

CEER

**Council of European
Energy Regulators**



CEER reaction on "potential measures for upgrading the EU internal gas market"

31st Meeting of the European Gas Regulatory Forum

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Possible improvements of transmission tariffs

Note: CEER position not yet defined. This topic will be progressed in a **CEER public consultation**; these slides reflect the ongoing discussion in CEER

- The implementation of the TAR NC will substantially improve the current tariff systems by requiring:
 - ▶ a mandatory transparency of the transmission costs
 - ▶ a harmonised notion of cost-reflectivity aiming at preventing discrimination between domestic and cross-border flows
- Nonetheless, the **termination of long-term capacity contracts** and the **possible decrease of gas consumption** may induce higher hub spreads:
 - ▶ a lower level of booked capacities could lead to higher transmission fees, higher spreads, reducing even more the booked capacities (vicious circle)
 - ▶ a potentially lower liquidity on the gas wholesale markets
 - ▶ higher risk of locally dominant players with high market power

Possible improvements of transmission tariffs

- Several stakeholders advocate for a decrease of tariff levels at internal IPs
 - ▶ Revenues currently recovered at internal IPs could be shifted to entries from non-EU countries and to domestic exits
 - ▶ This would require ITC mechanisms
 - ▶ Positive externalities may justify adjustments of the cost allocation methodology
- ITC mechanisms are complex and, if not properly designed, they may induce undue cross-subsidies. Need for a shared understanding regarding their settings:
 - ▶ A careful bottom-up approach could be appropriate
 - ▶ NRAs could study simple cases between two market areas, assessing key parameters, such as:
 - Flow patterns
 - Minimum capacity to ensure security of supply