

7th July 2006

TARIFFS FOR ACCESS TO NATURAL GAS TRANSMISSION NETWORKS

UNICE comments on the draft explanatory note of DG Energy and Transport regarding Article 3 of Regulation (EC) 1775/2005 on conditions for access to the natural gas transmission networks.

1. The principles of transparency, non-discrimination and cost-orientation are correctly interpreted by the draft explanatory note. It should however be clarified in paragraph 2.1 how the principle of non-discrimination applies to transit contracts signed before the entry into force of the Gas Directive 2003/55/EC.

Tariff-setting mechanism

2. A distance-based tariff setting mechanism would be harmful to better integration of the different European markets and to exploitation of the benefits of the internal market, since it would have the effect of discouraging trade flows across the Union.
3. A postage stamp (average cost) tariff-setting mechanism would be harmful to the efficient usage of the network.
4. The advantages of the entry-exit tariff-setting mechanism are well explained in the note and the proposed system has already performed well in a number of Member States (Italy, UK). This mechanism constitutes a good balance between the need for flexibility and the need for tariffs to be oriented on real usage of infrastructure. This system would be preferable in order to ensure a level playing field, as stated in the draft note.
5. Pancaking of tariffs for transaction cost and transportation should be avoided. The entry-exit system, when correctly implemented, can take into account gas flows so as to limit pancaking. UNICE therefore agrees with the draft note on preference for entry-exit system.

Cost-based pricing

6. Cost-based pricing is a key principle for all network businesses, so it is easy to share its importance for the gas sector tariff's setting mechanism also.
7. The role of National Regulatory Authority (NRA) emerges as a priority for good functioning of energy markets.
8. Non-discrimination among network users is the priority for ensuring a good functioning of the markets.

Relevant provisions

9. The same principles should apply to all networks relevant for the functioning of the markets: the note explicitly states that the regulation applies also to high-pressure pipeline systems operating at regional scale.

10. The final result to aim at is the convergence of tariff structures in the internal market.

Transparency

11. Regarding transparency, the note clarifies that the beneficiaries of information are network users and the precise information published must therefore be determined with regard to the needs of network users. This is something UNICE greatly appreciates.

System integrity

12. System integrity in an entry-exit tariff-setting mechanism must take into account congestion problems: it can be necessary to de-bottleneck the system through investments and these must be rewarded by tariffs. These aspects are clearly set out in the draft note.

Cost base

13. Taking account only of costs incurred by an efficient and structurally comparable network operator is a possible way of pursuing an increase in the efficiency of network operators. This choice must be seen together with the provision on rewarding investments. The two provisions should ensure an acceptable transport cost level and good incentives for investments.
14. The data used for tariff-setting should be transparent.

Liquidity

15. UNICE welcomes the clarification on liquidity issues: in defining the rate of return for network utilities it should always be kept in mind that we are dealing with a service of general interest, although of economic nature, and the return should be set at the minimum possible level which does not hinder network investments. Excessive extra profits in monopolistic network utilities without investments are not coherent with the competitiveness of industrial users.
