



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 harmonised 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	Pražská plynárenská, a.s.
Jméno a příjmení odesílatele Name and surname of the	
E-mailová adresa E-mail address	
Telefonní číslo Telephone number	
Datum Date	

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
9.1.1	<p>We regard the disparity between the period of running the consultation under the TAR NC and the determination of the regulatory principles for the fifth regulatory period only after the conclusion of the consultation as the main disadvantage of the timing of this consultation. The consultation is mainly based on assumptions [input data] under the current price control principles for the fourth regulatory period; because of the expected major changes in booked capacities and considerable future planned investments, changes in the design of price controls can be expected [for the fifth regulatory period], in particular the following:</p> <ul style="list-style-type: none">• In respect of the allocation ratio for the transit part of the transmission network - use for national purposes and use for transit purposes;• The design of price controls in respect of the cost of gas (electricity) for running compressor stations, primarily due to the planned Capacity4Gas project. <p>Our comment/question concerns the further process of pricing in the fifth regulatory period and the subsequent reflection of the resulting parameters in the setting of the various prices in gas transmission.</p> <p>Will an additional consultation be organised should the design of the above-mentioned matters [price control principles for the fifth regulatory period] result in greater changes compared with the current assumptions (or, whether a consultation on the price control principles for the fifth regulatory period will, e.g., contain an updated model for pricing under the TAR NC)?</p> <p>Over the long term we recommend adopting legislative changes so that in terms of timing, the determination of the regulatory principles, at least for gas transmission, precedes or ideally is addressed as part of periodical consultations under the TAR NC.</p>
9.1.6	<p>We support the proposed capacity weighted distance reference price methodology (CWD) with the optimised entry-exit split, namely with the proposed 20.35%/79.65% split of regulated revenue between entry and exit points of the network, provided that the risk premium related to the transit risks is allocated directly to the cross-border exit points. Thanks to the check of the equality of allowed and target revenue arising from the calculated prices versus input valuesⁱ, a fair cost allocation between intra-system and cross-system users is guaranteed.</p> <p>In our opinion, the application of a reference price model with a 50/50 entry/exit revenue split would violate the objectives of the TAR NC, in particular as regards the fair cost allocation to intra-system and cross-system users (in such a case, intra-system users would also bear the risk premium from transit flows). Furthermore, the long-term price stability in the Czech Republic would be disrupted without any justification in terms of costs. Such a case would cause the tariff at entry into the Czech Republic to rise to about 255% of the current level, and hence also an increase in the price level at the virtual trading point by about EUR 0.15-0.2/MWh with an impact on all customers in the Czech Republic.</p> <p>Because of the option of making long-term capacity bookings for a fixed [as per the Price Act] fixed payable [as per the TAR NC] price throughout the booking period (and also because of the historically contracted capacities for fixed payable prices), an increase in the part of revenue recovered at entry points entails a major risk of non-recovery of allowed revenue at entry points (in view of the expected capacity booking before the significant price hike at entry points). Other users would then have to pay such missing revenue, at least in part, which would violate the principle of cost allocation required by the TAR NC.</p>

<p>9.1.6 and 19.1 The capacity component of the price for storage facility entry/exit</p>	<p>The proposed methodology for TAR NC implementation (capacity weighted distance reference price methodology (CWD) with the optimised entry-exit split) combined with granting only the basic discount of 50% for entry/exit points of storage facilities results in a surge in the costs of transmission from/into storage facilities.</p> <p>For simplification and further argumentation, we have added up the current prices for entry/exit into/from gas storage (CZK 442.96 + 95.60/MWh/day/year = CZK 538.56/MWh/day/year) and the prices proposed for 2020 (CZK 181.51 + 1,527.98/MWh/day/year = CZK 1,709.49/MWh/day/year). We understand that the setting of a single entry/exit split for tariff calculation is also causing a “switchover” of the current logic of tariffs between the entry and exit points, and we are not challenging this arrangement; we discuss the overall impact on costs in the following.</p> <p>The proposed increase in the total tariff from CZK 538.58 to CZK 1,709.49/MWh/day/year means an increase in the current price by 317%. Using monthly contracts for transmission capacity booking, this would imply an increase in transmission costs from CZK 1.74/MWh to CZK 5.56/MWh, i.e. by CZK 3.79/MWh. Adding the proposed increase in the variable component of the price for 2020 from CZK 0.05 to CZK 0.35/MWh (including EUA), the total increase is CZK 4.09/MWh. Considering the average auction price of storage capacity at CZK 50/MWh, the proposed price hike is about 8.2%.</p> <p>Because of our long-term contracts for storage capacity booking and also contracts for sales to customers, this steep increase would have a considerable adverse impact on our company and would also have to be gradually reflected in prices for final customers. Because of the option of a greater discount granted under the TAR NC, our company was unable to anticipate such a significant increase in the price of transmission to/from storage facilities. We believe that the main objective of the TAR NC is price stability and transparency rather than a steep change in the current prices; as part of the consultation document, this logic has been preserved for the other entry and exit points, but not for access to gas storage.</p> <p>We require that the discount be increased to at least 80% for the following reasons:</p> <ul style="list-style-type: none"> • Maintaining the stability of prices related to access to gas storage in the context of the ERO’s historical support as regards the pricing of access to gas storage; • Savings of investment and operating costs on the part of the transmission system, since storage facilities reduce the costs of shaving the winter peaks in demand of customers in the Czech Republic thanks to their relative proximity to the consumption centres compared with imports from the Brandov VIP; • Savings of investment and operating costs of the diversification of supply and provisions for risks when supply from the main route fails (this risk is exacerbated by the fact that most of gas flows and will flow into the Czech Republic across one point only, the Brandov VIP); • The discount benchmarking as part of TAR NC consultations quite certainly allows for a discount of at least 75%; • The issue of the TSO’s increased costs should the operation of any of the storage facilities be discontinued. <p>Should the ERO conclude that the current price of transmission to/from gas storage must be significantly increased from the current level, we require the spreading of such increase over the whole period proposed.</p>
<p>17.1</p>	<p>This chapter discusses the proposal for cost allocation based on gas flows. The numbers set out mainly in point 17.1.1 clearly show an increase by orders of magnitude in the costs of running gas/electric compressor stations, from several tens of millions of CZK to about CZK 2 billion.</p>

The increase in these costs will obviously have a much heavier impact on cost increases than changes in the capacity component of the price (with the exception of the changes in prices for gas storage entry/exit points, commented on in the preceding point).

Our comments concern 1) the total amount of the allocated costs of gas flows, 2) cost allocation to the individual points of the transmission system.

1) Total amount of allocated costs of gas flow

We are aware that the amount of costs heavily depends on capacity usage, in particular at cross-border exit points; it is very difficult to estimate the usage. In spite of that, the TSO's effort to optimise such costs at the expense of making investments, while it should not just pass the costs through to the transmission network users (in the case of a 100% transfer of such costs directly to network users, this is crucial), should be checked and reviewed.

In our opinion, there is a fundamental question here, which has not been answered in full: Is fuel gas consumption based on upgrades/replacements of compressor stations' compressors, in particular those that have been used for the longest time? A major portion of the compressors are obviously relatively old 6MW compressors with a lower efficiency and thus with a higher consumption of gas (and hence also EUA) and hence also higher costs for transmission network users.

2) Cost allocation to the individual points of the transmission system

The significant increase in the cost of gas/electricity for running compressors is obviously caused primarily by the increase in the use of the transmission network for transit flows. A fair allocation of costs to the individual points is therefore crucial for maintaining cost reflectivity in line with the objectives of the TAR NC.

We would regard as completely unacceptable an even allocation of all costs to the entire gas flow, i.e., the setting of a single flow-based charge for all exit points. Such methodology would be contrary to the TAR NC's objectives and would be very unfair primarily to gas storage users and national customers.

In our opinion, the methodology proposed in point 17.1.2 of the Consultation Document correctly takes into account that costs should be allocated based on the predominating directions of flows and distances induced by the various types of transmission. It is quite logical that the average transmission distance for national customers is smaller than for transit, and we also regard the setting of an average transmission distance in the case of storage facilities as correct in terms of costs.

Although we regard the methodology in point 17.1.2 as correct in theory, we believe that there is a need to verify that costs higher than those pertinent for them are not allocated to the intra-system users, specifically with regard to the allocation ratio in the transit system for national and transit usage, which prompts us to ask the following questions:

- 1) Isn't precisely the allocation ratio determining the division of assets, depreciation and transit system costs to national use and transit use the right ratio for allocating the costs of compressor station running?
- 2) Shouldn't a detailed model be used to examine the various types of gas flows in terms of their demand for pressure, causing pressure losses, based on which [the demand] the cost allocation to fuel gas would be the fairest?

We request that the above be checked, ideally as part of this consultation and not later than as part of setting the parameters for the fifth regulatory period.

ⁱ The ERO implies this meaning: Thanks to the Excel calculation that checks whether or not cross-subsidisation between allowed revenues occurs, i.e. whether these revenues correlate with the input parameters of the model