

CRE- Commission de Régulation de l'Énergie

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PUBLIC CONSULTATION NO. 2019-013 OF 23 JULY 2019
RELATING TO THE NEXT TARIFF FOR THE USE OF NATURAL
GAS TRANSMISSION NETWORKS OF GRTGAZ AND TERÉGA

Dear Madams/Sirs,

OMV Gas Marketing & Trading GmbH (OMV Gas) is an active party to the French natural gas market and therefore we are happy to share our view and concerns related to the transmission tariffs consulted for the upcoming tariff period. Please note that our response is based on the non-binding English version of the consultation document.

**OMV GAS Marketing & Trading
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Question 1

What is your position regarding the possible introduction of differentiation between the remuneration of historic assets and new assets for the ATRT7 tariff?

OMV Gas supports the CRE's approach to use a different remuneration rate for new or upcoming projects, if this means a reduction for the costs of such projects allocated to the asset base so that the socialization on long term contract holders is avoided. In any case we believe investment signals should only be made for projects which result in a clear benefit for the French market and/or more efficient and environmentally friendly operating of the network.

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Question 2

Do you have any comments regarding the processing of transferred assets considered by CRE for the ATRT7 tariff?

We believe allowed revenues and thus the regulated asset base should be assessed thoroughly and should – to the extent possible – only include TSO costs which are required to build and operate the network. TSOs should, despite being natural monopolists work under the most efficient and to some extent also competitive conditions and therefore it should be made sure that all expenses of TSOs are accurately assessed before being included in the CRCP.

Question 3

Are you in favour of the main tariff principles that CRE envisages for the ATRT7 tariff? Are you in favour of the schedule and the pricing development principles planned by the CRE for the ATRT7 tariff?

Under a highly regulated business, especially network users with long-term commitments are very often strongly exposed to unexpected tariff rises. In order to attract additional capacity subscriptions in the light of reduced demand expectations, we suggest that tariff reductions resulting from a positive CRCP should be handed over Y-o-Y and should also not be limited to 2%. Inversely, tariff increases should necessarily be delayed to the next tariff period. This would provide network users with the necessary degree of tariff predictability over the upcoming period, while it incentivizes TSOs to operate efficiently and plan as accurately as possible.

Question 4

Are you in favour of the schedule and the tariff evolution principles planned by CRE for the ATRT7 tariff?

OMV Gas supports the intention to align the “tariff year” for PIR capacity with the “NC CAM year”.

Question 5

Are you in favour of the scope of the expenses and revenues covered by the CRCP envisaged by CRE for the ATRT7 tariff?

We support any component included in the CRCP mechanism that provides the TSO with an incentive to operate efficiently. In addition we prefer a CRCP coverage of costs which makes sure that accurate planning is being made by the TSOs, as we believe inaccurate planning must not be borne by network users.

Question 6

Are you in favour of the incentive-based regulation mechanisms for investments proposed by CRE for the ATRT7 tariff?

OGMT would prefer a mechanism that ensures every project investment is being closely assessed by CRE. Under increasingly difficult market conditions for long-term shippers, but also with transit countries being in direct competition to each other, every measure must be taken carefully in order not to create inefficiencies that could result in too high tariffs.

Question 7

Are you in favour of changes to the incentive regulation mechanism for service quality planned by CRE for the ATRT7 tariff?

We believe the quality of service delivered by the TSOs is widely good. The application of further criteria should always be considered under the premise of a proper cost-benefit ratio.

Question 8

Do you have any comments regarding the incentive regulation framework and R&D foreseen by CRE for the ATRT7 tariff ?Do you have any comments regarding the forecast subscriptions for GRTgaz and Teréga for the 2020-2023 period?

OGMT supports any R&D incentive regulation under the premise that R&D costs or investments are reflected in tariffs valid for the respective area. As an example, it must be ensured that investments in smart grids will be allocated in full to regional networks and thus socialized by regional network tariffs.

Question 9

Are you in favour of the orientations envisaged by CRE concerning the level of charges to be covered for the ATRT7 period for GRTgaz and Teréga? Are you satisfied with the rebate levels envisaged by the CRE for interruptible monthly capacities?

Our observation from other European countries such as the Netherlands or Belgium is that TSOs tend to become more cost-efficient based on declining allowed revenues and efficiency targets set by the respective NRAs. However, the current proposal (even after the auditor's revision) results in an increased projected cost basis which is not comprehensible based on the information provided. Both TSOs at the same time also expect dropping subscription figures, which results in an unacceptable scenario of higher grid costs that will be borne mainly by long-term capacity holders. We kindly ask the CRE to re-assess the findings from this analysis and revise the TSO cost projections for the sake of France to remain a competitive transit market.

Question 10

Do you have any comments regarding the forecast subscriptions for GRTgaz and Teréga for the 2020-2023 period?

As a market participant it is difficult to gain full insight in TSO's subscription expectations. For the sake of tariff stability over the upcoming period, we support using a booking outlook as flat as possible under the premise that the CRCP mechanism is – as long as underrecovery is concerned – balanced out only in the period after 2023.

Question 11

Do you have any comments regarding the pricing principles and the method that CRE plans to retain for the ATRT7 tariff?

France is largely competing for the same import sources (Norwegian Gas, LNG) with a set of surrounding countries (Belgium, Netherlands, UK). Therefore and in order

to maintain France's position as an attractive hub and transit country, we propose to apply an entry/exit split much lower than 34/66% which favors imports to TRF over abovementioned peer NWE gas importers.

The discount on capacity connected to storage facilities is much higher than in its neighboring countries. As an example, a 75% discount will be applied in Germany and a 60% discount in the Netherlands. While we understand the intention to incentivize French gas storage activities, we expect an inverse and negative effect on gas imports and thus on overall TRF gas prices.

With the aim of reaching more simplicity and plannability, we believe the level of short term multipliers should be unified and not depend on the degree of congestion.

We are missing a clear declaration of an adjustment to LNG terminal capacity tariffs based on NC TAR Article 9, but our observation is that LNG capacity is anticipated to be cheaper than other H-Gas entry capacity by ~6 percentage points. We would like to understand based on which grounds PITTM capacity is discounted versus PIR capacity (security of supply?). Nevertheless, if security of supply is an issue in North West Europe, the question is whether the discount should not be substantially higher than 6%.

Question 12

Are you in favour of the discount levels envisaged by CRE for interruptible capacities at the PITS?

We do not see a fundamental reasoning for discount rates of 50% on PIR entry capacity and 15% on exit capacity. Both levels seem excessively high, and a more general approach to incentivize imports would be to reduce the overall tariff at PIR entries.

Question 13

Are you in favour of the removal of the IAPC and the reduction, or even bringing to zero, of the delivery tariff term for highly modulated sites?

No view.

Question 14

Are you in favour of adapting the calculation formula of the winter modulation for "subscription" customers planned by CRE for 1 April 2020? Are you in favour of adapting the calculation?

No view.

In case you have any remarks or questions, feel free to contact us.

With best regards

OMV GAS