# Konzultační formulář

## Consultation form

**Konzultační dokument podle Článku 26 Nařízení Komise (EU) 2017/460 ze dne 16. března 2017, kterým se zavádí kodex sítě harmonizovaných struktur přepravních sazeb pro zemní plyn**

Consultation Document in accordance with Article 26 of Commission Regulation (EU) 2017/460 of 16 March 2017 establishing a network code on harmonized transmission tariff structures for gas

**Dotčený subjekt**
Interested party

| | | | |
|---|---|---|---|
| | **Regulační orgán**<br>Regulatory authority | | **Provozovatel distribuční soustavy**<br>Distribution system operator |
| | **Ministerstvo nebo vládní organizace**<br>Ministry and governmental institution | | **Provozovatel zásobníku plynu**<br>Storage system operator |
| | **Místní samospráva**<br>Municipality | | **Dodavatel plynu, obchodník**<br>Gas Supplier, Trader |
| | **Akademická sféra**<br>Academia | | **Zákazník**<br>Customer |
| X | **Provozovatel přepravní soustavy**<br>Transmission system operator | | **Jiný**<br>Other |

*příslušné zařazení prosím označte X*
*please mark with X*

**Identifikace**
Identification

| | |
|---|---|
| **Jméno právnické osoby**<br>Name of legal person | NET4GAS, s.r.o. |
| **Jméno a příjmení odesílatele**<br>Name and surname of the sender | |
| **E-mailová adresa**<br>E-mail address | |
| **Telefonní číslo**<br>Telephone number | |
| **Datum**<br>Date | |

**Comments / Initiatives (add rows where necessary)**

<table>
<tr><th>Chapter</th><th>Comments and initiatives</th></tr>
<tr><td>8.1.3</td><td>
Comment:<br>
The proposed within day multiplier value, i.e. 1.7, is not consistent with changes and trends on the capacity market.<br><br>
Proposal:<br>
The Transmission System Operator proposes setting the value of the within day multiplier at 2.<br><br>
Substantiation:<br>
Since 1 January 2015, the within day multiplier in the Czech Republic has been reduced twice, as shown in the following table.<br><br>
<table>
<tr><td>Development of the within day multiplier value</td><td></td></tr>
<tr><td>1 January 2015 – 30 November 2015</td><td>3.65</td></tr>
<tr><td>1 December 2015 – 31 December 2015</td><td>2</td></tr>
<tr><td>1 January 2016 – 31 December 2016</td><td>2</td></tr>
<tr><td>1 January 2017 – 31 December 2018</td><td>1.7</td></tr>
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<br>
During the past two years, the gas market has been marked by a considerable decrease in bookings of standard annual capacity products and a significant increase in bookings of standard within day capacity products. This trend has been caused by changes in the business practices of traders, who now more often use short-term products because of the decrease in the value of multipliers for within day, daily, and monthly products. For example, a comparison of the first 11 months of the years 2016 and 2018 shows a 14% decrease and a nearly 8,000% increase in total in-effect booked capacity of annual and within day products at exit border points.<br><br>
<table>
<tr><td>Total Booked Capacity</td><td></td><td>1 January – 30 November 2016</td><td>1 January – 30 November 2018</td></tr>
<tr><td rowspan="2">Yearly</td><td>IP E</td><td>100%</td><td>22%</td></tr>
<tr><td>IP X</td><td>100%</td><td>14%</td></tr>
<tr><td rowspan="2">Within day</td><td>IP E</td><td>100%</td><td>130%</td></tr>
<tr><td>IP X</td><td>100%</td><td>7,956%</td></tr>
</table>
<br>
Data from foreign countries suggest that an overly low value of the within day multiplier is not substantiated. This fact can be observed for instance in Germany, where the value of the within day multiplier originally proposed in the framework of the MARGIT preliminary consultation on 16 July 2018 amounted to 1.5, but after comments were submitted, for the final consultation procedure on 17 October 2018, the German regulator, Bundesetzagentur, increased the value to 2.<br><br>
The proposed value of the within day multiplier, i.e. 2, is consistent with Article 13, Paragraph 1 of Commission Regulation (EU) 2017/460 of 16 March 2017, and it is equal to the exact midpoint value of the within day multiplier range laid down in EU laws. The midpoint value provides a balance by facilitating both short-term natural gas trading and providing long-term signals for effective investment into the transmission system in accordance with Article 28, Paragraph 3 of the above Regulation. Another factor that needs to be taken into consideration is the fact that the form of regulation in the Czech Republic differs from that in, for instance, Germany, where the use of a lower multiplier combined with a non-price cap (revenue-cap) regime does not carry the risk of a complete loss of revenues.
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<tr><td>9.1.6.2</td><td>
Comment:<br><br>
The planned new interconnection point between the Austrian and Czech transmission systems
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| | in Reintal is not included on the list of points. No reference price has been therefore set for this point.<br><br>**Proposal:**<br><br>The Transmission System Operator proposes that the new planned Reintal interconnection point be included on the list and that a reference price be set for this entry and exit point.<br><br>**Substantiation:**<br><br>The list of entry and exit points to and from the transmission system and the reference prices at these points enclosed under Chapter 9.1.6.2 and Chapter 19 includes all existing interconnection points as well as the planned new border point on the transmission system, Haťˇ. The Transmission System Operator believes that it is necessary to publish tariffs that will apply at the new planned new Reintal border point, which is not included on the list, to ensure compliance with Article 26, Paragraph 1, Letter a, Subsection iii) of Commission Regulation (EU) 2017/460 of 16 March 2017 establishing a network code on harmonized transmission tariff structures for natural gas (TAR NC). |
| **9.1.6.2** | **Comment:**<br><br>The list of points and of the corresponding reference prices does not include a tariff for the SPP Storage point as regards the use thereof in a competition with an interconnection point. Likewise, there is no description of a mechanism that is to be used to differentiate between capacities used for the operation of the above storage facility intra- and cross-system, including differentiation between revenues relating to these capacities based on which reference prices are set.<br><br>**Proposal:**<br><br>The Transmission System Operator proposes that tariff for the SPP Storage entry and exit point be published for the eventuality that this point is used in a competition with the Lanžhot interconnection point. This tariff must be consistent with the applicable rates used for the Lanžhot point, with which the SPP Storage entry/exit point would compete in the above cases. In view of the proposed concept for setting reference prices and the interaction of two different price regulation forms applied in the framework of the intra-system (national transport) and cross-system (transit), we propose that the Energy Regulatory Office include in the substantiated decision published in accordance with Article 27, Paragraph 4 TAR NC a detailed description of the mechanism for differentiating between the expected contracted capacities relating to the future use of the SPP Storage entry/exit point.<br><br>**Substantiation:**<br><br>Generally, in accordance with Article 9 of Commission Regulation (EU) 2017/460 of 16 March 2017 establishing a network code on harmonized transmission tariff structures for natural gas (TAR NC), a discount of no less than 50% applies to transmission rates based on capacity at entry points from storage systems and at exit points to storage systems, unless (and to the extent to which) a storage system, which is interconnected to one or several transmission or distribution systems, is used in a competition with an interconnection point. Considering that the SPP Storage entry/exit point is connected to one or several transmission systems and might be used in a competition with the Lanžhot interconnection point, the rate must be set with no discount, that is in an amount corresponding to the tariff set for the Lanžhot point. |
| **17** | **Comment:**<br><br>The anticipated costs relating to flow via EXIT points between the systems (Lanžhot) in 2020 are too low considering that forecasted contracted transmission capacity is expected to be used to the extent of 80%. The normative set on the basis thereof therefore does not correspond to the planned use, which the Transmission System Operator expects in view of the anticipated contracted capacity and the planned use of the system. |

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| | **Proposal:**<br><br>Starting in 2020, it will be necessary to take into account higher costs relating to the operation of compression stations (higher system use than before 2020). The Transmission System Operator therefore proposes setting a higher tariff for flow via EXIT between the systems (Lanžhot) so that the amount of the tariff will correspond to planned costs.<br><br>**Substantiation:**<br><br>The ERO expects that forecasted contracted capacity will be used to the extent of 80% in 2020 and 2021. The normative, including the cost of allowances, proposed for 2020 amounts to 0.0030, and the expected flow via EXIT cross-system (Lanžhot) amounts to 288 TWh. The normative, including the cost of allowances, proposed for 2021 amounts to 0.0057, and the expected flow via EXIT cross-system (Lanžhot) amounts to 366 TWh. If the NCG price is assumed to amount to CZK 500 per MWh, the flow-based charge will serve to cover the cost of operating compression stations for EXIT cross-system (Lanžhot) in the amount of approximately CZK 432 million and CZK 1,043.1 million in 2020 and 2021, respectively.<br><br>This major difference between the expected costs in the two consecutive years most likely stems from underestimating the cost of operating the compression stations for the forecasted contracted capacity to the extent of 80% in 2020.<br><br>The Transmission System Operator points out that planned flows will gradually increase during 2020-2025, where the tariff derived from these flows should cover the actual costs of operating compression stations. The value of the normative used in 2019, i.e. 0.003, cannot therefore be preserved if there is a planned increase in the forecasted contracted capacities, thereto related flows, and consequently costs in 2020. Considering that the use of the system will increase, this fact should be taken into account in the value of the flow-based charge tariff already in 2020. |
| **17** | **Comment:**<br><br>A proposal has been made that the flow-based charge be calculated based on the planned amount of the cost of operating compression stations. Considering major investments and changes in the use of the transmission system during 2020-2025, it is necessary to carry out correction in the earliest possible year using actually recorded values.<br><br>**Proposal:**<br><br>The flow-based charge needs to be adjusted based on the actually recorded cost of operating compression stations in the earliest possible year. This is the only way to maintain cost neutrality, where system users will pay for actual costs incurred within the system. We propose that the Energy Regulatory Office supplement the substantiation of the decision published in accordance with Article 27, Paragraph 4 TAR NC by adding a procedure for balancing any differences between planned and actually incurred flow costs.<br><br>**Substantiation:**<br><br>Considering that the flow-based charge is set in respect of the planned cost of operating compression stations, the planned value of the contracted transmission capacity, and its expected use, it is necessary to preserve the principle of cost neutrality, which is laid down, among other documents, in Section 1.1.2.3 of the Energy Regulatory Office's Price Decision No. 1/2017 of 2 March 2017 and in subsequent price decisions.<br><br>The text states that if extraordinary changes are made in the use of the transmission system, the planned value may be used for calculating the fixed price for transported gas, $C_{rkom}$ (flow-based charge), subject to proper substantiation. The value of $C_{rkom}$ determined this way will be corrected in the immediately following year based on actually recorded figures.<br><br>The Transmission System Operator is convinced that extraordinary changes in the use of the transmission system are demonstrably evident in view of the increase in expected flow (see for example Table 30). |