Questionnaire for the Draft Framework Guideline on Harmonised transmission tariff structures[1]

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

Name: .. **(Confidential)**

Position held: .. **(Confidential)**

Phone number and e-mail: Tel: +49 …**(Confidential)**

Name and address of the company you represent:

EnBW Energie Baden-Württemberg AG, *Durlacher Allee 93, 76131 Karlsruhe, Germany*

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: EnBW Energie Baden-Württemberg AG is one of the major energy corporations in Germany with companies participating in all parts of the gas and electricity value chain.**

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

Please provide, if relevant, reasoned indication if you wish to consider (part of) your response as confidential[2].

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.

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 is 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.

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 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.

3.1.2. 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?

~~a. Yes, because......;~~

b. No, because......

~~c. No opinion, because.....;~~

Please give a brief explanation for your answer, including the beneficial and detrimental interactions you see.

EnBW does not support the current draft of the FG as it does not live up to the attempt 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. We think that the current approach is heavily biased towards long term capacity incentives so that it does not facilitate efficient gas trade and competition and runs the risk of restricting market liquidity and trade-distortion across transmission system borders. We understand the TSO's concerns of under recovery of allowed revenues but do not think that ACER's proposed bias is a way to provide adequate incentives for efficient and cost-reflective new investments. Relying on market signals should be the main factor for determining tariffs, thus providing the decisive incentives for investment where the indication via the market price is appropriate. Pruning this principle would inevitably lead to an economically inefficient investment-structure and to a substantial decrease in market liquidity. If, for Security-of-Supply-reasons, the need arises to divert from this principal, than the resulting costs have to be distributed on all the profiting parties and not just certain traders buying certain products at certain interconnection points.

4. Reserve prices <u>(Chapter 4 of the Framework Guideline)</u>

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

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?

~~a. Yes, because......;~~
b. **No, because......**
~~c. No opinion or other view, because.....~~

Please give reasons for your answer, including any quantitative evidence, tables and examples. Would you propose an alternative option to that proposed? Please specifically consider the time aspects: how, when and for how long this would apply. Please specifically address if maximum multiplier "1.5" should be set lower or higher, and if in time an EU-wide evaluation, leading to reset possibility of such a maximum multiplier, should be explicitly introduced, or should such a reset possibility only apply to interconnection points where no premia to reserve prices are offered during the auctions. Would you consider that a 'reset' possibility for multiplier-levels should be specified at EU-wide level. Also please specify with examples, what in your view to be considered as such a *significant* under-recovery? Please consider also specifically why you believe that risk of significant under-recovery could not be mitigated through use of appropriate seasonal factors.

As stated in our answer to question 3.1.2, EnBW believes that with the current proposal of the possibility to establish multipliers of greater than 1 for short term capacity on a national level, the goal of generating efficient gas-usage and the balance between facilitating short-term gas trading, on the one hand, and promoting cost recovery and providing long term signals for efficient investment, on the other, will not be reached. Prices for short term capacity must reflect market prices insofar as the price spread between market areas determines the willingness to pay for capacity of the market players at the individual interconnection point. If a possibility to artificially increase prices for short term capacity existed, it would mean a distortion of the balance between short and long term capacities that would lead to the demise of short term trading.

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