

ACER - *Draft for Consultation*
Draft Framework Guidelines
on Rules Regarding
Harmonised Transmission
Tariff Structures for Gas

Anigas comments

Milan, 11th February 2013

ANIGAS welcomes the draft Framework Guidelines on Rules Regarding Harmonized Transmission Tariff Structures for gas (“the FG”) presented by ACER on February 4, 2013.

Harmonization of tariff structures plays an important role in **supporting cross-border trade, achieving a better integration** and eventually **completing the internal European gas market**.

ANIGAS particularly welcomes the proposed provisions on transparency that will allow network users to better understand how tariffs are defined and forecast their likely evolution over time. Having access to detailed information on how tariffs are calculated will also **reduce room for possible discrimination between domestic and cross-border gas flows**.

According to Regulation 715/2009, transmission tariffs “*shall facilitate efficient gas trade and competition, while at the same time avoiding cross-subsidies between network users and providing incentives for investment (...)*”. ACER appropriately refers to this provision when formulating the overarching objective of the FG. However, ANIGAS notes that some of the draft FG’s provisions do not fully strike the right balance among the mentioned policy goals. We refer in particular to:

- (a) the proposed **rules on determination of reserve prices for short-term capacity products**
- (b) the proposed rules on **revenue recovery and reconciliation of regulatory account**
- (c) the tariff implication of **development of incremental capacity**.
- (d) The treatment of storage facilities

Concerning (a),

ACER’s proposal to allow for **reserve prices for short-term capacity products to be set at a lower level than reserve prices for annual capacity products** manifestly entails a high level of **cross-subsidization among network users**.

This approach is not consistent with the principle of non-discrimination established by the EU Regulation.

Indeed, shippers who booked long-term transmission capacity and, by means of their commitments, made the development of infrastructure possible, would have to pay more to the benefit of network users paying less for short-term capacity services. What's more, these short-term capacity services, on the basis of the revenue equivalence principle and adopting a pure economic approach, should cost even more than longer term capacity products.

The policy choice of facilitating short-term trade might be brought as a justification for this manifest cross-subsidization. However, it should be recognized that **this policy – besides being highly discriminatory and not proportionate - would also not be sustainable** as network users would change their booking strategy by shifting from long- to short-term bookings (also by terminating their existing capacity contracts) to avoid suffering discrimination and competitive disadvantage. As a consequence, **the entity and frequency of correction mechanisms to be applied to guarantee the recovery of costs will increase, resulting in higher tariff volatility.**

Multipliers proposed in the FG are much lower than those currently adopted by the large majority of regulatory framework **across Europe**. In those countries where multipliers significantly lower than one have been introduced, serious cross-subsidies between users and an high degree of tariff volatility are being experienced.

For these reasons, the **FG should rule out the possibility for short term capacity products' reserve prices to be set at a lower level than annual (re-proportionated) capacity products' reserve price as this approach would be unfair and unsustainable.**

Concerning (b),

at the moment the FG foresees the establishment of a regulatory account to collect under- and over-recoveries and distribute them back to network users. **Different typologies of under- and over-recoveries, which originated in different ways, would therefore be netted and reconciled** all together, mainly through a capacity charge.

However, this proposal would **clearly not minimise cross-subsidisation**. Each specific typology of under- and over-recovery (e.g. from auction premia, from capacity underselling, ...) should be analysed during the process of elaboration of the Network Code and, for each of them, the most appropriate reconciliation mechanism should be defined with the clear aim of reducing as far as possible cross-subsidisation.

The **FG should therefore not impose a simplistic and potentially discriminatory revenue recovery methodology**, but **clearly state that this methodology should be defined and detailed in the Network Code in such a way to minimize cross-subsidization**.

Concerning (c),

ANIGAS welcomes the debate on specific tariff implications of development of incremental capacity.

In this context, one of the most important issue, one that should be clearly tackled by the FG, is the **need to distribute cost benefit arising from economies of scale to all shippers (existing and new) that contributed to let this economies of scale materialise**. This approach would also be the only one consistent with the non-discrimination principle established by the EU Regulation.

Anyway, being incremental capacity subject made up of many interrelated issues which should be considered together and which would deserve a deeper analysis, it should be considered the opportunity to have the development of more comprehensive incremental capacity rules in the future.

Finally, concerning (d),

we believe that storage facilities should not be included in the Network Code, as they are a topic of national interest. The NRAs should be in charge to recognize the benefits of storage facilities , depending on national situations, and assess the best way to define transport tariffs for entry/exit points to/from these infrastructures.

However, if some rules are to be included in the Network Code we suggest that only general principles are stated (e.g. cost reflectivity)

ANIGAS respectfully submits its proposals to ACER and hope the Agency will keep them into full consideration in the next steps of the process.
