Konzultační formulář

Consultation form

Konzultační dokument podle Článku 26 Nařízení Komise (EU) 2017/460 ze dne 16. března 2017, kterým se zavádí kodex sítě harmonizovaných struktur přepravních sazeb pro zemní plyn

Consultation Document in accordance with Article 26 of Commission Regulation (EU) 2017/460 of 16 March 2017 establishing a network code on harmonized transmission tariff structures for gas

Dotčený subjekt
Interested party

	Regulační orgán Regulatory authority		**Provozovatel distribuční soustavy** Distribution system operator
	Ministerstvo nebo vládní organizace Ministry and governmental institution		**Provozovatel zásobníku plynu** Storage system operator
	Místní samospráva Municipality	X	**Dodavatel plynu, obchodník** Gas Supplier, Trader
	Akademická sféra Academia		**Zákazník** Customer
	Provozovatel přepravní soustavy Transmission system operator		**Jiný** Other

příslušné zařazení prosím označte X
please mark with X

Identifikace
Identification

Jméno právnické osoby Name of legal person	RWE Supply & Trading GmbH (RWEST)
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Datum Date	21 December 2018

Připomínky a podněty (v případě potřeby prosím přidejte další řádky)
Comments/initiatives (please add rows as needed)

Kapitola **Chapter**	**Připomínky a podněty** **Comments and initiatives**
2	RWEST welcomes the opportunity to comment on this important consultation and commends ERU on the quality of its analysis and the level of detail provided. The fact the consultation and simplified tariff model have been made available in English is also much appreciated. This provides market participants located outside of the Czech Republic with a greater level of understanding of tariff setting and helps promote trust and competition in the Czech gas market.
6.2.2	We agree it is necessary to ensure there is no discrimination in the form of cross-subsidisation between flows across the Czech entry-exist system (transit) and flows within the Czech entry-exit system (national demand and supply). However, the absence of any data on the legacy transit contracts and the forecast flows through this capacity makes it difficult to form a judgement on the value of the risk premium, or the extent to which this may represent a cross subsidisation in favour of intra-system or cross-system network users under the formulas contained in Articles 5.3(c) and 5.4(c) of the EU Tariff Network Code (TAR NC).
6.2.4	The consultation correctly recognises that storage facilities are an important tool for helping the Czech Republic to meet its year-long gas demand and play a crucial role in smoothing out gas demand and ensuring a reliable and safe gas supply. This material benefit is recognised generally at EU level within the TAR NC through a minimum discount of 50% that must be applied to transmission capacity tariffs at storage entry and exit points, except where storage competes with interconnection points (IPs). Storage discounts form part of the consultation on tariff methodologies because the discount included in the TAR NC is the minimum which must be applied and, in many cases, higher discounts are warranted. Unfortunately however, ERU has not attempted to quantify the system benefit provided by storage, without which the TSO's RAB would be have been significantly higher. Nor has ERU provided any data or arguments why only the minimum discount should be applied. We consider this to be a failing of the consultation and strongly believe that the storage discount should be substantially higher than the EU generic minimum, for the following reasons. 1) Czech storage facilities disproportionately help to underpin security of supply in the Czech gas market compared to other markets because of the dominance of transit flows and the absence of other sources of flexibility. They also provide key support for gas supply in particular regions such as Northern Moravia and Silesia (see page 25 of the consultation). Because of this the Ministry sees fit to apply storage obligations in the Czech Republic, as it considers storage to be the only guaranteed means of avoiding supply loss in the event of a temporary cessation in transit flows. 2) Under the current postage stamp tariff methodology storage exit point tariffs (and to a lesser extent entry point tariffs) are substantially discounted compared to IP exit point tariffs. This implies a conscious decision was taken previously to reduce capacity tariffs to storage exit points (and entry points) below the level generated by the postage stamp methodology, presumably in recognition of storage's system value. 3) Every molecule of gas injected into and withdrawn from Czech storage facilities will at some point incur entry and exit capacity charges at non-storage points for importers, exporters or domestic suppliers. So applying entry and exit capacity charges at storage points is inherently double counting and potentially discriminatory in the absence of a proper calculation of storage system value. The EU generic 50% minimum discount mitigates against the effect of double counting, recognising that most storage facilities have a system value. But it does not prevent it if the system value is higher than this generic discount. Where storage facilities do potentially incur costs on the transmission system is in the compression necessary to inject gas into storage and, in some cases, to withdraw it. So

	regulators should predominantly apply only system wide commodity charges at storage facilities to ensure cost reflectivity and non-discrimination. 4) Following the significant decline in summer/winter spreads, much of the value derived by market participants when booking storage comes from its ability to react to short term changes in system flows and price signals, both within the Czech Republic and in neighbouring markets. However, storage entry/exit capacity tariffs will still be subject to higher within day and day-ahead multipliers than those envisaged for IPs under this consultation, despite storage multipliers being substantially lowered in 2017. Applying only the minimum 50% storage discounts risks making storage flexibility so expensive that it will not be used, which would be detrimental to efficient system balancing in the Czech system and efficient price arbitrage with neighbouring systems. 5) Storage discounts that are currently applied or proposed in neighbouring countries are significantly higher than the 50% minimum being proposed by ERU, which demonstrates a higher appreciation of storage system value. Germany is proposing a 75% discount at storage entry/exit points and Poland is proposing an 80% discount. In the case of Slovakia, no discount is being proposed as all storage facilities are connected to the Austrian grid and are deemed to compete with IPs. But in Austria itself, a 100% discount is currently applied at storage entry points and exit capacity is heavily discounted too. In other European countries storage discounts also far in excess of the generic EU minimum are common, as can be seen in Table 5 (page 68) of ENTSOG's TAR NC Implementation Document. These include Hungary (90% entry/100% exit), Denmark (100% entry/exit), Sweden (100% entry/exit), Bulgaria (70% entry/70% exit), France (85% entry/exit) and Spain (100% entry/exit). Applying only the minimum 50% discount at Czech storage facilities will significantly increase costs for market participants booking storage capacity from 2020. This would represent an unexpected material adverse change for those market participants holding storage bookings beyond this date. It risks compromising the ability of Czech storage facilities to compete with other storage facilities in the region and to provide system flexibility, which liquid and efficient wholesale gas markets depend upon. We respectfully propose that ERU should apply storage discounts significantly higher than the 50% EU generic minimum, relying instead on the system wide commodity charge to recover the costs that storage facilities place on the transmission system.
8.1.3	The proposed multiplier for within day capacity of 1.7 is too high and should be set at 1.5, the same as for daily capacity. A multiplier of 1.7 unduly burdens short term sources of flexibility in both the gas and electricity markets and discourages efficient within day price arbitrage. This is particularly true when a within day capacity booking for only part of the day is priced as if applying for the full day, as in the Czech Republic. Setting a within day multiplier that is higher than the daily multiplier will not encourage market participants to book capacity day-ahead instead. Demand for this will be driven by day-ahead price spreads which will either be in the money or out of the money, regardless of the level of the within day multiplier.
8.3	The TAR NC allows ex-post interruptible discounts to be applied as an alternative to ex-ante discounts where there has been no interruption of capacity due to physical congestion in the preceding gas year. We assume this applies in this case, but nevertheless prefer ex-ante discounts over ex-post discounts. If a notional probability of interruption cannot be estimated based on future flow scenarios and ex-post discounts are maintained, then compensation should be paid strictly in accordance with the TAR NC. This equates to three times the reserve price for daily firm capacity for each day on which an interruption occurs. It should not be adjusted to reflect the actual percentage of interruptible capacity interrupted or the duration of the interruption(s) within each day, but is a single daily value based on the amount of interruptible capacity booked.
9.1.2	This consultation relates to the tariff methodology that will be used to set future Czech transmission tariffs over the period 1/1/2020 to 31/12/2025. However, ERU recognises that

	the allowed revenue for the fifth regulatory period (1/12/2021 – 31/12/2025) will need to be adjusted to reflect the final amount of eligible costs, along with other principles and parameters, presumably during 2020. As such, whilst the market participants will know the methodology that will be used to recover allowed revenues through transmission tariffs, these tariffs may change significantly from those indicative tariffs shown in Chapter 19.1, and not just because of any changes in the expected rate of inflation. As its stands currently, market participants face the prospect of seeing significant changes to their tariffs from 2019 to 2020 (because of the introduction of a new methodology) and then again from 2020 to 2021 (to reflect the costs and parameters applicable for the fifth regulatory period). Only after this will they experience more stable and predictable tariffs which escalate through to 2025 by inflation. In light of this we think ERU should consider delaying the implementation of the new methodology until the start of the fifth regulatory period in 2021. This is provided for in principle under Article 27(5) of the EU Tariff Network Code, where tariffs applicable for the prevailing tariff period at 31 May 2019 can remain applicable until the end thereof. We understand this article is intended to be used in Slovakia, Austria and possibly France. Arguably, the Czech tariff period equates de-facto to the regulatory period. This is because tariffs that currently apply under the fourth regulatory period were fixed at the beginning of this period and can only vary by inflation in each subsequent year. Delaying implementation of the new methodology until the start of the fifth regulatory period would provide shippers with greater tariff certainty and would give them more time to prepare for what could be material changes to their operating costs. Such changes could not have been anticipated at the start of the fourth regulatory period, or when it was extended. So they risk distorting previously made business decisions.