



CONFINDUSTRIA

Position Paper

**PUBLIC CONSULTATION
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RELATING TO THE NEXT TARIFF FOR THE USE OF NATURAL
GAS TRANSMISSION NETWORKS OF GRTGAZ AND TEREGA

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Confindustria considers that CRE methodology for determining natural gas transmission tariffs sets very high and hardly justifiable costs at the exit interconnection points towards Switzerland and Spain, compared to domestic exit ones. The proposed tariff structure, as already pointed out during the previous public consultation of 27 March 2019, distorts cross-border trade in contrast with one of the European Energy Union five dimensions (a fully-integrated internal energy market), apparently not following the provisions of the TAR NC (Regulation (EU) 2017/460).

The gas market integration has improved in Europe in recent years and gas wholesale prices have showed increasing levels of convergence in many hubs. But a comprehensive harmonization is still to be done in order to achieve the Gas Target Model objectives: critical price spreads among markets are in many cases determined by cross-border transmission tariffs, which are entry barriers delivering the so called “*pancaking effect*”, with indirect consequences on international gas flows and trade.

CRE is actually proposing a point to point approach, with two different and conflicting methodologies to calculate tariffs at cross-border and at domestic exit points. Although an identical unit cost for the different transit routes and the supply of domestic consumers is applied (around €0.67/MWh/d/year/km) and distance is the main driver for calculating tariffs at both types of exit points, for cross border exit points the distance is measured from Dunkerque entry only, which is the remotest entry point for both downstream relevant markets - 762 Km to Oltingue (Switzerland and Italy) and 1072 Km to Pirineos (Spain) - while for domestic exit points the distance is measured from the closest entry point (237 Km on average).

In the consultation, CRE states that its decision is also compatible with the capacity weighted distance benchmark methodology because “*In its article 8 which describes the capacity weighted distance reference price methodology, the Tariff network code provides that when certain entry and exit points can be combined in a relevant flow scenario, the reference distance to be considered is the shortest distance of the pipeline route between an entry point or a cluster of entry points and an exit point or a cluster of exit points.*” Unfortunately, CRE does not provide sufficient information to justify the divergence between the two relevant flow scenarios (in general important information which should have been included in order to be fully compliant with the provisions of artt. 26 and 30 of the European Tariff Network Code are missing in the CRE consultation).

However, serious doubts remain on the adherence of this point to point approach to the principles of EU Regulation 715/2009 and of TAR NC (for example in terms of cost-reflectivity, considering the difference between the tariffs for domestic exit points located near the cross-border exit points Oltingue and Pirineos and the tariffs at such IPs), as well as, on the fairness of the related assumptions (Dunkerque is not the only relevant entry point for gas transiting towards downstream gas systems considering the possibility to trade gas at the virtual French hub).

At the same time, it is not clearly justified the adoption of an entry/exit split 34/66 which, in turn, moves the higher part of network costs to the exit points. Therefore, considering the low level of Entry tariffs and the big difference in relevant distances for cross-border exit points and domestic exit points, the final tariff at Oltingue will be more than 4 times higher than the French domestic exit tariffs to regional networks: in this way, France is unduly charging a big part of its network costs to the downstream markets, creating an economic barrier to flow gas via Oltingue and Pirineos towards Italy and Spain, contrary to the principles of the TAR NC.

The current approach is significantly going to impact the Italian market, taking into account that the Oltingue exit point already represents about half of the total costs to transport gas from PEG to the Italian PSV and that flows from Oltingue can often become the marginal source of supply for the Italian system, especially with the prolonged partial unavailability of TENP pipeline.

Confindustria asks that CRE's final decision on transmission gas tariff avoids a potentially discriminating system and a high cross-subsidization between end users. A competitive single gas market, comprising entry-exit zones with liquid virtual trading points, where market integration is served by appropriate levels of infrastructure and gas is free to move between market areas according to energy demand and price evaluation, will foster competitiveness of EU enterprises and create a common level playing field across Europe.