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Prot. n. 424/2019 DIGE

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Commission de Régulation de l'Énergie (CRE)
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Subject: Anigas' comments on Consultation Publique N° 2019-006 relative à la structure du prochain tariff d'utilisation des réseaux de transport de gaz naturel de GRTGAZ et TEREGA

Following ANIGAS' comments sent to the consultation N. 2019-003 regarding the implementation of the Commission Regulation (EU) 2017/460 of 16 March 2017 establishing a network code on harmonised transmission tariff structures for gas (NC TAR) in France, we hereby highlight as follows.

Anigas welcomes the consultation document n. 2019-006 published on the 27th March 2019, but given the possible relevance of the France transit for importing gas in Italy, it is of particular concern noting that:

- CRE proposes to adopt a cost allocation methodology where distance is the main driver to calculate tariffs. However, the selection of a point-to-point approach to calculate distance is oversimplified and de facto leads to **distance being calculated differently between cross-border and domestic exit points**, impacting significantly the final tariffs applicable for these points:
  - distance for domestic exit points is calculated point-to-point for each exit point from its **closest** entry point;
  - distance for all cross-border exit points is calculated point-to-point from the very same entry point Dunkerque, which is actually the **furthest** entry points for both cross-border exit points Oltingue and Pirineos;

  Moreover, CRE provides an assessment showing that the "unitary cost per km" for the two categories of network users (i.e. cross-border transit vs transportation to domestic customers) are identical. However, as long as the distances are calculated as described above, such assessment is not reliable as it does not compare for the two different categories of users similar parameters.

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Notwithstanding the above, we challenge the choice of the overall rationale of the proposed methodology. The French entry-exit system, with the presence of a hub that has the ambition and the possibility to become more and more liquid, is such that a differentiation between transit and domestic flow does not reflect the fundamental reality underpinning the market. In an entry-exit system gas consumed domestically or exported to other markets is exchanged at the hub and might be coming from any of the entry points in the system. With the merger of PEG N and PEG S increasing the liquidity of the French market the expectation of using a point-to-point approach would be even less reflective of market dynamics. Differently, separating from a cost point of view transit and domestic flow may hamper the very ambition of the merger reform and potentially lead to an inefficient use of the network.

Anigas notes that the proposed methodology significantly impacts the cost-allocation in France, and by exposing the cross-border exit points to very high tariffs compared to domestic exit points, it distorts gas flows to neighbouring markets.

- CRE proposes an entry-exit split 34/66 without a clear justification. In the consultation document CRE bases its justification to adopt a 34/66 split on a qualitative assessment of the high availability of storage capacity in the French network, without providing any numbers showing the impact that the use of storages has on the correct allocation of costs in the system..

  The proposed entry-exit split impacts the costs of exporting gas to other countries, with potential cross-subsidisation between the use of the pipeline for domestic over the use for cross-border purposes, with distortion of cross-border trades. For this reason we believe that before adopting a split which might lead to such consequences, it needs to be ensured with an analytical assessment that such split is properly allocating costs.

- CRE considers the Capacity Weighted Distance methodology, provided in art. 8 of NC TAR, not applicable. This is apparently due to the fact that "*a single entry point cannot source several exit points, as in France, without creating relevant cross subsidies*".

  Anigas notes that NC TAR provides the obligation to perform and publish a comparison of the chosen tariff methodology against the CWD methodology.

  We consider that the comparison with the CWD methodology (i.e. as described in the NC TAR, with a 50/50 entry-exit split) is a relevant tool for the analysis of cost-reflectivity and for ensuring to be compliant with the transparency and publication requirements of the TAR NC.

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The comparison would clarify the differences between the tariffs coming from the proposed methodology and those resulting from the counterfactual methodology (CWD with 50/50), highlighting the degree of cross-subsidisation between domestic and transit users.

- CRE proposes to have two different tariff years between PIR tariffs (1st of October) and the tariffs applicable to the rest of the points in the system (1st of April).

  The proposal presented by CRE would create an additional layer of complexity for the market players active in France.

  Anigas therefore proposes to keep the beginning of the tariff years aligned for all points and, at the same time, publish the tariffs before the yearly auction for interconnection points (July) on the understanding that any tariff published before the yearly auction is deemed valid for at least the entire following gas year as per TAR code.

  Finally, we highlight that the consultation procedure does not meet the deadline set by Article 27, §5 of the NC TAR which states that "*the procedure consisting of the final consultation on the reference price methodology […], the decision by the national regulatory authority […], the calculation of tariffs on the basis of this decision, and the publication of the tariffs […] shall be concluded no later than 31 May 2019*". This means that the transportation tariffs will not be finalised and published before the auctions for the next gas year 2019-2020, which is not compliant with the publication requirements provided by article 29 of the TAR NC and creates significant risk and uncertainty for shippers.

Anigas concludes highlighting that the methodology raises concerns regarding the compliance with the principles of cost reflectivity, preventing undue cross-subsidisation and of non-distortion of cross-border trade set out in the NC TAR.

Anigas would much appreciate CRE to perform a further assessment, in particular with reference to the implementation of the CWD methodology provided by NC TAR and to further evidence of the reasoning behind the proposed approach.

For any question or clarification, we would be very happy to engage in future conversations with you on the above topics.

Yours faithfully,

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