

Questionnaire for the Draft Framework Guideline on Harmonised transmission tariff structures¹

Please provide the Agency with your full contact details, allowing us to revert to you with specific questions concerning your answers.

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Please indicate, if your company/organisation is:

- ~~a. European association~~
- ~~b. National association~~
- ~~c. TSO~~
- d. Shipper or energy trading entity**
- ~~e. End-user~~
- ~~f. Other (e.g. Power Exchanges, Storage Operator etc.), namely:~~

Please provide, if relevant, reasoned indication if you wish to consider (part of) your response as confidential².

1 Further also referred to as “FG”. The resulting Network code on Harmonised transmission tariff structures is further also referred to as “NC”.

2 The Agency shall carefully consider all responses received (whether confidential or not) subject to the provision that anonymous responses or responses from respondents who do not want their identity to be made public will generally not be taken into consideration. The Agency will make public the number of responses received to formal consultations, the names of the respondents, and all non-confidential responses. Respondents may request that information or data in their responses is treated as confidential. The Agency will assess, in co-ordination with the respondents requesting confidentiality, which information or data shall

When writing your responses could you include how your arguments contribute to the objectives set out in section 1.2 of the draft Framework Guideline. For definitions please consult section 1.3 of the draft FG.

1. General provisions. Scope, application, definitions and implementation (Chapter 1 of the draft Framework Guideline)

- **Please explain whether any of aspects of the application of the draft FG (NC) to existing contracts would cause disproportionate effects on gas business in relation to 3rd Package objectives?** Please give reasons for your answer, including any quantitative evidence, tables and examples (if required, under confidentiality). **The FG will cause strong and rapid change in the tariffs and this will effect especially already booked capacities via existing contracts and also supply contracts. Therefore a transit period needs to be in place and we would like to keep existing contract to get a smooth transition. Careful consideration needs to be given on the potential distortionary impact changes could have on network users, who entered into contractual arrangements in good faith based on transmission charging arrangements applicable pre-implementation of the NC. Applying the NC to existing contracts could present significant challenges to TSOs from a legal perspective and it seems unlikely that this could be done within the envisaged 12 month implementation period.**

1.1. Please explain if any further definitions should be added for clarity of the FG (NC)?

1.2. Please suggest the top-5 *core indicators*³ for monitoring the future EU-wide implementation of the future tariff FG (NC)? ACER and ENTSO-G both have legal obligations to monitor NC

not be made public and may request from the respondents an explanation of their confidentiality interests and a non-confidential version of their response for publication. The Agency will evaluate confidential responses as transparently as possible without undermining the respondents' confidentiality interests.

³ An example of a *core indicator* could be e.g. the relative size of (positive or negative) Regulatory account in comparison to overall Tariff revenues, indicating under- or over recovery of the tariff regime in a specific entry- and exit zone.

implementation (in accordance with Article 9 (1) and Article 8(8) of Regulation (EC) No 715/2009 respectively).

Indicators for monitoring the EU-wide implementation of future tariff FG and NC should be based on:

- Harmonization of tariff arrangements by the meaning that the arrangements are compatible.
- Case by case assessments of each market and entry or exit point to ensure the right incentives are created, whilst maintaining an efficient and cost based structure to ensure cost reflectivity of charges. This will be achieved through market based allocation mechanisms and capacity tariffs that could vary locational.
- Stability of tariffs after implementation. Especially for long term capacity bookings, it is important for market parties to know the price of capacity. Monitoring the booking rates by IP and by auctioned products to see change in long-term/short-term behaviour and change in supply routes would be a good indicator.
- Increased price correlation and convergence with adjacent market areas.
- Increased Market Liquidity based on published data.

2. Cost allocation and determination of the reference price (Chapter 2 of the draft Framework Guideline)

2.1. Transparency provisions

2.1.1 Do you agree with the level of harmonization proposed for the transparency in relation to tariffication methodologies⁴?

Yes, because we appreciate the transparent and public process on the tariffication methodologies. The FG make it clear that the methodology for determining reference prices and cost allocation, including any changes, will be consulted upon and made

⁴ Article 18(2) of Regulation 715/2009 states that: “In order to ensure transparent [...] tariffs [...], transmission system operators or relevant national authorities shall publish reasonably and sufficiently detailed information on tariff derivation, methodology and structure”. The proposed text in the draft FG seeks to ensure such reasonable and sufficient detailed information.

transparent to all network users. We assume this to be a core principle of any tariff setting methodology.

- 2.1.2 Would you support additional requirement(s) to ensure “reasonable and sufficiently” detailed tariff information⁵? For example, one could consider including a provision such as: “the transmission system operators or relevant national authorities shall provide additional information if a significant tariff fluctuation is expected on a specific or on all entry- and exit points”.**

Yes, it would be good to get more detailed information and explanation of price changes. Notice of tariff changes to Users, e.g. like in the UK for indicative changes, the notice period is 150 days, for actual charges it is at least 60 days. These notifications also include the reasons for change.

2.2 Cost allocation and reference price setting methodology, general questions.

- 2.2.1 Do you agree with proposed level of harmonization for the reference price setting methodology, aiming for same methodology for all types of network users per one entry-exit zone?**

Yes, we agree the same methodology, assumptions and tariff model should be used by TSOs to set both cross-border and national transmission tariffs within an entry-exit zone. To do otherwise risks cross subsidy and discrimination. We support the consultation of the adjacent Member States and relevant stakeholders before adopting the decision regarding the equalisation approach, we would like to point out, that this has to be done at least additionally in English, otherwise it is not helpful for the relevant stakeholders. Additionally the scope of relevant stakeholders has to be specified.

⁵ Article 18(2) of Regulation 715/2009 states that: “In order to ensure transparent [...] tariffs [...], transmission system operators or relevant national authorities shall publish reasonably and sufficiently detailed information on tariff derivation, methodology and structure”.

2.3 Cost allocation and the Reference price setting methodology, detailed questions.

- 2.3.1 Do you agree with proposed option for setting reference prices for entry capacity i.e. to have methodology based on major cost driver (e.g. distance) unless use of equal tariffs can be justified?**

No, because. The nature of entry-exit systems is such that distance will be difficult to calculate and will require TSOs to make assumptions about how gas may flow on their networks which ultimately do not reflect reality. The Gas Regulation also states that network charges shall not be based on contract paths, which further complicates the use of distance as a major cost driver. With this in mind, the FG should allow TSOs/NRAs to adopt an equalisation approach to setting the regulated and reference prices at cross-border and national entry points.

- 2.3.2 Do you agree with proposed option for setting Reference prices for exit capacity i.e. to have methodology based on major cost driver (e.g. distance) unless use of equal tariffs can be justified?**

No, because see our remarks at 2.3.1.

- 2.3.3. Do you agree with the cost allocation principle that revenue from entry points should equal 50% of revenue from all entry and exit points?**

No, please see our remarks at 2.3.1. We think it is appropriate to allow NRAs to deviate from the 50%/50% entry/exit principle.

- 2.3.4. Do you agree with application of the proposed options for setting reference prices to all entry and exit points (without any separate mechanism for the domestic points, whilst ensuring no discrimination between domestic and cross-border network usage)?**

Yes, we agree with the non-discrimination of network users

2.4 Pricing of entry- and exit capacity on the transmission network to and from gas storage facilities (see also questions under '9' Locational signals).

- 2.4.1. Do you agree with proposed option to base tariffs for entry and exit capacity on the transmission network to and from gas storage facilities at an adequate discount to other entry and exit points on the TSO?**

Yes, first, to the extent storage facilities deserve of an "adequate" discount for the benefit they provide to the transmission system, this can be assessed and should be provided.

However the main argument for exempting gas storage facilities from paying entry/exit charges is that gas from storage facilities already was charged with entry tariffs. Freeing storages i.e. from entry fees is less giving a discount than granting a level playing field and fair competition for flexibility out of storages for imported gas quantities against those coming out from production, production storages and other flexibility sources.

Secondly, storage plays a significant role in the balancing regime where available to avoid inefficiency and increased balancing energy.

Thirdly, the usage of storages should be generally incentivized compared to other sources of supply flexibility for reason of backing up the different supply sources and for security of supplies in extraordinary situations. This is crucial in the mainly from gas imports depending member states. As in many systems within Europe storage sites do not have fully access to firm transport capacities, the usage of storages in a fully integrated European market without supporting measures might not be attractive and competitive for network user and therefore can harm overall security of supply.

A further aspect is, that transport capacities for existing storage sites was former more or less invested with the storage project from integrated companies. Despite the fact that a reasonable playing field for all network users is needed and TSOs need to receive a justified funding over all entry/exit points, the main investment for storages is already done and paid. Any discussed discount/exemptions for storages should also apply to gas storage without TPA arrangements.

2.4.2. Do you agree with harmonization of such a discount across all storage points in the EU?

Please reason your answer, including any quantitative evidence, tables and examples. Please also specify, if you believe that harmonization should go even further, e.g. benchmarking absolute entry-exit tariff levels for gas storage sites.

Yes, because in the long term we believe, that in wide market areas within the EU, the usage of storages should be mainly independent from transport distances. This should generally increase the competitive market for storage capacities as well as the access possibilities for storage capacities even in regions with little geological benefits for local storage investments. But in the short and mid term, a fully harmonisation might be difficult and further detailed assessment is needed, i.e. on the function of storages in different regions of the EU with varying import dependencies.

2.4.3. If you prefer harmonization for an 'adequate' discount, which level of such a discount applied to firm capacity level do you advocate?

80-100%, because. We suggest a 100% discount, due to the fact, that entry transport capacity for gas to be stored is already paid. Further discount up to 100% for exit capacity

might be justified for many storage locations and for strategic (Security of Supply) reason of mainly import dependent countries.

2.4.4. What are your views on harmonization of tariff measures, leading to harmonization of transmission tariff levels across all storage points in the EU (instead of harmonizing a discount across all storage points in the EU)?

As mentioned above we believe a common principle could be established in the long term. Further assessment is needed to develop justified transmission tariffs at storage points, if any. But such harmonisation of principles will not necessarily lead to a harmonisation of tariff levels for transportation in general within the EU at all, as the systems vary largely in size and costs.

3. Revenue recovery (Chapter 3 of the draft Framework Guideline)

3.1. General – interdependency questions.

Introduction.

Revenue recovery (chapter 3), Reserve price for firm standard capacity products (chapter 4.1) and Payable price (chapter 7) cannot be considered separately. The main interaction is that a regime where auctions are used will have a greater level of uncertainty in revenues collected from auctions.

The use of specified in FG chapters 3, 4 and 7 policy options need to work together to meet the objectives of the FG whilst ensuring the TSO recovers their allowed revenues. There is a possibility that in practice there might be under- or over recoveries, especially as a consequence of policy options regarding short term reserve prices and payable price. Therefore there will need to be a Regulatory Account to ensure the TSOs recover their allowed revenues.

3.1.1. Do you agree that the current draft FG proposals on Reserve prices for short term products, on revenue recovery and on payable price are consistent together?

No, we think that within-day and day-ahead capacity products should be auctioned without reserve prices

3.1.2. Are the current draft FG proposals on Reserve prices for short term products, on revenue recovery and on payable price properly addressing the ambition for the pricing of transmission capacity to strike the right balance between facilitating short-

term gas trading on one hand and providing long-term signals for covering costs and promoting efficient investments on the other?

No, we believe the policy options ACER have chosen regarding reserve prices for short term products, revenue recovery and payable prices are weighted too heavily in favour of TSOs' concerns about under recovery of allowed revenue

3.2 Regulatory account

3.2.1 Do you agree with the principle to set reference prices to minimise the difference between allowed and collected revenues?

Yes, because for Long Term products reserve price will be adjusted periodically to minimise the difference between allowed and collected revenues....

3.2.2 Do you agree with proposed level of harmonization of using the regulatory account?

Yes, because it is important, that the TSO get their allowed revenues and that the over recovery of revenue is returned to the shippers.

3.2.3 Do you agree that NRAs should determine or approve how often and how fast the regulatory account has to be reconciled on a national level, whilst preserving balance between timely cost recovery and sudden adjustments to tariffs?

Yes, because the main issues should be harmonized.

3.2.4 What is your view on including the option to use the Regulatory Account (including the potential over-recoveries from auction premium) to contribute to solving congestion? How could this be done, especially in view of principles of non-discrimination and cost-reflectivity? Please give reasons for your answer, including any quantitative evidence, tables and examples.

3.3. Reconciliation of Regulatory accounts.

3.3.1. Which option for the reconciliation of regulatory accounts do you prefer?

Option 1; because it will not be that complex compared to option 2. We suggest to reduce complexity.

3.3.2. In line with the interdependency discussion above in question 3.1, what are your views on recovering revenues by means of a separate charge set at the start of the gas year with the aim of minimising the amount that goes into the regulatory account? This charge could be based either on gas flows (commodity) or capacity bookings (capacity). Then the regulatory account would be reconciled through the reserve or reference price. See chapter 3 of the draft FG.

We do not support under or over recoveries being recovered via an ex-ante commodity charge. Nor do we support creating a separate ex-ante commodity charge to try and minimise the possibility of under/over recovery in the forthcoming year.

3.3.3. Do you agree with application of the option on reconciling regulatory account to all entry and exit points (both domestic and cross-border)?

Yes.

3.3.4. Do you agree that the regulatory account should be recovered by splitting the total under- or over- recovery across all entry and exit points in the same proportion as set out in the cost allocation methodology? For example if the cost allocation methodology is a 50:50 split then 50% of all under- or over- recovery will be from the entry points and 50% from the exit points.

No, because transparent, cost-reflective tariffs are perhaps the most important and essential component in establishing successful regulated third party access within and between Member States. Facilitation of trade and competition can be enhanced, when the underlying transmission tariffs are properly set up. 50:50 split may overburden the wholesale user since there are active at entry and exit points; compared to end user, which are only effected on exit points. See remarks at 2.3.1.

4. Reserve prices (Chapter 4 of the Framework Guideline)

NB: when answering, please specify if your answer differs for daily, monthly and/or quarterly products.

General. Today, gas is traded continuously with re-nomination rights. Capacity generally can be hoarded by the shippers and the physical capacity is not always available in markets lacking sufficient effective anti-hording mechanisms. Discussions in some member states are trending towards restricting the re-nomination rights and/or using market coupling to efficiently use available capacity to achieve more liquidity and price convergence in the respective markets. This is why an integrated approach to CAM/CMP and tariffs is required to support this, CAM/tariffs (or rather price steps derived from an appropriate charging methodology) combined with an agreed trigger level at which new incremental

capacity rights would be made available by TSOs would address a key gap in the current suite of framework code and network code proposals.

4.1.1 Do you consider it sufficient to have rules on firm, interruptible and non-physical backhaul capacity products or are you aware of other capacity products that should be addressed in the FG?

No, we do not see other capacity product. We do not see any need to have specific rules for reserve prices for non-physical backhaul capacity. We think this should be treated simply as interruptible capacity, with the same rules applicable.

4.2 Reserve prices (firm)

4.2.1 Do you agree with proposed level of harmonization?

4.2.2 Do you agree with proposed option for the Reserve price for short-term products including the possibility that the national regulatory authority may decide to allow for higher short-term prices that may apply (via multiplier higher than one, but not higher than 1.5) if there is risk of *significant* under-recovery of allowed revenues?

No, because multiplier and seasonal factors distort the market and the competition. In effect the FG seems to be proposing very little harmonization around how short term firm capacity reserve prices are set either side of the border.

4.2.3 Do you agree with application of the proposal on short-term Reserve prices to entry and exit points where the Network Code on CAM applies, i.e. interconnection points only?

Yes. The determination of the annual reference price as a basis for the reserve price for all products and durations is a good basis. However, the FG should use this as a cap for shorter term products rather than as a default rule, as we have indicated in our responses regarding the CAM FG and NC, we believe it is beneficial for the auction mechanism to apply a zero reserve price to short term products.

For short term products (defined as all products of one year or less), the short run marginal cost (SRMC) should be used to determine the reserve price, if any. For each short term product, the

SRMC should be assessed and applied. This is likely to result in a reserve price for quarterly and monthly products that is higher than the day ahead and within day products. If the SRMC is considered to be close to zero, then a zero reserve price should be applied, for simplicity reasons.

4.2.4. What criteria would you propose to set the Reserve price for short-term products that will be higher than the price of an annual product, to interconnection points?

4.2.5. Would you agree with using Seasonality (or other criteria, which you may suggest) of the systems as criteria to set the Reserve price for short-term products that will be higher than the price of an annual product, to interconnection points?

No, because the price should be developed by the market, at least for short term, please see 4.2.2.

4.3 Reserve prices (interruptible)

4.3.1 Do you agree with proposed option to set Interruptible Reserve prices at a discount to firm capacity where the discount is based on the likelihood of interruption, and to recalculate once a year?

Yes, because the discount should reflect the risk of interruption.

4.3.2 If you prefer a fixed discount, which level of such a discount applied to firm capacity level do you advocate?

The discount should reflect the risk of interruption, this is not possible with a fixed discount, but with harmonized criteria for the discount based on the interruption risk.

4.3.3 Do you agree with application of the proposed option to entry and exit points where the Network Code on CAM applies, i.e. interconnection points only?

Yes, because it should only apply to IC Points.

4.4. Reserve price (backhaul)

4.4.1 Do you agree with proposed level of harmonization?

Yes, but we would like to refer to the harmonization of an interruptible product, since they are very similar.

4.4.2 Do you agree with proposed option to set backhaul prices at a discount to firm capacity level so that Reserve prices reflect the level of actual marginal costs (= IT and administrative costs)?

Yes, and the discount should be equal to the one applied for interruptible capacity because both are identical products.

4.4.3 Do you agree with application of the proposed option on backhaul capacity pricing to entry and exit points where the Network Code on CAM applies i.e. interconnection points only?

Yes.

5. Virtual IPs

Do you support the proposed option for Reserve price in Virtual IPs as EU-wide standard? Please reason your answer, including any quantitative evidence, tables and examples on balance between cost-reflectivity and cross border trade stimulation.

Yes, but it has to be adapted to the exit tariffication and a detailed implementation concept has to be worked out. It should not lead to more complexity.

6. Bundled capacity products

6.1 Reserve price (Bundled)

6.1.1 Do you agree with proposed level of harmonization?

Yes, because it is logical for the bundled reserve price to be determined by the sum of the respective entry and exit capacity reserve prices.

6.1.2. Do you agree with the proposed option that the sum of Reserve prices for unbundled capacity is used as bundled Reserve price?

Yes.

6.1.3 Do you agree with application of specified the proposal to entry and exit points where the Network Code on CAM applies i.e. interconnection points only?

Yes.

6.2. Do you support the proposed option for Reserve price (if unbundled) as the EU-wide standard? Please give reasons for your answer, including any quantitative evidence, tables and examples on balance between cost-reflectivity and cross border trade stimulation. We encourage you to specify if you support the Unbundled Reserve price being higher to support bundling of products.

6.3 The Network Code on Tariffs shall specify that the revenues from Reserve price of bundled capacity products shall be attributed to the TSOs proportionally to the Reserve prices of their respective capacities in the Bundled Capacity. The revenues from the auction premium from bundled capacity above the Reserve price shall be split according to agreement between the relevant national regulatory authorities. Furthermore, the Network Code on Tariffs shall in the case that no agreement is concluded before the auction, specify that the revenues from the auction premium shall be split equally between the TSOs.

6.3.1 Do you agree with proposed level of harmonization in that approach above?

Yes, but the premium should be used for new investments.

6.3.2 Do you agree with proposed option for splitting auction revenues from bundled products to the relevant TSOs?

Yes.

6.3.3 Do you agree with application of the proposal to entry and exit points where the Network Code on CAM applies i.e. interconnection points only?

Yes.

7. Payable price

7.1.1 Do you agree with proposed level of harmonization?

Yes.

7.1.2 Do you agree with the proposed option to set payable price equal to the current Reserve price for year in which capacity is used plus any premium?

No, because we would like to have as much clarity as possible of the prices for capacities during the booking period.

7.1.3 Do you agree with the application of specified options regarding payable price to entry and exit points where the Network Code on CAM applies i.e. interconnection points only?

Yes.

8. Incremental capacity (no explicit chapter in draft FG, implications at least to chapters 2/3 foreseen).

In EC letter ACER is invited to consider in the Impact Assessment if tariffication principles should be developed in the Framework Guideline for Incremental Capacity.

Incremental capacity is defined as capacity that is provided (by investment) on top of capacity at an existing IP, after a 'market test' has been met. The market test sets out what the criteria are for providing incremental capacity. The key issue from 'incremental capacity' for tariffication is that incremental capacity can expose consumers to costs incurred by TSOs which may be problematic if incremental capacity costs are not fully recovered by users triggering the capacity provision as a result of the market test.

Therefore it is very important how economic test(s) (principles) are constructed at country- or even broader EU level, to get a balance between timely increases in capacity, efficient increases in capacity and under-recovery of revenues.

We note that in CEER-roundtable 2012 discussions on Incremental capacity experts have noted that harmonization of the specific parameters in the market test might not be needed, but rather a consistent approach to the principle of having a market test to trigger Incremental capacity may be needed at the EU level⁶.

⁶ Please consider the ongoing consultation on Incremental capacity issues by CEER, available via http://www.energy-regulators.eu/portal/page/portal/EER_HOME/EER_CONSULT/OPEN%20PUBLIC%20CONSULTATIONS/Investment%20Procedures%20for%20Gas%20Infrastructure . Please also note that ACER will work with CEER during 2012 to further analyze the issues in this area.

8.1. Please provide evidence of concrete problems with the current arrangements for incremental capacities, whereas these problems affect tariff structures in EU. Any quantitative evidence, tables and examples (if necessary, subject to confidentiality) are welcomed.

8.2. Please therefore consider if harmonization, or partial harmonization of any parameters in the “market test” is appropriate within Tariffication principles at EU-level ?

Please give reasons for your answer, including any quantitative evidence, tables and examples. Please e.g. specifically address if FG/NC should set minimum and maximum thresholds for such a “market test”, whilst NRAs would set actual thresholds at national level. Please also address how such thresholds for a “market test” should take account of positive externalities (such as Security of Supply), as well as of the risk that incremental capacity can expose consumers to costs incurred by TSOs which may be problematic if incremental capacity costs are not fully recovered by users triggering the capacity provision as a result of the market test.

8.3. Are there any other elements required in the Network Code on transmission tariff structures, to accommodate incremental capacity offer (e.g. influence on regulatory accounts, regulatory periods length, requirement for a fixed for period of years tariffs).

Please give reasons for your answer, including any quantitative evidence, tables and examples⁷.

9. Usage of locational signals (no explicit chapter in FG, implications at least to chapters 2/3/4 foreseen).

7 Please specify per below option, if your answer differs, if the approach to Incremental capacity identification (and, where applicable, allocation) would be based on 1 of the following options:

- Open Seasons (according to 2007 GGPOS),
- Coordinated Open Seasons (in light of the experience gained in the years since 2007)
- Identification via TYNDP, GRIPs and/or national TYNDPs,
- Regular integrated capacity auction for incremental and existing capacity,
- Incremental capacity auction if demand is identified in a regular process, and
- One time integrated auctions.

Locational signals are considered to contribute to shippers using the system in a way which minimises future costs. Locational signals can be defined as specific tariff measures for specific entry or exit points in the system.

In EC letter ACER is invited to consider in IA if locational signals should be developed in the Network Code on transmission tariff structures. For example to address decisions on locating gas-fired power plants and/or gas storages and/or LNG terminals.

9.1 Please provide evidence of concrete problems with the current arrangements for locational signals. Any quantitative evidence, tables and examples (if necessary, subject to confidentiality) are welcomed.

9.2. Are there any other elements required in the Network Code on transmission tariff structures to accommodate locational signals?

9.3. Please consider whether the chapter on ‘Reference price’ should have more options added in regard to use of locational signals. Please consider specifically how tariff structures can be used to signal investment for e.g. gas-fired power plants, storages, LNG terminals, etc.

9.4 Shorthaul as a form of ‘locational signal’ in e/e systems.

Recent THINK-study, commissioned by European Commission, recommended ‘some harmonization in natural gas transmission tariffication to ensure that the breakdown of costs among grid users and among entry- and exit points respects the principle of cost-reflectiveness as much as possible. Adequate discounts on short-haul transports should be encouraged’⁸.

Entry-exit systems require users who want to take gas onto the system and deliver it to others in the system to buy entry capacity (to allow them to flow gas from the entry point to the virtual hub) and exit capacity (to allow them to flow gas from the virtual hub to the exit point). If users want to flow significant volumes of gas from an entry point to a nearby exit point they may consider building their own pipeline between the two points if that is cheaper for the user than paying for entry and exit capacity plus any additional revenue recovery charges (as their own pipeline would also be subject to less onerous tariff regulation in general). Building additional pipelines when there is capacity available

⁸ See summary under weblink: <http://www.eui.eu/Projects/THINK/Documents/Thinktopic/PB/PB201201.pdf>

on the system may not be the most efficient way to develop the network. Whilst it must be considered that permitting construction of such a pipeline might not be a realistic option in all EU Member-States. E.g. in GB a user could decide to locate a CCGT (= Combined Cycle Gas Turbine power plant) 1 km from a large entry point and decide to build their own pipeline from the large entry point to their CCGT. This is an example of how such a concern arises in practice, stemming mainly from inefficiency of constructing an additional pipeline.

9.4.1. Should the FG have a tariff structure in place to avoid the incentive for inefficient building of pipelines (to avoid the entry-exit system charges) described above?

No, we suggest keeping it out of the FG and addressing this to the issue incremental capacity.

9.4.2. How could this tariff structure be designed?

9.4.3. Should there, in order to address risk of cross-subsidies and discrimination - be a limitation on the capacities that can be “shorthaul capacities”? Based on expert advice on current EU-practices, following options are proposed:

- a. Maximum 50 km (only distances of maximum 50 km can be considered as shorthaul capacities)
- b. Max 20% of the average gas travelling distance in the E/E system
- c. Max 10% of the total capacities of a E/E system can be considered as “shorthaul”
- d. Other, namely:.....

Please give reasons for your answer, including any quantitative evidence, tables and examples. Please specifically address who should pay the difference between the shorthaul tariff and the overall tariffs.

9.5 Specific treatment of LNG (if any) considered, in view of considering specific storage treatment (see questions under 2.4).

LNG competes with the natural gas from other sources, like national production points or other entry points. It could therefore be argued that any discount on the entry and exit tariffs at points where CAP applies could produce a cross-subsidy, reducing cost reflectivity of system as a whole, and resulting in a discriminatory effect on the cross-border trade between LNG- and IP entry users. In addition, storage – contrary to LNG - is mostly considered as part of the system, as it uses gas, which has already ‘paid e/e fees’. Namely, gas injected into underground storages have flowed across the system, which means it

has been charged entry/exit fees, this is not the case for LNG which is stored after it has been unloaded from LNG-ship cargoes, before any entry fee on the transmission system is charged.

On other hand, it could be argued that LNG and Storage are both valuable flexibility tools in some EU gas market systems (especially in systems where LNG is due to geology & geographical situation potentially the only source of flexible gas) for shippers that should be stimulated, and similar to storage special treatment could be envisaged (contrary to gas production entry points, which with very few exceptions in EU, deliver much less flexibility in comparison to LNG). It must be also considered that – with similar logic – special treatments might be required by any end-user with flexibility for the system (e.g. power plants). In any case, justification is sought, as any special treatment must be reasoned and justified for a category of e/e points, to ensure non-discrimination.

9.5.1. Do you think that tariffs for entry and exit capacity from the LNG terminal could incorporate a discount relative to other entry and exit tariffs on the TSO, similar to the proposed option for underground gas storage?

10. Effects Entry-Exit Zone mergers & Virtual IPs (no explicit chapter in FG, implications at least to chapters 2/3 foreseen).

In the CAM network code (art 5.1(10)) Virtual Interconnection points are addressed (see draft FG, chapter 5).

In EC letter ACER is invited to consider in IA if the effects of entry-exit zone mergers should be developed in the Network Code on transmission tariff structures. This could address, for instance, the topics of tariff alignment and the disappearance of interconnection points, and the corresponding cross-border tariffs, due to the zone merger’.

Both topics affect the setting of reserve prices at IPs and, more importantly, underlying cost allocation within and between entry-exit zones; as well as revenue recovery consequences.

10.1. Please provide evidence of concrete problems with the current arrangements for mergers of entry-exit zones at national level. Any quantitative evidence, tables and examples (if necessary, subject to confidentiality) are welcomed.

10.2. Please advise, if there are alternatives or additional requirements within Tarification setting harmonization steps, to accommodate ‘Effects Entry-Exit Zone mergers’ (once there). Please consider the Initial (draft) Impact assessment, when answering.

Please give reasons for your answer, including any quantitative evidence, tables and examples.

11. What additional tariff structure measures do you envisage could improve the network code?

Please give reasons for your answer, including any quantitative evidence, tables and examples. Please also, if relevant, suggest and explain reasons why any of the proposed measures should rather have been left to voluntary exchange of best practices at national level (e.g. via Guidelines of Good Practice)⁹.

12. Please share below any further comments concerning the draft Framework Guideline.

13. Please comment on any factual incorrectness of the attached Initial (draft) Impact Assessment, if possible with specific page references, including quantitative evidence, tables and examples from your experience in the gas market(s) (if necessary, subject to confidentiality).

Thank you very much for your contribution, and do not hesitate to contact ACER staff if you have any questions regarding the questions.

⁹ Please e.g. specifically consider if the FG/NC should include an EU-wide provision providing for “incentives” for implementation of CMP measures, and or additional EU-wide provisions ensuring that transmission system operators do not experience detrimental effects as consequence of the roll-out of EU-wide implementation of the auctions under CAM NC and/or other NC.