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Oldenburg, 30 June 2017

Comments on ENTSOG's Implementation Document for the Network Code on Harmonised Transmission Tariff Structures for Gas ('TAR NC IDoc') from March 2017

Dear Sir or Madam,

EWE GASSPEICHER is a German Gas Storage System Operator with highly flexible gas storage facilities close to the Dutch border. Therefore we are particularly interested in the TAR NC Tariff adjustments at storage points.

We are operating storage facilities which are connected to more than one transmission system, thus the exceptions for these storage facilities are relevant for us, too.

Comments on the interpretation of Article 2 of TAR NC:

Article 2 of the TAR NC defines the respective ranges of application. It defines that some chapters (Chapters III, V, VI, Article 28, Article 31 (2) and (3) and Chapter IX) are applicable by default only to interconnection points and not to "other points" such as storage points. In contrast to the interpretation in the TAR NC IDoc, also a possible extension by the national regulatory authority does not apply to storage points. Figure 3 on page 23 and the relevant text on page 22 do not reflect this correctly. We therefore ask you to change the respective passages accordingly.

Comments on adjustment of discount at storage points

According to the wording of the TAR NC it is not only allowed to set tariff discounts for storage points, but it is obligatory given. The voluntariness is only valid for LNG regasification points and infrastructure aiming at removing gas supply isolation. The text on page 50 should be changed as follows:

TAR NC ~~allows~~ obliges TSOs to set tariff discounts for storage points, and allows to set tariff discounts for LNG regasification points and infrastructure aiming at removing gas supply isolation. The discounts are in effect adjustments to the results of the RPM, but separate from the benchmarking, rescaling and equalisation identified in Article 6. As a default, storage discounts must be at least 50 %, to avoid double charging. ~~and~~ In order to take into account the contribution that storage facilities provide in avoiding the need for additional gas transmission investments and reduction of operational costs as well as the public welfare provided due to system stability, security of supply and market liquidity further discounts for storage points are justified.

Comments on implementation of Article 9 TAR NC – Exception for storage facilities connected to more than one transmission system

According to the TAR NC, exception from the specified discount (at least 50 %) for those storage facilities connected to more than one transmission system should apply unless and to the extent a storage facility is *used to compete with an interconnection point*.

In the IDoc on page 50 the condition of the exception becomes '*used as an alternative to an IP*'. This could lead to the fact that these storage facilities do not receive the specified discount (not only in the case that the use of the storage *competes with an interconnection point*). But this is not the intention of the legislator according to the TAR NC.

At some storage facilities which are connected to more than one transmission system it is basically possible to (simultaneously) transport the gas from one transmission system to the other (this is

however only possible by using the storage-facility-equipment like compressors, metering etc. of the SSO). If a storage customer makes use of this simultaneous transportation-possibility by using the storage-equipment of the SSO, the storage-/transportation *competes with an interconnection point* and the exception from the specified discount should apply.

Any other (i.e. non-simultaneous) usage of the storage facility – which happens to be the by far predominant use of such facilities - causes a time-shift between injection and withdrawal, which generally cannot be provided by an IP.

If a market participant needs flexibility to balance his gas-portfolio, he has the free choice (*alternatives*) to book flexibility either at an IP or at a storage point. This means that the storage facility represents *an alternative to an IP* no matter whether the storage is connected to more than one transmission system or not. Therefore an exception from the specified discount is not justified.

We think that there's a main material difference between the wording in the TAR NC ("*used to compete with an interconnection point*") and in the IDoc ("*used as an alternative to an IP*").

To avoid discrimination between IPs and storage points, a discount reduction shall only apply in the case of a competing use.

The (German) example in Annex F does not reflect this. The Example in Annex F shows a back payment of the discount plus a premium, instead. In addition, the process is very complicated and limits the cross border gas flows. The rules applied in Germany therefore do not comply with the intention of the TAR NC and discriminate users of storages facilities connected to more than one transmission system. Furthermore, the German system is somehow "strange" from a contractual point of view as a storage system operator has to invoice transmission fees (back payment) from a storage customer. Those pack payments are related to transmission tariffs and transport customers and not to storage tariffs and storage customers. In some cases the storage customer and the transport customer are not the same person which makes the back payment from the storage customer more unjustified.

We recommend removing the example in Annex F from the IDoc and change the wording in the IDoc as follows:

The TAR NC envisages exceptions where a storage facility is also connected to at least one other TSO or DSO system, if network users use the storage facility as an alternative to compete with an IP by simultaneous usage of Exit and Entry by the same storage customer., as in Germany and Slovakia. Some TSOs in this situation reduce the discount, and Annex F provides an example of such an approach. To avoid discrimination between IPs and storage points, a discount reduction shall only apply in the case of a competing use.

Comments on Annex F Article 9 – Example of a Discount Reduction at Storage Facilities with Access to more than one Entry-Exit System

As explained above, we recommend removing the example in Annex F from the IDoc.

Kind regards

EWE GASSPEICHER GmbH