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Subject: Proxigas' comments on consultation document "Implementation of the network code on harmonised transmission tariff structures for gas"

Proxigas welcomes the consultation document issued by E-Control on the 21ˢᵗ of December 2023 relating to the 5ᵗʰ regulatory period of Austrian gas transmission tariff and would like to bring to your attention **our relevant concerns regarding the impact of the new proposed tariff methodology.**

E-Control proposes to adopt significant changes of the Reference Price Methodology (RPM) and, among others, the switch to the Capacity Weighted Distance (CWD) model, a drastic change in the entry-exit split (from 20:80 to approximately 50:50) and the introduction of certain homogeneous groups of points putting together cross border exit points and storage exit points.

Without prejudice to the full recovery of the allowed revenues by the TSOs and while understanding the new scenario imposing a review of the methodology adopted in the 4RP, at the same time we highlight that the outcome of the new assumptions for the 5RP is a significant increase in the indicative capacity-based transmission tariffs with reference to cross border tariffs, given an assumed lower allocation of costs on the domestic market. **At the entry Arnoldstein (gas flowing from Italy to/through Austria), the increase of the capacity-based tariff is about +330% (4.18 EUR/kWh/h/a vs 0.97 EUR/kWh/h/a of the RP4).**

These changes in tariffs may significantly affect the economics and the attractiveness of importing gas from Italy to diversify imports from Russian gas in Austria and eastern countries, affecting the security of supply of these Member States.

Moreover, the huge and unpredictable level of some tariffs' increases, will impact shippers holding capacity bookings on such cross-border points for the years falling in the 5ᵗʰ RP.

As highlighted in the consultation document, the differences in the tariff levels of the 4th and 5th regulatory period lie mainly in the change of the RPM from the virtual point-based to the CWD methodology with default 50:50 entry-exit split.

E-Control stated that the methodology change is a necessary consequence of the changed west-to-east gas flow pattern and to account for a different import configuration.

However, we believe that the extent of the proposed radical changes requires a thorough evaluation and careful assessment, as it is undermining market confidence, cross-border trade, and the ability of market participants to estimate and predict their own logistic costs.

Considering the relevance of the Austrian route for exporting gas from Italy and the possible impact of Austrian tariffs on attractiveness of the Italian route, we warmly recommend that a further impact assessment is carried out, examining different combinations of inputs (e.g. entry-exit split) and other methodologies.

Should E-Control confirm the proposed methodology, we believe it is necessary to introduce at the same time a price increase cap (as the 10% cap in place in the 4RP), e.g. by means of an equalization of the increase in the cross-border entry points, or a sort of "grandfathering" mechanisms for the 5PR to safeguard existing contracts providing tariff stability and predictability as well as avoiding market distortions.

Finally, we would appreciate that further impact assessment is carried on considering:

- homogeneous groups of entry points and exit points, clustering in different groups storage and cross-border exit points;
- discounts of 50% for entry points from storage and 50% for exit points to storage;
- more information about forecasted capacities and about capacity-commodity revenue split.

For any question or clarification, we would be very happy to engage in future conversations with you on this topic.

Yours faithfully,

Marta Bucci
General Manager