Statement:

Public Consultation – Implementation of the network code on harmonised transmission tariff structures for gas

May 16st, 2024

In the context of the Final Consultation on the Reference Price Methodology, E-Control has defined a Capacity-Weighted Distance pricing methodology based on the following pillars:

- an entry/exit split of 25% - 75%;
- equalisation adjustments of tariffs for homogeneous groups of entry points;
- equalisation adjustments of tariffs for homogeneous groups of exit points;
- a cap on tariff increases at exit points to the distribution area;
- discounts of 100% for entries from storage and 50% for exits into storage.

In addition to this, in line with the last tariff consultation, the Authority has established that the RPM for capacity-based transmission tariffs is accompanied by a commodity charge to cover the costs mainly driven by the quantity of gas flow.

Trans Austria Gasleitung GmbH expresses its general appreciation for the methodology proposed by E-Control and for the efforts adopted in using different mixes of inputs (entry-exit split, equalisations for entry points, cap for distribution area) in order to actively respond to the market demands that emerged in the previous consultation.

In more detail, TAG GmbH's positions on the various points covered in the consultation are set out below.

Capacity Weighted-Distance Methodology

E-Control's choice to maintain this tariff methodology, which was proposed already in the first consultation due to variations in gas flows, is appreciated. The CWD is the reference tariff methodology under Article 8 of the TAR NC and, as such, is the most cost-reflective approach (i.e. ensures the correct allocation to the users of the costs underlying the service), in particular in those times of a significant changing environment of the gas industry.

TAG GmbH considers the proposed CWD methodology appreciable, for several reasons set out below.

- Resulting capacity tariffs that adequately take into account the underlying costs of providing transport services, in order to allocate costs to transport network users, guarantee non-discrimination between users, prevent undue cross-subsidisation and therefore, consequently, ensure cost reflectivity. As the methodology takes distance as a relevant cost driver, the degree of cross subsidisation should be very limited. Concerning the equalisation of delivery points, some degree of cross-subsidisation between final customers in different areas could result, but it must be considered that it avoids outliers in the tariffs as a result of the CWD, which do not seem reasonable in terms of cost-reflectivity.

- Greater simplicity and transparency, making it easier for network users to understand and replicate the calculation of tariffs in order to obtain an accurate forecast, also with a view to better assessing their own market choices.
- Pricing structure that allows flexible and efficient use of infrastructure by service users, with particular reference to short-term products.
- Requirement of non-distorting cross-border trade fulfilled by the cost-reflectivity of the CWD methodology and resulting tariff.

Entry-Exit Split

In the last consultation on the reference price methodology, an entry-exit split of 50% - 50% was proposed. In the light of the feedback received from the market, E-Control has decided to lower the share of revenues allocated to entry points to 25%. This value is more or less in line with the one currently in force for the 2021-2024 regulatory period, equal to 20,6%. TAG GmbH would recommend to consider a different share of revenues and suggests a split of 30% - 70%. This is considered an acceptable adjustment in order to:

- ensure the competitiveness of natural gas supply on the national market and to promote optimal use of existing infrastructure;
- avoid high divergence in the tariff of individual points compared to the current period, also in view of regulatory stability and certainty;
- limit the tariff impact on exit points compared to the consulted tariffs.

Equalisation of Entry Tariffs

TAG GmbH recognizes the relevance to create equal conditions on the entry points for the diversification of routes, especially in view of the fact that in future the Market Area East will no longer be fed primarily via the Baumgarten entry point and Arnoldstein entry point will get more important comparing to the past for gas coming to Austria. This mechanism makes it possible to create fair competition on the Austrian gas market, to enable the diversification of gas imports and to ensure the security of supply. From a balancing point of view, the solution is considered consistent because it allows, on the one hand, not to increase tariffs too much on points on which there are already important capacity commitments and, on the other hand, to guarantee equal access to the system, putting the different entry points in competition.

Cap on tariff increases at exit points to the distribution area

On the basis of the published tariffs, it is clear that a cap of +200% compared to the tariffs of the previous regulatory period has been applied to the exit points towards the distribution area. In general, such a mechanism could lead to discrimination between different transport network Users. In the light of the market requests that emerged from the previous consultation, a higher cap value than the one consulted is suggested to be considered. In fact, the level of tariffs under consultation exposes Austrian domestic Users to a lower transmission tariff level than the European average, whereby it is considered feasible to increase the cap, also to limit as much as possible market distortions associated to this mechanism.

More generally, TAG Gmbh also reiterates that:

- it is also supported to maintain the approach of defining a separate commodity-tariff that should cover all cost elements linked to the transport, since it refers to costs that are not controllable by the TSO depending widely on network daily operations, increasing cost reflectivity;
- in the current volatile market situation the annual update of the tariffs is a well-proven solution in order to avoid leaps in tariffs and to increase cost-reflectivity.

With regard to the final guidelines proposed by E-Control, TAG GmbH would like to draw attention to two further aspects that are considered relevant.

Start of the tariff year

Due to the time schedule defined in the Tariff Network Code and taking into account the yearly definition of the tariff, it shall also be considered to follow the timing set out in the attachment 3 to GSNE VO currently in force (1.1.2021 until 30.9.2024) and move to a tariff period starting with the 1st of October, so for the first time with 1st of October 2024, using forecasted contracted capacity for the following gas year. In this way, the annual tariffs update would be aligned with Capacity Allocation Mechanisms Network Code products and auctions logic.

Multipliers

Based on the comments received during the consultation, E-Control decided to change the multipliers for the individual standard capacity products. For the quarterly product, the level of the multiplier is reduced from 1,5 to 1,25 and for the daily product from 3 to 2. This choice seems to be in contrast to the designated objective of the Tariff Network Code to encourage long-term bookings through the increase of multipliers for short term products, so TAG Gmbh believes that it is more correct to return to the level of multipliers set during the previous consultation, as shown in table 1, as they provide a good incentive to maximise long-term products.

Table 1 – Multipliers for tariff period 2025

Point	Year	Quarter	Month	Day	Within-day
All entry & exit points	1.00	1.50	1.50	3.00	3.00