

21 December 2018

Consultation document under Commission Regulation (EU) 2017/460 (TAR NC)

EFET¹ comments – 21 December 2018

EFET welcomes the opportunity to respond to the above consultation and that ERU has published the document in English and Czech languages. This promotes transparency in tariff setting and enables non-Czech market participants to engage in the consultation process. It would also be desirable to publish the final decision in both languages.

In general we are pleased with the level of transparency and detail provided in this consultation. This promotes greater understanding and trust in Czech tariff setting and, with the help of the simplified tariff model, helps market participants to form their own views on how transmission tariffs may vary over time.

We note that ERU intends to apply a 50% discount to transmission capacity prices at storage entry and exit points, which is the minimum provided for under the TAR NC. When the TAR NC was under development EFET expressed the view that, in principle, applying any transmission entry or exit capacity charge at storage facilities was double counting, because all gas in storage will ultimately incur such charges at other entry (IPs, LNG, production) and exit (IPs, direct connects and DSO) points. As no attempt has been made to quantify the system value of Czech storage we cannot support ERU's proposal to apply just the minimum storage discount. Storage entry/exit points should, instead, be exempt from transmission capacity charges and any costs that storage imposes on the transmission system should be recovered through commodity charges.

100% storage discounts are applied in a number of countries, such as Denmark, Sweden and Spain and discounts substantially higher than 50% are proposed elsewhere, such as in Germany and Belgium. In our view they are an efficient way of ensuring that storage can efficiently fulfil its key roles of providing seasonality, flexibility and security of supply to wholesale gas markets. Moreover, the impact of changes in tariff levels should be carefully considered when adjusting the applied reference price methodology under the TAR NC. The current proposal indicates an excessive increase

¹ The European Federation of Energy Traders (EFET) promotes competition, transparency and open access in the European energy sector. We build trust in power and gas markets across Europe, so that they may underpin a sustainable and secure energy supply and a competitive economy. We currently represent more than 100 energy trading companies, active in over 27 European countries. For more information: www.efet.org.

of tariffs at storages, which has the potential to negatively disrupt market dynamics and liquidity.

As regards ERU's proposed multipliers, whilst their use has been extensively justified and they fall within the range allowed under the TAR NC, we see no reason why the within day multiplier (1.7) should be set higher than the day-ahead multiplier (1.5). A day-ahead multiplier at an IP which is lower than a within day multiplier will not incentivise market participants to book capacity earlier if the day-ahead price spread does not warrant this, and a higher within day multiplier will simply be reflected in within day price spreads, discouraging within day optimisation.

EFET has consistently opposed the use of ex-post interruptible capacity discounts because they compromise traders' risk-reward decision-making and disincentivise TSOs from offering firm capacity. Despite the condition for using ex-post discounts stated in Article 16.4 of the TAR NC seemingly being met, we are disappointed that ERU has not chosen to apply ex-ante discounts. However, when applying ex-post discounts it is important that compensation for any interruption is applied strictly in accordance with the TAR NC. In other words, "compensation for each day on which an interruption occurred shall be equal to three times the reverse price for daily standard capacity products for firm capacity". So it should not be adjusted downwards based on the actual amount of booked capacity that is interrupted or the duration on an interruption².

Finally, we find it difficult to assess whether the risk premium applied under the price cap methodology for international gas transmission is set appropriately, due to the lack of information provided about historic legacy contracts. Also, the consultation gives no explanation of how the price of the TRU service between the Czech Republic and Austria has been determined. EFET has been critical of the TRU service in the past and recognises that it is still in its trial phase. However, should it ever become a permanent feature then ERU will need to explain this fully, along with any inter-relationship it has with the BACI project.

For any question or clarification we would be very happy to engage in future conversations with you on this topic.

² EFET raised a FUNC request on the correct interpretation of ex-post compensation payments, as ENTSOG's TAR NC Implementation Document (IDoc) incorrectly stated that the three times daily reserve price compensation amount could be scaled down. This led to ENTSOG, with ACER's agreement, making amendments to page 85 and Annex N of the IDoc in a revised edition published in July 2018.