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Subject: Reply to Consultation on implementation of the network code on harmonised transmission tariff structures for gas

Dear Sir/Madam,

Shell welcomes the opportunity to comment on the proposed change to the tariff methodology that is set to apply as of January 2025.

We acknowledge the changes that the European gas sector is facing, the impacts that those changes are having on the Austrian gas transmission system and the need to adapt to this changed reality.

Nevertheless, we cannot refrain from commenting on the fact that in our opinion some of the proposed changes, namely major changes to the tariff levels (up to 300% increases at network entries in the west) can greatly affect the economics of using the Austrian gas network, with the risk of falling into a vicious circle of dropping utilization rates and growing costs of network usage.

Moreover, current proposed tariff methodology risks to jeopardise the ambition to diversify away from Russian import, since it negatively impacts exactly the points Austria should leverage to diversify import routes.

Another challenging aspect is the impact on existing contracts. Changes in tariffs of this magnitude were impossible to predict by the capacity holders and will have significant impact on agreements signed in previous years with a reach beyond 2024.

Below we present some comments and proposals with a view to enhancing supply route diversification, cross border trade and maintaining the competitiveness of Austrian gas transmission routes and optimising the option to achieve additional revenue. At the same time safeguarding the market legitimate expectation for regulatory stability and minimising as much as possible changes in tariffs reducing the impact on existing contracts.

Allowed revenues

We welcome the indicative reduction of allowed transmission revenues for GCA and for TAG for next tariff period 2025, given the positive impact that those reductions have on the cost of transport for costumers.

Bechmarking

Another issue with the proposed methodology that we wish to flag up is discontinuation of benchmarking by E-Control. The existing tariff methodology envisaged adjustments stemming from benchmarking (as envisaged under Art. 6 of NC TAR) that were to limit the maximum tariff increase to 10%. Under the new approach no benchmarking was done and the resultant surge in tariffs is far beyond the cap that was set to safeguard existing contracts and tariff stability, as well as to avoid market distortion.

We would therefore ask E-Control to reintroduce benchmarking and consider changes that would prevent market distortions.

The importance of a stable regulatory framework is highlighted in the recent consultation published by the Czech regulatory authority for the review of gas transmission tariffs. Czech Republic is facing similar changes in network flows as Austria, nonetheless ERO declared explicitly the objective to not significantly disrupt the price continuity with the current prices (i.e. between 2025 and 2024) in the implementation of NC TAR, because a major change in the set prices might have adverse impacts on the market.

Equalization of entry points

Current proposal increases disproportionally western entry points and thus benefits imports from eastern routes, mainly of Russian origin. An equal tariff for cross-border entry points would contribute to the goal of diversification of supplies and reducing current still strong dependence on Russian gas. Moreover, sharing the burden of the increase on multiple points would also contribute to the goal of reducing the impact of tariff changes and hence contribute to tariff stability.

Storage discounts

We note that Article 9 of NC TAR specifically states that at least a 50% discount should be offered separately for entries to and exits from storage facilities. Having said this, it is important for us to clarify that any consideration to introduce additional discounts on storage (e.g on entries from storage) should not lead to further increases to tariffs at IPs.

Capacity-commodity charge split

It would be important to be reassured about the calculation methodology behind the split between commodity and capacity charge and that no change to the charge will materialise during a given tariff year.

Multipliers

With the highest possible multipliers proposed, the attractiveness of shipping gas through the Austrian system will suffer even further. With long-term booking costs on the western IPs growing several times, the overall utilization rate of the Austrian network can only be expected to drop, threatening the ability to reconcile the costs, and exerting pressure on tariff increases in the future.

On the opposite Austria would benefit from a lower level of multipliers, which helps traders to respond dynamically to changes in price spreads, resulting in increased cross-border gas flows.

In this phase the above is far more important for the Austrian system than the long-term signals for efficient investment in the transmission network that high multipliers could provide, since there is no risk of insufficient investment in the network.

We remain at the disposal of the offices of the Authority for any further information you consider useful or should there be the need to further substantiate our position.

Best regards

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Shell Energy - Europe and Environmental Products