

Public consultations on adjustment of the gas market model in the Czech Republic

Dear Sir or Madam,

would gladly take part in the public discussion initiated by Energy Regulatory Office concerning the adjustment of the current gas market model in the Czech Republic.

Our general understanding of the new initiative in hand is that storage customer does not pay anymore for the transmission infrastructure he actually uses. Other market participants have to take over such costs. This means a small number of storage customers are subsidized by a big number of all other market participants.

Based on our understanding as described above our opinion on the proposed solution on the advanced virtualization in the Czech gas market is that we do not support it for the following reasons:

1) Merging the Virtual Storage Point (VSP) with the Virtual Trading Point (VTP) would evidently create additional administrative and legal obstacles for the storage clients that do not have a trading license in the Czech Republic discriminating them compared to the market participants active in the Czech VTP. Moreover foreign UGS clients would become clearance entities what would also create additional barriers for them to utilize UGS.

2) The proposed solution assumes that the loss of profit for the TSOs due to the reduction of the transportation tariff to/from UGS to be covered by the increase of the entry/exit transmission tariff to the Czech Republic. This solution would negatively impact the market participants whose transportation portfolio is relatively larger than their storage portfolio. Despite the repeated statements made by ERU that the proposed approach is economically neutral for the market, it is obviously not so. Moreover, the description of the solution leads to an inevitable conclusion that users of the transmission system will subsidize the users of the storage facilities through increased entry/exit transmission tariffs. The described cross-subsidization also involves discrimination, namely against the transit customers. According to the initiative, they are to pay higher grid fees without receiving a better service than that under the status quo. Such an approach is in conflict with Article 13 of the EU Directive Nr. 715/2009, whereby tariffs need to reflect the actual costs incurred, the tariff calculation should be non-discriminatory while cross-subsidizing between grid users should be avoided.



We would like to draw your attention to the fact that while the impact on different market participants is described in the public consultation documents, there is no evaluation of the impact on the network users.

3) The proposed merging of the Virtual Storage Point (VSP) with the Virtual Trading Point (VTP) would also eliminate free competition between SSOs which significantly reduces Article 101 of the TFEU. The users choose between various storage facilities when possible on the basis of the current factual and legal situation and can choose the offer with the best price, including the transportation costs, motivating SSOs to adjust their tariff policy in order to ensure availability of their facilities for customers and compete with each other. The proposed solution suggests that SSOs will create conditions for agreement among SSOs setting the united or almost similar tariffs and almost eliminating market power of the customers which certainly would have been a violation of cartel laws had TSOs implemented such a mechanism on their own

Proposed solution on the advanced virtualization in the Czech gas market will only lead to ineffective functioning of the Czech gas grid and stagnancy of the Czech storage market, it will also lead to considerable damage to confidence of the market as regards to tariff stability and predictability of the market developments which remains one of the most important factors for shippers choosing transit routes.

From the above reasoning our proposal would be to keep the current market model without changing, as the proposed solution would benefit only a small part of the gas market and might harm the market in general.