



Limited Liability Company
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Energy Regulatory Office

Masarykovo náměstí 5,
586 01 Jihlava, Czech Republic

29.12.2018

No GE/02-9508

on No -

From _____

*Consultation in accordance with Article 26
of Commission Regulation (EU) 2017/460*

Dear Sir or Madam,

Gazprom export LLC (GPE), a 100% owned subsidiary of PJSC Gazprom ensuring a reliable and sustainable gas supply to EU importing countries, welcomes the opportunity to express hereby its opinion within the final public consultation on the methodology for the formation of tariff items for the use of the natural gas transmission system in the Czech Republic, as requested by the Commission Regulation (EU) No 2017/460 of 16 March 2017 establishing a network code on harmonized transmission tariff structures for gas (NC TAR) performed by Energy regulatory office (ERÚ).

GPE supports moderate and relatively shipper-friendly approach of the Czech Republic in comparison to other EU countries implementing NC TAR. However, we note that the proposal of ERÚ constitutes an approximately 5% aggregate increase of costs for GPE with its sufficiently large portfolio in the Czech Republic gas transportation market. Even such moderate percentage of costs increase results in a significant increase of costs for GPE.

However, we believe that the risk of declining transmission capacity bookings mentioned by ERÚ is not addressed accordingly. Application of different methodologies for national transmission and for transit transmission pricing (revenue cap and price cap) and different rates of return to the relevant assets is not encouraging higher transit flows, therefore the risk of insufficient bookings of technical capacities and covering of the related costs in the end arises. Certain concerns about the cross-subsidy of domestic consumption against the transit arise with WACC for international transmission of 8,18% applied to the regulatory asset base (RAB), including risk of declining transmission capacity bookings premium, and only of 7,94% for 2020 and thereafter of 6,72% for 2021 to 2025 for national transmission applied to RAB.

Moreover, we believe that a limited discount to the applicable transmission tariffs at storage facilities connection network points with proposed increase of exit tariffs at underground gas storages by +750% (assuming that the +1500% is estimated before the discount is applied) also do not encourage the use of the gas transmission network and jeopardize the security of supplies in general. Double charging of tariffs for transmission when using storage facilities capacities would not be cost-reflective and GPE considers the proposed 50% discount being too low. The use of storage facilities is beneficial for the network and the security of supply in general. Therefore, we would respectfully propose for ERU to consider to exempt the use of storage facilities completely or almost completely from entry and exit tariffs.

Lastly, we would like to address the level of multipliers. Even corresponding to average levels of multipliers for TSO's in Europe the consulted level of multipliers seem to be too high provided that booking of non-yearly capacities must be seen as a means of avoiding vacancy costs because short-term capacity products increase the utilization of the network, including in times where gas flows are generally low, and create incentives for bookings in cases in which long-term capacity products would not be worthwhile and there would therefore not be any demand for them. In actual fact therefore non-yearly capacity products reduce vacancy costs. Given this situation, we believe that the selected multipliers shall be reconsidered downwards, as they seem to be not cost-reflective and increase the volume risk.

As far as GPE is a long-term and reliable shipper in the Czech Republic natural gas transmission network we believe that our position will be taken into account accordingly.

Acting Director General

A handwritten signature in blue ink, appearing to be 'D. Averkin', written in a cursive style.

Dmitry Averkin