

Response on the Establishment of the Annual Priority Lists for the Development of Network Codes and Guidelines for 2016 and beyond

10 August 2015

The internal market in natural gas suffers from a lack of transparency hindering the efficient allocation of resources and risk hedging. Although there have been good achievements in some areas, there are still obstacles which are decelerating the overall process. One main obstacle in this sense is transparency. Even six years after the establishment of the European Union's Third Energy Package key areas of the network operations are still black boxes for end consumers. IFIEC believes that real transparency is a key element to boost market integration and competition in a cost efficient way. In the following areas we see a lot of room for improvement.

It is still not possible for network users in gas to generally compare all network tariffs or revenues from the European TSOs in a user friendly way. In electricity the TSOs at least try to gain understanding, why tariffs may differ widely¹. In general, the data are somehow there, but there are no real possibilities to easily generate information out of that data. Although the ENTSOG transparency platform is nicely designed und looks user friendly, it is hard to gain comparable information on the regulated tariffs from the member TSOs.

Experiences from the ENTSOG transparency website² show that substantial information is missing. Although ENTSOG integrated an export wizard, the function to export also the related regulated tariff data is non-existent. This is surprising, since ENTSOG at least planned to integrate that feature. At the 7th ENTSOG Transparency Workshop from December 2013 ENTSOG presented a screenshot of the website, showing the export wizard with the functionality to export the related tariff data³. On the current website the tariffs data are somehow existent, but only as part of the TSO information in sub menus.

¹ <https://www.entsoe.eu/about-entso-e/market/european-transmission-tariffs/Pages/default.aspx>

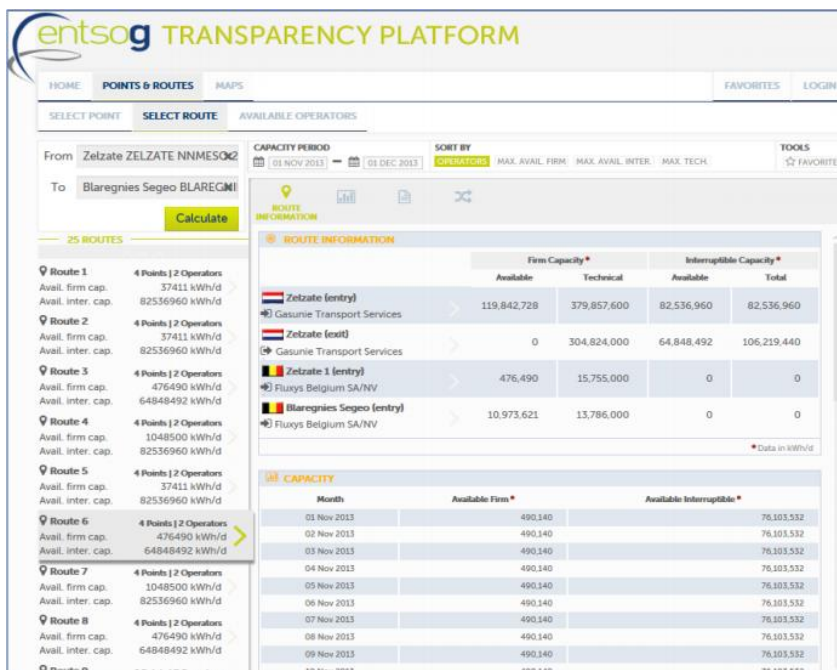
² <https://transparency.entsog.eu>

³ <http://www.entsog.eu/public/uploads/files/publications/Transparency/2013/7th%20TRA%20WS%20merged%20presentations.pdf> (page 31)



Screenshot from ENTSOG Transparency Workshop December 2013

Also a transport route navigator⁴, which IFIEC Europe asked for in the past, was presented by ENTSOG as a new feature of the ENTSOG Transparency Platform at the same workshop in December 2013. The following screenshot presented by ENTSOG created the impression, that this feature is technically viable.



Screenshot from ENTSOG Transparency Workshop December 2013

⁴ <http://www.entsog.eu/public/uploads/files/publications/Transparency/2013/7th%20TRA%20WS%20merged%20presentations.pdf> (page 27)

Anyway, both important and proposed features have not been implemented or have been removed by ENTSOG.

Network Code Tariffs

The current discussions on the Network Code Tariffs point into the same direction. In the reasoned opinion from ACER on the Network Code Tariffs from 26 March 2015⁵ ACER stated the following: *“The drafting of the Network Code could be interpreted as allowing certain pieces of information to be omitted from publication if not considered relevant to the derivation of tariffs. As confirmed during the SJWS and in the Agency’s preliminary opinion, this was not the intention of the transparency requirements set out in the Framework Guidelines. Instead, the publication of certain important pieces of information, such as the Regulated Asset Base, was considered in the interests of transparency regardless of whether they were necessary to run the methodology. The Agency considers that the Network Code is not strict enough in this regard and invites ENTSOG to modify Article 25 to ensure that the intentions regarding transparency are fully satisfied.”*

The response from ENTSOG on this criticism from ACER can be found in the explanatory document from ENTSOG published 31 July 2015:

- *ENTSOG is of the opinion that publication of non-relevant data, e.g. inputs to the revenue calculation such as regulated asset base (RAB) will broaden the scope of consultation and would mean that it is necessary to consult on parameters that are out of scope of the TAR NC. The subject matter of the TAR NC is the harmonised transmission tariff structures for gas and not the details of the allowed/target revenue calculation. There are specific rules for its calculation in Member States and it is solely the task of the respective NRA to approve the justified costs and set the regulated revenue.*
- *One of the aims of the TAR NC is to enable network users to understand and forecast transmission tariffs. The details of revenue calculation do not provide any added value in terms of better predictability of transmission tariffs for network users.*
- *ENTSOG does not believe that the publication of RAB etc. will help stakeholders to better predict future tariffs beyond the current regulatory period.*

Although ACER clearly and detailed asked ENTSOG to provide transparency on the Regulated Asset Base, ENTSOG refuses to put this transparency obligation into the Network Code Tariffs. The easy availability of data on tariffs and revenues are the basis for a tariff benchmark as a first indicator for efficient costs and also a basis for requirements which are

⁵ http://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Opinions/Opinions/ACER%20Opinion%2002-2015.pdf

laid down REGULATION (EC) No 715/2009: *“In calculating tariffs for access to networks, it is important to take account of the actual costs incurred, insofar as such costs correspond to those of an efficient and structurally comparable network operator, and are transparent, as well as of the need to provide appropriate return on investments and incentives to construct new infrastructure, including special regulatory treatment for new investments as provided for in Directive 2009/73/EC. In that respect, and in particular if effective pipeline-to-pipeline competition exists, the benchmarking of tariffs by the regulatory authorities will be a relevant consideration.”*

Without transparency end users could never be sure, that their tariffs are only based on efficient costs. Therefore IFIEC Europe proposes to develop new transparency rules. The current experience with Tariffs shows, that it is hard to gain results, if the regulated entity has to regulate itself. Therefore IFIEC would favour the way of a guideline as laid down in article 23 of REGULATION (EC) No 715/2009. This guideline could additionally address the missing transparency in other areas e.g. overall European Network Investments.

Third-party access rules

In some member states there are no transparent rules for third-party access. Therefore IFIEC Europe proposes to develop a Network Code on those rules.

IFIEC Europe represents energy intensive industrial consumers where energy is a major component of operating costs and directly affects competitiveness.