

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



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welcomes the opportunity to comment on the above consultation and commends ERÚ for publishing the consultation both in Czech and in English. Publishing the consultation in English allows energy traders who are active in the Czech gas market but who are not native Czech speakers to understand what is being proposed and express their views. Such an open transparent approach is very much welcomed by our members and we hope that ERÚ and other Czech authorities will continue such an approach, encouraging collaborative market development through active stakeholder engagement.

cautiously supports the proposed merger of the virtual trading point with virtual gas storage points. It is more administratively efficient and will avoid the distortion of all gas injected into and withdrawn from storage having to pay an exit/entry capacity fee, despite an entry fee already having been paid when gas is brought into the system and exit fee being paid when gas leaves the system. Removing the need to book and pay for transmission entry/exit capacity at Czech storage facilities will, all other things being equal, increase the attractiveness of Czech storage for traders. Nevertheless, we expect any increase in the value of storage to be reflected in the future clearing prices at storage auctions, hence increasing the revenues of storage operators whereas the costs of storage will remain unchanged.

We understand that as a result of the Advanced Virtualisation proposal traders using Czech storage facilities would have to become clearance entities with the market operator, OTE. However, we do not see this as a problem as the majority of our members active in the Czech gas market already satisfy this requirement. As regards whether storage nominations to the VTP should be submitted to the storage operator or OTE we have no strong views at this stage. But whatever the outcome, this should

be an efficient process involving no deterioration in current nomination lead times or deviation from the use of existing electronic data exchange protocols.

Contractually, storage users should have the same legal rights and obligations under the new proposals as they do currently under existing storage terms and conditions. As regards the impact of any transmission outages, or force majeure, on storage users, to the extent these are provided for already in existing storage contracts they should be retained. But no new contractual provisions giving storage operators extra rights to interrupt storage services should arise as a consequence of these proposals. To the extent storage operators are subject to interruption risks under these proposals which are not already provided for under existing storage contracts a "back-up" service could be considered to keep nominations whole. Such a service is described and endorsed in CEER's recent report on barriers for storage product development.² ERÚ may, in conjunction with storage operators, wish to consider whether this and other innovative products referred to in the report, would further help to facilitate market development.

Following implementation of these proposals, currently envisaged for storage year 2018, all outstanding transmission entry and exit capacity bookings at storage points between the TSO and network users should automatically be terminated, without any cost or consequence to either party.

Finally, as regards how to cover the income loss of the TSO arising from these proposals, we strongly believe this should be recovered from domestic points and form part of the calculation DSO tariffs. Whilst the amount of lost revenue is relatively small, domestic end users are the ones who will ultimately benefit from any increased competition and security of supply generated by these proposals, so in principle they should cover the costs. Recovering the lost revenue from transmission entry and/or exit points (however small) including interconnection points with neighbouring markets risks lessening competition and cross-border trade, thereby contravening the European gas target model of an ever more integrated internal energy market. In particular, increasing the costs of entry carries the risk of an overall increase in the price level in the Czech market.

Our response is not confidential and should you wish to discuss it in more detail, or any other aspect of Czech market development, please do not hesitate to contact us.