46), while in Belgium, Germany or France conversion from L-gas to H-gas will likely be over by then. There is no particular reason why the adaptation of gas-using appliances for market conversion could not be introduced sooner in the Netherlands. Plus, more than 11 million gas installations will be replaced “naturally”, as from 2017 will only be marketed gas equipment which can handle a very width gas quality bandwidth.
 - If ENGIE understands the planned investments at Tegelen, Zevenaar and Winterswijk, the need for investments at Bocholtz in relation to the conversion of the L-Gas zone in Germany is on the contrary not clear. Could GTS provide more information regarding the expected costs and benefits of the planned measures at Exit Bocholtz capacities?
- 10 M€/year on the medium pressure grid.
 - Could GTS elaborate on the hypotheses taken to estimate this investment?
- Unknown sum for entry and exit capacity adjustments of Peak Gas Installations at Alkmaar and Bergermeer (no deadline).

Regarding possible future investments at Gate LNG, ENGIE suggests that GTS makes sure that the reverse capacities from Belgium and other sources in Europe (Italy, France for instance) is not more cost efficient. If this investment is not needed for Security of Supply reasons (i.e. that there are scenarios where there is no existing alternative to balance the network), this would be a commercial investment subsidizing Gate LNG, that would need a sound cost benefit analysis.

As a general conclusion on this topic, GTS should bear in mind that over-investments could lead to higher transmission tariffs, that could themselves eventually harm sales in the Netherlands and indirectly liquidity on TTF.

Regarding Climate assumptions:

- GTS' study to establish the needs for potential demand for additional nitrogen facilities uses gas demand prognoses based on the temperature profiles from 1960 (p.49). This does not correspond to the recommendations of the World Meteorological Organization (OMW), that recommends to take into account only the latest 30 years, because this underestimates the effects of Climate Change.

- GTS chose 1956 for its definition of Cold Year (p.91). ENGIE suggests that an assumption based on a model would be more relevant given that the climate risk in 1956 was probably higher than today (once again due to Climate Change).

Regarding the assumptions on power production:


- GTS should work closely together with the electricity TSO Tennet on this topic and take the same assumptions into account.
- According to Tennet's analyses,
 - o could GTS confirm that the decommissioning of coal from the Energieakkoord is taken into account? This is not explicitly stated in the NOP, even though it is important with regard to running hours of gas-fired power plants.
 - o could GTS provide more information about the assumptions regarding the need for Dutch capacity in cross-border markets, e.g. if peak in the Netherlands coincides with peak in Belgium (who may be structurally dependent on imports from the Netherlands). Will GTS deal with some unprofitable gas capacity towards gas-fired power plants (nothing mentioned in the NOP regarding this topic)? Some power plants could be decommissioned, or be remunerated through CRM. This could be more visible in the 'cooperative growth' scenario, as it assumes that coal and gas will not change in the merit order before 2025.
- It is possible that in the coming years, conventional power production units will be replaced by smaller units, scattered in the country. This could lead to different conclusions in terms of network's developments. This element could be taken into account in the next NOP.

Finally, ENGIE has the following **general remarks**:

- Since *"the NOP is [...] in no sense a limiting or exclusive process"* (p.10), could GTS confirm that dedicated consultations will be organized in the coming years before any final investment decision is made?
- On page 47, Norg's storage capacity is 7 Bcm while it is currently 5.6 Bcm. Could GTS provide more information about this figure? Are more investments planned? The storage capacity of Norg is or will be soon increased until 7 bcm (daily capacity 76 million m3).

We remain at your disposal should you have any question regarding our answer.

Sincerely,



Catherine GRAS
Head of Capacity & Physical Assets