



## **CRE consultation on the next tariff for the use of natural gas transmission networks of GRTgaz and Téréga (ATRT 7)**



### **EFET response – 3 October 2019**

The European Federation of Energy Traders (EFET) thanks CRE for the opportunity to present its view on the next tariff structures for use of French gas transportation networks. We also thank CRE for making this consultation once again available in English.

#### **Provision of information**

First, we would like to point out that the consultation could have provided fuller and more user-friendly information to assess the proposals that is envisaged by NC TAR. The core areas include a) the justification of the parameters used that are related to the technical characteristics of the system (art. 26, par. 1 “a” “i” “1”); b) The results, the components and the details of these components for the cost allocation assessments set out in the Code in art. 5 (art. 26, par. 1 “a” “iv”); c) Forecasted contracted capacities at entry and exit points and the associated assumptions (art. 30, par. 1 “a” “i”); d) the structural representation of the transmission network with an appropriate level of detail (art. 30 par. 1 “a” “iv”); e) A simplified tariff model enabling network users to calculate the transmission tariffs applicable for the prevailing tariff period and to estimate their possible evolution beyond such tariff period (art. 30 par. 2 “b”), f) the levels of discounts for the backhaul capacity products (art. 29 par. “c”)

Whilst we appreciate that CRE has engaged with us during the consultation process on the missing information, which did help, we still believe that more could have been done to make the process easier for all stakeholders to examine the proposals (e.g. including the capacity booking data that are on the TSO’s websites).

## Tariffs structure and evolution

As we have written in previous responses, we do not support the proposed methodology, primarily because the treatment of exit interconnection points is inconsistent with the treatment of exit points to end-users. This leads to unjustifiably high tariffs at exit interconnection points, which result in a distortion of cross-border trade. Moreover, this also does not reflect the main characteristics of an entry-exit system. The latest CRE consultation doesn't address these concerns.

To elaborate further, transportation tariffs are currently calculated by CRE using a cost allocation methodology that considers distance as a driver to allocate costs at exit points and that, once such distance driver has been determined, sets an equal unitary cost per km for transit routes and domestic transportation routes. Distance is, however, calculated differently for exit points towards neighbouring systems and for exit points towards the French domestic market. This is because the methodology uses the key assumption that cross-border exit flows only enter the French system from Dunkirk, which is one of the furthest entry points for both PIRs Oltingue and Pirineos, while for domestic exit points the distance is calculated from the closest entry point. Although we appreciate that CRE has explained its rationale for this – i.e. it is shortest distance of the pipeline route between an entry point or a cluster of entry points and an exit point or a cluster of exit points – we believe a potential cross-subsidy problem might stem from the choice of Dunkirk PIR as a reference point. It is important to highlight that gas being consumed domestically and transiting France towards neighbouring markets may be coming from any of the entry points in the system like Obergailbach, Virtualys, Dunkirk, Pirineos etc and that in an entry-exit system, the old point-to-point approach to the definition of import/export routes does not apply any longer.

Regarding tariff evolution over the coming period, we agree with CRE that, intuitively, the increases proposed by GRTgaz and Teréga (4.6% on average per year for GRTgaz and +6.6% on average per year for Teréga) are too high given that it is not expected that there will be significant infrastructure investment over the period. Although we appreciate that CRE's modelled tariffs are not proposals, +0.5% on average per year for GRTgaz and +0.4% on average per year for Teréga are much more in line with what we would expect.

Regarding the changes in tariffs during the regulatory period (ATRT7) we propose to keep the existing system whereby tariffs on the main network (*réseau principal*) are only adjusted by inflation as this will provide more predictability and stability to the system. These elements are necessary for the further development of liquidity on the PEG.

## Multipliers

Overall, we support CRE's proposals to lower the coefficients for January and February from 8/12th to 4/12th. The current nature of the market is such that flexibility in capacity bookings is key and we believe this move will enable shippers to take up additional monthly capacity. However, we are concerned that the overall rationale for multipliers is not sufficiently explained and appropriately supported.

### **Reshuffling service at IPs and pooling at LNG entry points**

We broadly support CRE's plans not to implement this capacity transfer offer at interconnections. Whilst we support the principle of TSOs offering flexibility in their products, we do share CRE's concerns that the proposed service is limited to a subset of shippers and that the service may not reduce spreads with neighbouring markets. There is also the risk of under-recovery. The Italian experience of the time-based reshuffling mechanism shows that these risks are real and should be avoided.

We support the proposed introduction of a pooling mechanism covering entry capacity from all French LNG terminals. We believe it is different from the proposed reshuffling service at IPs. First, due to the difference in transportation logistics between pipeline gas and LNG, the impact of the pooling mechanism on the French market is expected to be unequivocally positive with virtually no risk of under-recovery. Second, the fact that both long-term and short-term capacity holders can benefit from it substantially reduces the risk of discrimination between market participants.

### **Proximity tariff discount**

We are disappointed that CRE has chosen to proceed with the removal of this rebate. The only argument put forward to justify its removal appears to be that shippers are not obliged to pass the rebate through to customers. The objective of the rebate is to recognise the fact that it is not cost-effective to charge shippers the full network tariff when they are only using a limited part of the network, but it also serves to avoid a bypass of the system which is uneconomic and should be discouraged. This, and the fact that the reductions only amount to €2.5 million per year, leads us to request that CRE does not proceed with the removal of the discount, and that it be maintained.