

GTE comments on DEN Transparency

Introduction

GTE fully acknowledges the importance of transparency for the development of the internal gas market and therefore is pleased to have the opportunity to comment further on the revised draft explanatory note of DG Energy and Transport on Article 6 and Annex 3 of Regulation (EC) n. 1775/2005 of the European Parliament and of the Council of 28 September 2005 on conditions for access to the natural gas transmission networks, issued on February 2nd 2007.

GTE welcomes the improvements to the previous version of the DEN as they help in better clarifying the contents of the Regulation 1775/2005. In particular, GTE supports the introduction into the revised DEN of the acknowledgement of the existence of a pressure service, of explanations that preserve a clear distinction between tariff structure and tariff derivation and of clarifications on the different information that have to be provided (historical data of system interruption or contractual parameters) in function of the different ways to determine the interruptible capacity.

GTE has noticed that the revised version of the DEN also introduces new explanation comments. With this paper, GTE intends to continue in providing concrete suggestions to the European Commission with the view, from one side, to better explain some advices that have not been taken into account by the Commission itself and, from the other, to comment on the new contents of the Draft Explanatory Note on transparency requirements.

GTE Comments – per paragraph in the DEN Transparency for Madrid XII

- (12). As already highlighted in the document “GTE comments on DEN on Transparency” issued to the European Commission on last December 4th 2006 , GTE believes that the contents of the next-to-last sentence of the paragraph mainly pertain to Article 4 “Third party access services“ of the Regulation and therefore they should not be dealt with in the DEN on Article 6 “Transparency”. Looking at the contents of the sentence, GTE highlights the difficulties to provide the network users transport services as flexible as the contracts available on the commodity market. In fact it has to be noticed that the cost structure of TSOs presents a very high component of fixed costs (till 95%); this structure of costs has necessarily to be reflected also into the transmission tariffs in order to avoid unjustifiable cross-subsidies between subjects that use the network on a “regular” basis during the year and subjects that access to the network only for a limited period of time. In this respect, a correct balance between a high segmentation of short term transmission services and allocation of cost among network users is difficult to achieve. Moreover, capacity contracts with longer duration play an important role, ensuring to the interested shippers the availability of the capacity and providing to the TSOs the correct signals for investments in new capacity. In any

case, GTE believes that, as far as duration of contracts is concerned, efforts in the standardization of transport contracts have to be done by TSOs in order to offer services that fit as much as possible with network users' needs. In addition, GTE believes that the creation of all needed conditions for the development of a well functioning and liquid secondary market of capacity could play an important role in making available capacity services nearly in line with commodity contracts.

As far as the last sentence of the paragraph is concerned, GTE believes that the topic related to the harmonization of contracts is out of the scope of the Draft Explanatory Note on Transparency. In any case, GTE believes that efforts in further harmonization among TSOs should be necessarily driven by efforts of NRAs in the harmonization of the different regulatory frameworks.

- (15)(25). GTE believes that the information provision to shippers has as a goal to provide the data necessary for access to and use of the pipelines. Other means (e.g. regulatory oversight) are used to ensure that TSOs offer all capacity in a non-discriminatory manner. NRAs can verify that this is done in an homogenous and transparent way, permitting the network users to focus only on the information they really need to access to the transport systems. Consequently, GTE suggests to delete the last sentences of paragraphs (15) and (25).
- (26). GTE believes that the DEN should avoid to introduce general concepts without any indication on what kind and how information have to be published by TSOs, preserving in such way the explanatory goal of the DEN itself. It should be clarified that shippers need *useful* information (not all and any information), i.e. the information related to available capacities and service interruptions which is needed by shippers to get access to and use transport systems.
- (34). GTE believes that the last sentence of the paragraph introduces additional requirements, not foreseen by the Regulation. As a general comment, GTE believes that the DEN on Transparency should stay within the scope of the Regulation and therefore additional requirements should be covered in separate documents. In this respect, the Explanatory Note should envisage that TSOs publish the flow data to the level of detail of its prevailing nominations regime on voluntary basis.
- (37). As already highlighted in the document "GTE comments on DEN on Transparency" submitted to the Commission on last July 28th 2006, GTE believes that, in an entry-exit capacity booking and tariff system, congestion generally exists at entry or exit points, as the capacity constraints within the network have already been taken into account in determining the available capacities at entry/exit points of the system. In this respect, GTE believes that the DEN should clarify that when two different networks are managed as one single network, without requiring shippers to book capacity at the interconnection points, these interconnection points should not be considered as relevant points. To better clarify this aspect, GTE suggests to introduce in paragraph (37) the following sentence: "When two different networks are managed as one single network, without requiring shippers to book capacity at the interconnection points, the interconnection between the two networks has not to be considered as relevant point".