

Comments of Pražská plynárenská a.s. on the consultation document pursuant to Article 26 of Regulation (EU) 2017/460 establishing a network code on harmonised structures for natural gas for the years 2026-2030

The setting of transport tariffs is one of the key tools of the Energy Regulatory Office, which determines the form and functioning of the Czech gas market. After losing the position of the Czech Republic as a transit country and stopping the flow of gas through Ukraine, setting tariffs is even more important than in previous years.

From the perspective of the gas trader (as well as the Czech Republic), we consider the maximum focus on the liquidity of the wholesale market and sufficient use of gas storage facilities to be key, i.e. in the context of the consultation document proposals aimed at setting tariffs for entry border points and for entry/exit points of gas storage facilities. Raising tariffs at these points will have negative consequences for the wholesale market and may ultimately lead to non-market measures by the State.

Comment on setting tariffs for entry border points

Text of the comment:

We do not agree with the price increase at the border entry points – in particular the price increase to double for the VIP Brandov point.

Justification and request to reflect comments:

From the point of view of liquidity and price level on the wholesale gas market in the Czech Republic, the critical point is currently the VIP Brandov border point. Due to the cessation of gas flows through Ukraine, this is basically the only way to supply the Czech Republic with gas. For this reason, it is necessary, both from the point of view of traders and customers in the Czech Republic, to focus on the lowest possible price for exit from Germany and entry into the Czech Republic, as well as the highest possible fixed capacity of this point from Germany to the Czech Republic (which, unfortunately, is relatively low).

The consultation document also establishes a link between the price for transport via VIP Brandov to the Czech Republic and the use of the capacity of this point: *'i. The gas storage charge, which is applied in transport prices and determined by Trading Hub Europe GmbH (THE) in accordance with Section 35e of the Energy Industry Act (EnWG), also plays an important role in terms of capacity utilisation at border points from Germany. The fee was extended until 2027. It should amount to € 2.99/MWh from 01.01.2025 and, according to an earlier commitment by the German Government, there is a possibility that it could be abolished at cross-border points, but this requires an amendment to the law which has not yet been made at the time of publication of this document.'*

We now know that this 'gasstorage' fee has been abolished thanks to a long-term campaign, including at the level of inter-state negotiations by the Czech Government and with the assistance of the European Commission, and that this fact will be very beneficial not only for customers in the Czech Republic.

However, contrary to the Czech Republic's efforts to reduce the cost of crossing the border from

Germany to the Czech Republic, the submitted consultation document proposes to increase the entry fee for entry Brandov by 100% from the beginning of 2026. Given that Germany has complied with the cancellation of the fee, we find this proposal absurd and very risky for the future setting of tariffs and fees from Germany to the Czech Republic.

We understand that the reason may have been an effort to increase the ratio of revenues collected at entry points, but we believe that at least for the following reasons, the tariff on entry Brandov should be increased by maximum inflation:

- Efforts to maximize bookings and flows to VIP Brandov so that operators in Germany are incentivized to maximize firm capacity.
- Maintaining the continuity of the political effort not to burden VIP Brandov with additional fees, such as the “gas storage fee.” With a price increase of 100% on the part of the Czech Republic, it will be very difficult to argue against a possible tariff increase on the part of Germany.
- Reservation of the capacity of regasification terminals with the participation of the state primarily in Germany requires the cheapest possible trip to the Czech Republic.
- The increase in the price of the entry fee will immediately be reflected in an increase in the price on the wholesale market in the Czech Republic compared to Germany and will immediately be reflected in an increase in prices for customers. And even if such growth were to occur, it must be gradual and announced well in advance so that the market can prepare for it (not +100% from 1.1.2026).

For the above reasons, we require to set the entry/exit split so that the price increase at the entry border point corresponds to inflation.

Comment on setting tariffs for gas storage entry/exit points

Text of the comment:

We do not agree with the reduction of the discount on gas storage facilities from 100% to 80% given the state of the wholesale gas market and the general market uncertainties.

Justification and request to reflect comments:

As part of the changes in the gas market, Regulation (EU) 2022/1032 of the European Parliament and of the Council of 29 June 2022 amending Regulations (EU) 2017/1938 and (EC) No 715/2009 (‘the Regulation’) introduced a filling obligation for gas storage facilities. In accordance with the Regulation and the Emergency Ordinance, the storage capacity holder is still obliged to ensure its filling to 90% by 1 November of the given year, which significantly reduced the possibility of handling storage capacity. Following this measure, the ERÚ also granted a 100% discount on the entry/exit from the gas storage facility in the Czech Republic in May 2022.

The consultation document proposes a reduction of the discount from 100% to 80%, with the following justification:

‘Low consumption, the successful removal of supply bottlenecks in the region from new directions and the experience of sufficient capacity to fill gas storage facilities quickly with market mechanisms offer scope for passing on part of the relevant costs of transporting gas from and to gas storage facilities to

their users and for reducing the applied 100% discount for the period consulted.'

However, we are of the opinion that a return to a completely normal and stabilized gas market will require several more years and it is very difficult to predict when this will happen. There is still nervousness in the market, especially for the following reasons:

- Stopping the flow of gas through Ukraine;
- Relatively low output fixed capacity at VIP Brandov on the German side complaining of potential gas imports and transits through the Czech Republic,
- Unfinished regasification terminals, in particular in Germany;
- Tight balance of world trade in liquefied natural gas;
- Unclear filling of storage tanks for the next storage seasons due to a negative (or minimal) spread on forward products for the next 2-3 seasons,
- Discussion on the extension of the obligation to fill gas storage facilities and the possible use of non-market instruments.

It is clear from the above non-exhaustive list that the facts on the basis of which the 100 % discount on gas storage entry/exit points was introduced have not yet passed and that, for reasons of security of supply, it is necessary to continue to support gas storage as much as possible. The introduction of charges of the proposed amount of approximately CZK 230 million (76% of the fees paid when injecting gas) would thus become an additional obstacle to filling gas storage facilities. And if filling the storage facilities was not market-based, this amount had to be compensated in a non-market-based manner and the increased costs would be passed on to customers. **For this reason, we request to maintain the current discount rate of 100% for the whole period 2026-2030.**

Should a reduction in the discount be considered in the future when solving the above problems on the wholesale gas market, we request to announce this several years in advance (it is not enough advance in 2025 for 2026) so that when purchasing storage capacity, we reduce the auction price by the expected transport costs to/from the gas storage facility.