

Comments and initiatives on transmission tariff setting for 2020-2025

We regard the public consultation on the methodology of setting transmission tariffs for the period 2020-2025 as the ERO's accommodating attitude. The proposed parameters suggest that the fundamental design of the Czech gas market remains the same as now, except for a significant increase in the transmission tariff at exit to storage. We have the following comments on the document:

We do not agree with the proposed increase in the tariffs for transmission to storage, substantiation for which is completely lacking. This move is all the more surprising in the light of the ERO's note on page 23 that gas storage has faced strong market pressures in recent years. The ERO is therefore fully aware that increasing transmission tariffs at exit to storage by 1,498% will have a heavy impact on the economic sustainability of storage. The proposed growth in the cost of transmission to/from storage would also damage the traders who have concluded storage contracts having good reasons to expect that the transmission price will not be increased unexpectedly. The ERO should approach the protection of storage users' justifiable interests the same as customers using transit transmission capacity, refraining from causing an imbalance between customers with older and new contract.

The proposed transmission tariff *de facto* doubles the charge for network use: exit to DSO: CZK 1,985.94/MWh/day/year versus exit to storage: CZK 1,527.98/MWh/day/year (page 81, Table 37). The route for transporting gas to the distribution system is the same regardless of whether or not the supplier uses a storage facility. The difference is only a short branch-off to storage facilities. In the case of storage facilities in northern Moravia, there is even no branch-off from the main transmission route at all, since the storage facility directly constitutes the delivery point between the transmission and distribution systems. The proposed tariff for transmission to storage therefore significantly overestimates the TSO's costs and fails to reflect the physical location of storage facilities in the network. Transmission price hikes would also have a heavy impact on storage asset lease, and the resulting profitability for SSOs. This would also cause investments to decline.

We consider that the ERO should take advantage of TAR NC implementation as an opportunity to put in place gas market conditions that will make storage in this country attractive for traders. We give the following reasons:

- 1 In the Czech gas system, storage facilities currently have an irreplaceable position in gas transmission to northern Moravia. Their active use helps the gas system to work without the TSO's additional investments. All customers in the Czech Republic also benefit from lower transmission costs. The ERO's primary objective should therefore be to preserve the current model whereby storage users make gas supply to the region possible. An effective tool for its preservation can be cancelling the to/from storage tariffs. This is also the least expensive measure to support smooth gas supply to northern Moravia. The other infrastructure solutions considered will burden the gas price and increase the price for end consumers.
- 2 Gas storage right in the Czech Republic is the surest way of maintaining supply in case of gas shortages. Storage facilities should therefore be regarded as an active element of the gas system and their use should not be burdened by transmission tariffs. The ERO should take into account this added value of Czech storage facilities, thereby helping them to be competitive vis-à-vis foreign storage and preventing increases in the costs related to the supply security standard.

We therefore request the ERO to reconsider its position and support the active use of storage capacity in the country by cancelling the transmission tariffs for their use. This approach has proved its worth in, e.g., Denmark, Sweden and Spain.