Consultation according to Articles 26 and 28 TAR NC – implementation of the network code on harmonized transmission tariff structures

ENGIE answer – 16/05/2024

Contact: Adrien Vetu – adrien.vetu@engie.com - +33 6 77 81 29 01

ENGIE appreciates the opportunity set by E-Control to contribute to the consultation on the regulatory text concerning the implementation of the network code on harmonized transmission tariff structures for gas in Austria. As a key midstreamer in the European energy sector, ENGIE recognizes the importance of transparent and efficient network tariffs frameworks to ensure the reliability, affordability, and sustainability of gas transmission systems. In this response, ENGIE provides insights and recommendations based on its extensive shipper experience in gas transmission. Our goal is to underpin the development of a robust regulatory framework that meets the interests of all stakeholders while promoting fair competition and market efficiency for end-users.

ENGIE would first like to express its doubts about the significant differences between the first consultation published in January and this new one (entry/exit split, length of the regulatory period). These major changes in the new tariffs proposal indicate there are large uncertainties in the assumptions used by E-Control to calculate the network tariffs. Therefore, it would be wise to maintain the initial proposal, as it seems more balanced and thus the best option for the Austrian gas market in general.

1. Entry/exit split

The initial proposal advocated for a balanced 50/50 allocation, recognizing the importance of fairness and operational efficiency, as also highlighted by other NRAs in various Member-States. However, E-control now proposes a strong shift toward a 25/75 split. According to ENGIE, this shift is:

- Too disruptive: the NC TAR requests a certain tariffs stability, which is not the case with this drastic shift. ENGIE recommends a gradual transition.
- Inconsistent with choices made by adjacent Member-States for a more balanced and fairer split between domestic and cross-border deliveries.
- Disproportionately affecting holders of long-term exit capacity. A 25/75 split, even though it may appear cost-effective in the short term, places an undue burden on long-term shippers, and will discourage long-term commitments and hinder overall system reliability. To our knowledge, such an imbalanced split is unprecedented within European countries and would threaten gas market integration in the region. A balanced 50/50 split mitigates this risk by promoting stability and preserves market functioning.

- Very similar, in terms of effect on shippers and cross borders flows, to the storage neutrality charge implemented in Germany in October 2022. Austria has regularly communicated, even recently at the last Madrid's Forum, its strong opposition to the German tax, recognizing it can disrupt market dynamics and hinder investment. It is then questionable that E-control now suggests a similar mechanism.
- Exacerbated by the cap of exit tariffs to the domestic distribution area. If we understand the rationale behind it, the subsequent increase on the IP tariffs is important, which may reduce liquidity and ultimately increase the gas price for final consumers, including Austrian ones, as shippers would therefore be more reluctant to flow gas towards Austria.

2. Multipliers

ENGIE wishes to highlight the critical role of multipliers in shaping the behavior of market participants. Specifically, we propose that multipliers for short-term bookings should be set at a higher yet balanced level to encourage long-term commitments, for the following reasons:

- Long-term bookings provide revenue stability for network operators. Predictable income allows for better planning, maintenance, and infrastructure investments. This benefits the entire gas transmission system and all stakeholders, including consumers.
- Short-term bookings with low multipliers are not cost-reflective. Multipliers should account for the amortization of the capital expenditures over the booking period. Long-term contracts allow for a more accurate reflection of the network operators' costs.
- Short-term bookings are inherently linked to market fluctuations, unforeseen events, and changing demand patterns. Higher multipliers for short-term bookings act as a risk buffer, encouraging shippers to consider longer-term options.

3. Commodity charge

In the initial consultation, and during the previous 4th regulatory period when such a charge was first introduced, we understood that flow-based charges covered the energy costs associated with gas flows.
In the previous consultation, this commodity charge generated a revenue of 50 million euros. However, in the new consultation, despite no changes in forecasted flows for 2025, the associated revenue declined to 33 million euros.
This discrepancy prompts us to wonder how changes in estimated capacity tariffs are affecting commodity charges and vice versa. Therefore, we would like you to clarify if the future commodity charge will evolve based on energy costs or if it is an arbitrary way to potentially recover a part of the missing revenues.

4. Forecasted contracted capacity 2026 and 2027

Engie would like to know the forecasted contracted capacity for 2026 and 2027, and if possible beyond that, to understand the increase of tariff on these periods.

5. Homogenous group of points

We observe with regret that this second consultation still proposes the consolidation of storage and cross-border exit points, which could potentially compete with each other (specifically on the borders with Slovakia and Germany). As stated by the Energy traders Europe response to the first consultation, this strategy is inconsistent with NC TAR, as the tariffs network code explicitly identifies the types of points that can be grouped (as per article 3, point 10). The attempt to merge MAB and Penta West storage exits with the corresponding IPs, considering they could be used as competitive routes, is particularly perplexing given that the associated cross-border storage usage fee is set to persist. We are of the opinion that tariff equalization should continue to apply separately for cross-border points and storage. A uniform tariff for cross-border entry points would also aid in achieving the objective of reducing reliance on Russian gas.

In parallel, we regret not having more information on the persistence or change of cross-border storage usage fees.

In our opinion, these points should not be grouped by a unique tariff but should be aligned in their tariffication keeping in mind that they are related to two distinguished products: cross-border gas trading and storage.

We remain available for any question or clarification on the questions we raised.

Yours Sincerely,

Thibaut Husselstein

Thibaut Husselstein
Head of Asset Structuration & Trading
ENGIE Global Energy Management & Sales