



# GIE comment on Implementation document for the Network Code on Harmonised Transmission Tariff Structures for Gas published by ENTSOG

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## Introduction

The Official Journal of the European Union ('EU') published the TAR NC on 17 March 2017 which already entered into force. Art. 9 of the Network Code defines an adjustment of tariffs at entry points from and exit points to storage facilities and at entry points from LNG facilities and infrastructure ending isolation:

- 1. A discount of at least 50% shall be applied to capacity-based transmission tariffs at entry points from and exit points to storage facilities, unless and to the extent a storage facility which is connected to more than one transmission or distribution network is used to compete with an interconnection point.*
- 2. At entry points from LNG facilities, and at entry points from and exit points to infrastructure developed with the purpose of ending the isolation of Member States in respect of their gas transmission systems, a discount may be applied to the respective capacity-based transmission tariffs for the purposes of increasing security of supply.*

GIE is invited to comment the "Implementation Document for the Network Code on Harmonised Transmission Tariff Structures for Gas" published by ENTSOG in March 2017 including the following explanations on Art 9 on Page 50:

*"TAR NC allows TSOs to set tariff discounts for storage points, 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 to take account of the contribution that storage facilities make in avoiding the need for additional gas transmission investments. 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 an IP, as in Germany and Slovakia. Some TSOs in this situation reduce the discount, and Annex F provides an example of such an approach.*

*Discounts may also apply to LNG entry points to increase security of supply. The TAR NC is silent as to the appropriate level of such discounts.*

*Discounts may also apply to entry-points-from / exit-points-to infrastructure ending the isolation of MSs, if such discounts increase security of supply. The TAR NC is similarly silent as to the appropriate level of such discounts."*

GIE comments concentrate on these explanations in regard to Art. 9 on page 50 and examples described in Annex F in the ENTSOG document.



## 1 Fair and transparent method in setting the discount at the Storage connection point (SCP)

### GIE COMMENT:

ENTSOG's explanation to consider the avoidance of double charging and to take into account the contribution that storage facilities make in avoiding the need for additional gas transmission investments is fully supported. TAR NC offers a wide range of granting a discount between 50% and 100%. Therefore GIE proposes to give further guidance on a fair and transparent universal methodology how to evaluate the net benefits of storages within transmission systems and in a second step calculate the direct and indirect benefits of the individual storages in the relevant Entry Exit zone.

### GIE PROPOSAL:

***GIE proposes to add/insert the following text on page 50 right after the sentence:***

*"As a default, storage discounts must be at least 50 %, to avoid double charging and to take account of the contribution that storage facilities make in avoiding the need for additional gas transmission investments"*

*The discount granted at the SCPs within an Entry Exit zone shall be derived from a transparent evaluation and calculation of the following direct and indirect net benefits, storage sites are contributing to the transmission system:*

- *Efficient investment in new infrastructure*
- *Reduced operating costs*
- *Network stability*
- *Security of Supply (availability of gas, facing peak demand)*
- *Enhanced market liquidity and flexibility, reduction of price fluctuation*

## 2 Cross-border use of gas storage facilities

### GIE COMMENT A:

The ENTSOG guidance paper envisages exceptions where a storage facility is connected to at least one other TSO or DSO system and network users use the storage facility as an "alternative" to an Interconnection Point (IP). This view is not shared by GIE because the Network Code uses a different definition of deviation from the default rule of granting a discount in case of a cross border use.

The TAR NC describes the deviation from granting a discount of at least 50% as follows "*unless and to the extent a storage facility which is connected to more than one transmission or distribution network is used to compete with an interconnection point.*"

Distinction between these two expressions is important for identification of potential discrimination of shippers transporting gas via IP and storage users transferring gas between directly connected systems (and vice versa). Indeed, introduction of mechanisms to avoid such discrimination is one of the main goals of TAR NC.



#### Current situation in general:

There are few examples<sup>1</sup> in Europe where a storage facility is connected to the grids of neighbouring countries. The SCPs of these facilities are not classified as Interconnection Points (IPs). In evaluating a possible competition it has to be acknowledged that the use of gas storage capacities with access to more than one Market areas always differs technically and commercially from the case of transporting gas from Market area A to B via an IP of transmission system.

It is important to note that the owner of the storage facility connecting two transmission networks is the SSO who covers the costs of the storage infrastructure and is paid by the storage customers for using the physical flexibility service (storage fee). Since the value of storage results from this physical flexibility offered by it, storage fees on the one hand and fees for the transportation of gas quantities on the other hand differ significantly as they relate to completely different types of products. Market participants contracting capacities at a storage facility are looking for (and paying for) means of balancing supply and demand and realizing time spreads, predominantly following the seasonal pattern, not for mere cross border transports that could be arranged much cheaper via an IP.

For the TSO no additional CAPEX or OPEX are caused at the SCP in neither of the neighbouring market areas when gas quantities are transferred between the working gas accounts of these two market areas and subsequently withdrawn in a market area different from the market area in which they were injected into the storage facility. Main characteristic of transporting gas via an IP is a simultaneous Exit and Entry nomination right on both sides of neighbouring market areas. Any simultaneous cross border use of storage capacities (if such use occurs at all) would only represent an exception to normal, i.e. seasonal use of storage – which entails a time lag between injection and withdrawal – and is in any case subject to significant physical restrictions. The physical gas placement in the storage reservoirs (physical cycling of gas injection and withdrawal) is an essential precondition to maintain storage parameters unchanged and thus prevent from degradation of the storage capacity. Therefore storage customers are not allowed to transfer gas volumes simultaneously from SCP of Market area A to another SCP of Market area B. The storage customer can only withdraw the gas already injected and stored in the storage (including withdrawal of gas transferred between neighbouring Market areas).

Therefore, taking into account all above mentioned facts, transfers of gas quantities between working gas accounts within a storage facility and gas quantities transported via an IP of transmission system should be kept strictly separated because of a complete different technical and commercial regime. Therefore the question of competition between SCPs and IPs shall be considered very carefully.

#### GIE PROPOSAL A:

***GIE proposes to describe in the ENTSOG Guidance paper those cases where cross border storage use competes with transport via an IP and criteria for their determination.***

***GIE proposes to consider in the evaluation whether cross border storage use effectively competes with transport via an IP the following criteria:***

- *The technical and commercial configuration at the SCPs allowing a simultaneous Exit and Entry nomination*

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<sup>1</sup> Currently the case in the following storage locations “Ettel” (GER/NL), “Jemgum” (GER/NL), “7 Fields” (GER/AT), “Lab” (SK/AUT)



- Potential discrimination of different uses in both directions, i.e. from the storage user and transport customer point of view in respect to the commercial consequences for both cases.

**GIE understands that any tariff regime for cross border use shall only charge actual transferred gas volumes and shall avoid undue administrative burden for involved operators and customers.**

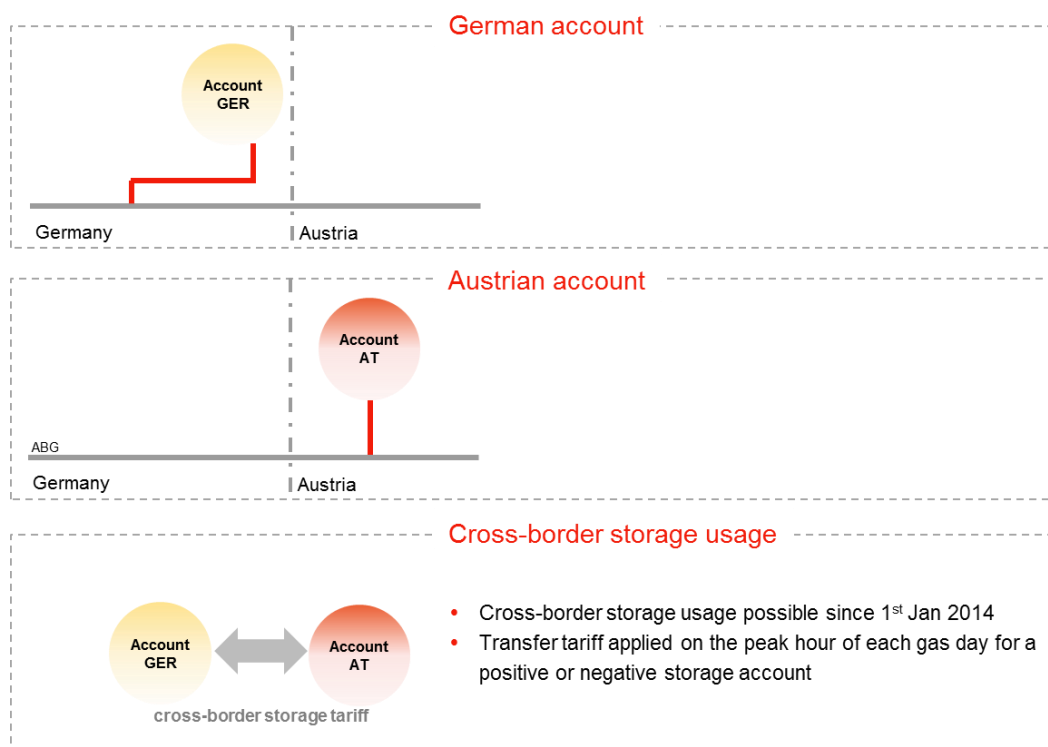
GIE COMMENT B:

The ENTSOG guidance paper only contains one example of regulatory regime for cross border use but there is existence of more regimes across Europe.

**Example of regulatory regime for cross border storage use in Austria:**

For storage capacities in the respective facilities, the SSO sets up separate working gas accounts; one account each for gas quantities that are injected or withdrawn using the respective SCP in either Market area A or Market area B.

This means that gas quantities injected by a storage customer at the SCP in Market area A will be exclusively credited to its working gas account in Market area A and vice versa. Under the current regulatory framework in Austria a transfer of working gas quantities from the working gas account set up for gas quantities injected in one Market area to the working gas account set up for gas quantities injected in the respective other Market area is admissible. There is a separate regulated transfer fee charged by the network operators for gas quantities transferred between these accounts. For each gas day a balance is made for the Austrian storage account based on the transferred quantities between the Market area A and Market area B account. A negative or positive balance on the storage account will be priced by the Transfer tariff in kWh/h applied for the peak hour of a negative or positive storage account. This transfer fee is paid by the SSO who passes it through to the storage customer.





#### **Example of regulatory regime for cross border storage use in France:**

In France, the SCP that allows to shift gas between GRTgaz North and the TRS in France does benefit from the same discount as the other SCPs.

#### **Example of regulatory regime for cross border storage use in Slovakia:**

In Slovakia where storages compete with an IP, normal existing transport tariffs apply at SCPs.

#### **Example of regulatory regime for cross border storage use in the Netherlands:**

In the Netherlands there are storages connected with more than one network.

#### GIE PROPOSAL B:

***GIE proposes to describe not only the German regime but to add also a description of other regulatory regimes in Annex F of the ENTSOG guidance paper. Keeping only one example could in our opinion lead to misinterpretation that only the one described model is in line with the TAR NC which is in our opinion not correct.***

### **3 Application of multipliers at SCPs**

#### GIE COMMENT:

GIE welcomes the explanations on page 56 where it is clarified that the TAR NC calls for the same multiplier at a given **IP** for the same standard capacity products.

Art 2. of TAR NC regulates that *“This Regulation shall apply to all entry points and all exit points of gas transmission networks with the exception of Chapters III, V, VI, Article 28, Article 31(2) and (3) and Chapter IX which shall apply only to interconnection points.”*

Some countries e.g. Austria and Slovakia do not apply multipliers in line with the TAR NC.

#### GIE PROPOSAL:

***As multipliers (Art 13) are part of chapter III, it shall be consequently applied for IPs. GIE proposes to respect this fact in the “Implementation Document for the Network Code on Harmonised Transmission Tariff Structures for Gas”.***