

GTE comments on the Commission Draft Terms of Reference for a study on

“Moving towards a non-discriminatory system of tarification of access to the gas system and congestion management across Europe”.

Introduction

GTE welcomes the opportunity to comment on the Commission's document draft Terms of Reference for a study on “Moving towards a non-discriminatory system of tarification of access to the gas system and congestion management across Europe”.

A constructive dialogue based on real exchanges is the best basis for sustainable solutions. GTE's ambition is to actively contribute to a non-discriminatory and transparent gas market and therefore to the satisfaction of the customers.

Purpose of the proposed study

GTE agrees that some of the issues mentioned need to be analysed in more detail on the road of creating a single European market for gas. In co-operation with the Joint Working Group of the European Regulators, GTE has already taken respective actions and has presented progress reports at the Joint WG meeting held on the 20th April. Those reports should be considered as concrete starting points for further discussion.

GTE's first reaction

First of all GTE does not consider the title of the proposed study to be appropriate, for at least two reasons:

- It suggests that the present access rules are discriminatory, which in GTE's opinion is not the case;
- It presumes that there is a obvious need for a unique tarification system across Europe in order to achieve the objective of non-discrimination, which is not based on any demonstration and thus cannot be put as a basic assumption for a study on tarification.

Nevertheless, GTE supports some of the objectives referred to in the “Draft Terms of Reference”, and in particular the following, in order to ensure security of supply and to facilitate trade:

- Further improvement of the already well advanced European network;
- Non-discriminatory conditions for access;

- Tariffs that support a safe and reliable operation as well as the expansion of the systems.

GTE fully supports that mechanisms and rules must not constitute disincentives for the development of sufficient transmission capacities around Europe.

On the other hand GTE considers that the study carried out by Energy Markets Ramboll before the Madrid Forum III cannot be viewed as a useful basis. Furthermore this study has not been presented at this Madrid Forum.

GTE considers also that both the diversity of institutional frameworks in the individual EU Member States and of the technical and economic conditions of gas transmission should be fully recognised.

- The institutional and market conditions in the EU Member States are not uniform. The spectrum of organisational alternatives extends from exclusive transporters instituted by law excluding free pipeline construction to licensing systems with various degrees in exclusivity and limited free pipeline construction to entrepreneurial initiatives based on free pipeline construction. These variants do not only reflect alternative models for the gas industry but also differing focal points in national energy policies. GTE considers that uniform institutional conditions for gas transportation would not adequately reflect the interests of the respective Member States. Moreover they would interfere with private autonomy and ownership rights.
- The basic principle of gas transportation is the physical movement of molecules. This is a fundamental difference of the gas market as opposed for example to the electricity market. As a consequence GTE does not understand the proposed guidelines for the study and especially the proposal that differences in transmission prices should only reflect short term costs (i.e. variable costs). This type of tariffication system does not exist (at GTE's knowledge) anywhere in the gas industry. It must be kept in mind that variable costs only constitute 5 to 10% of the total transmission costs. Moreover the main cost drivers for gas transmission are distance and long-term capacity constraints. It must be put into consideration that uniform prices for different cost situations, if that is what is being proposed, may lead to cross subsidies between various customer groups and distortions. In addition, GTE supports tariff structures which are compatible with the development of the necessary new investments in order to ensure long-term supply in Europe.

GTE would like to propose that the study should as a starting point, concentrate on the different situations in the individual member states in order to develop guidelines on the basis of existing conditions for further integration of the various systems in a single European market.

Conclusion

1. GTE considers that a more limited but more achievable objective would be to study the extent to which common principles on tariffication and congestion management are indeed required to remove existing barriers for cross-border gas trade in progressing toward a single gas market in Europe while taking into account the diversity of institutional frameworks in Member States.
2. In order to contribute to developing effective market solutions for the gas market, GTE would propose the following points:
 - Fundamental differences between gas and electricity markets should be fully recognised;
 - Differences between institutional, market and technical structures in the various Member States should be taken into account;
 - Interoperability between different systems should be developed rather than having a unique system all over Europe;
 - Market mechanisms should be favoured rather than European central planning;
 - Long-term security of supply should be considered as a crucial point.
3. Focused on producing an active contribution, GTE presented on the 20th April at the Joint Working Group meeting its reports as concrete starting points for discussion and potential further investigations.