Consultation on the implementation of the network code on harmonised transmission tariff structures for gas

Eni's statement

Eni wishes to thank E-Control Austria for the documentation, data and information made available in the framework of the proceedings for the implementation of the EC network code on harmonised transmission tariff structures for gas (TAR NC), that is set to apply as of January 2025, allowing stakeholders to properly assess its proposals.

Key messages

- The new methodology would lead to a **significant shift in the distribution of costs in the Austrian gas system as a whole**. The calculated increase in import costs, especially in combination with existing and future neutrality charges introduced by neighbouring Member States, will have **an impact on the economics of gas use in the country**. The proposed approach **could be a threat to Austria's ambitions for diversifying away from Russian gas imports**.
- Some **key elements of the proposed methodology require further justification and reconsideration,** especially **the revised entry/exit split**.
- **The huge and unpredictable level of some tariffs' increases, that the proposed change in methodology and in entry/exit split would entail, requires specific mechanisms in order to safeguard existing contracts providing tariff stability and predictability as well as avoiding market distortions**. E-Control should introduce a **"grandfathering" mechanism for holders of already existing capacity bookings** in order to cap the tariff increase of their booked capacities up to max 10%; alternatively, in concertation with the adjacent National Regulatory Authorities, **a termination option** should be foreseen for already existing bookings of bundled capacity.

Here below you can find our more detailed comments on the different sections mentioned above.

Reference price methodology (RPM)

We have significant concerns that this change of RPM is very detrimental to market confidence and to the good functioning of internal gas market and of cross-border trade.

The proposed switch to the Capacity Weighted Distance (CWD) model is stated to be needed in order to adapt to the new west-to-east gas flow pattern and to account for a different import configuration (from one dominant entry point to more than one).

This different RPM, combined with the drastic and sudden change in the entry-exit split, leads to large changes of tariffs (an increase of over 300% at Arnoldstein entry point from Italy and over 200% increase at the entry points from Germany), which may significantly affect the economics and the attractivity of using the Austrian gas system, thus especially affecting the points that Austria should be using to diversify away from Russian imports.

In accordance with the NC TAR principles and aims of contributing to market integration, enhancing security of supply and promoting the interconnection of national gas systems, a key step in achieving these objectives is not only to increase the transparency of transmission tariff structures and the procedures for setting them but also to ensure their reasonable predictability. This should enable network users to better understand the tariffs set for both transmission and non-transmission services and how those tariffs have changed, are set and may change.

The proposal under consultation, if approved, will instead:

- drastically change the charging methodology, without ECA having given enough time for a robust analysis and impact assessment, and a consideration of possible alternative RPMs; and
- heavily impact network users with already subscribed capacities, to an extent that they could never have predicted, given the order of magnitude of some tariff increases as highlighted above.

The extent of the proposed change requires a thorough impact assessment, as it is undermining market confidence and the ability of market participants to estimate and predict their own service costs in an acceptable manner.

We therefore recommend both clarifying the inputs to the CWD methodology and examining other permissible methodologies, such as the postage stamp method used in the Netherlands and Germany, also in order to avoid the risk of a vicious circle of falling utilisation rates and rising network usage costs.

Revised Capacity Entry/Exit split

The proposed considerable change from the entry-exit split for the Regulatory Period 4 of 20/80 onto an entry-exit split of approximately 50/50 for the Regulatory Period 5 might prove to be a hinderance to cross border trade, as it exacerbates the effect of the change in methodology, thus contributing to the totally unacceptable and completely unpredictable tariff increases at some points, as mentioned above (e.g. over 300% increases at Arnoldstein entry point from Italy and over 200% increase at the entry points from Germany). Therefore, such change of the entry-exit split should be reconsidered, also based on the suggested impact assessment mentioned above, considering that different splits with respect to 50/50 can be adopted by the NRAs if they are justified.

Considering the implications of the above-mentioned huge tariff level changes and their unpredictability for the network users, we believe that E-Control should foresee specific mechanisms to protect users with transportation capacities booked at any points in the system from these sudden and unexpected tariff increases. This, especially considering that in 2019, when moving from the 3rd regulatory period to the 4th, it was applied by E-Control "*a general benchmark that results in limiting the maximum tariff increase compared to the tariff period to 10%* ***in order to safeguard existing contracts and tariff stability as well as to avoid market distortions***"[1]. For these reasons, we believe that E-Control should introduce a "grandfathering" mechanism for holders of capacities booked before the entry into force of the 5th Regulatory period in order to cap the tariff increase of their booked capacities up to max 10%. Alternatively, we would propose that E-Control, in concertation with the adjacent National Regulatory Authorities, includes a termination clause in favour of the above-mentioned market participants, so that they are allowed to terminate their impacted contracts for bundled capacity (e.g. on both sides of the IPs) without any penalties.

San Donato Milanese, 21 February 2024

[1] E-Control consultation document "Implementation of the network code on harmonised transmission tariff structures for gas", 06/11/2019