

Consultation on government's draft decree on the abolishment of regulated tariffs



EFET comments – 25 May 2016

The European Federation of Energy Traders (EFET¹) welcomes the opportunity to provide comments to the consultation on government's **proposal to abolish gas tariffs** and highlight a number of important concerns we have in this regard.

In the course of various discussions we have argued that having gas supply tariffs subject to approval of URE entails that:

- The current Polish legislation on tariffs is not in line with EU legislation;
- Suppliers must include premiums on final consumer prices to cover potential price fluctuations on wholesale markets, in turn causing inefficient gas price setting for consumer tariffs;
- Any price review process becomes unpredictable and it introduces unmanageable risks to new entrants;
- Suppliers are forced to commit to a fix price and bear the full risks of price fluctuations in the wholesale markets. This also discourages trading in the wholesale market and therefore the development of liquidity as well as competitive pricing on wholesale markets.

With the above in the background, we regard the measures proposed as highly positive and absolutely timely. Nevertheless we remain concerned with respect to the following aspects of the proposed decree:

¹ The European Federation of Energy Traders (EFET) promotes and facilitates European energy trading in open, transparent, sustainable and liquid wholesale markets, unhindered by national borders or other undue obstacles. We currently represent more than 100 energy trading companies, active in over 28 European countries. For more information, visit our website at www.efet.org

- **Segmentation:** splitting the implementation of the new regime and differentiating between small and medium industrial users and large industrial users is not only unjustified – a few months are unlikely to make any difference – but it may actually overlook a number of operational complexities. As an example, where one customer had multiple locations with large and small consuming entities, a supplier would need to enter into separate contracts rather than only one. On this backdrop we would much prefer that all industrials were to enter the new regime at the same time, harnessing all possible synergy effects by deregulating tariffs;
- **Timing:** the deadlines foreseen do not match the annual yearly capacity auction calendar leaving shippers unable to know what their actual capacity needs will be for the first year of implementation of the new system. To put a remedy to such a situation we would recommend abolishing the existing regime starting from 1 Jan 2017 to allow negotiations for new deals to be concluded before the allocation of capacity takes place. Any later start date would *de facto* push back of 1 year the liberalization process procrastinating even further the compliance with EU legislation;
- **Interim period:** we struggle to understand what would be the function of the interim period considered that these measures have been due for quite some time. Also, such transition time, during which already approved tariffs would still be valid, is potentially offsetting the spirit of the reform. In fact, existing contracts conventionally deem the regulated tariff as the maximum price. Going forward every contract will have a clear price mechanism defining the price valid during the entire contract duration upfront. Leaving the option to refer to the regulated tariff would *de facto* interfere with the definition of such price mechanism.

We thank you for your kind attention and remain available for further comments.