EFET
European Federation of Energy Traders

EFET response to the CRE consultation on the next tariff for the use of the natural gas transmission networks of GRTgaz and Teréga (ATRT 8)

The European Federation of Energy Traders (EFET[1]) appreciates the opportunity to present our views on the tariff structures for use of the French gas transmission networks for the regulatory period 2024-2027 (ATRT 8), as consulted by CRE.

We thank CRE for making this consultation once again available in English.

We also thank CRE for considering[2] our input submitted following the ad hoc workshop of 05 May 2023[3] regarding the high increases of entry IP tariffs compared to the PITTM ones observed in the tariff forecasts under all three flow scenarios. The reduction of this difference to 5% (from 11%) is in line with our request to the NRA for the equal treatment of all entry points of gas into the transmission network with a view to preventing potential cross-subsidisations.

Our detailed points focus on our historic concern over the point-to-point distance calculation methodology used by CRE, as well as on the proposals for mitigating the year-on-year increase in the capacity transport tariffs on the baseline, and the recovery of congestion charges.

1. Comments on the tariff methodology

1.1 The point-to-point approach does not apply to an entry-exit system

The cost allocation methodology proposed by CRE for the calculation of transmission tariffs at both domestic and IP exit points in France relies on distance and capacity as the main drivers. However, this methodology is based on distances derived from pre-determined flow scenarios using a point-to-point approach. It also entails different approaches to determine the flow scenarios, and thus the relevant distances, for cross-border and domestic exit points.

[1] The European Federation of Energy Traders (EFET) promotes and facilitates European energy trading in open, transparent and liquid wholesale markets, unhindered by national borders or other undue obstacles. We build trust in power and gas markets across Europe, so that they may underpin a sustainable and secure energy supply and enable the transition to a carbon neutral economy. EFET currently represents more than 140 energy trading companies, active in over 27 European countries. For more information: www.efet.org
[2] Page 75 of the consultation document.
[3] EFET comments on the next gas transmission tariff structure in France

On a general note, we believe that the point-to-point approach to the definition of import/ export routes does not reflect the main characteristics of an entry-exit system with a liquid hub, as is the case for France. In fact, the concept of *"transit routes"* is no longer relevant, as gas consumed domestically or exported to other markets can be traded, exchanged and/ or sourced at the hub. This gas may have originated from any of the entry points in the system. Hence, gas sold to the domestic market or exiting France can be supplied via the hub and may originate from any source depending on the price signal of adjacent markets and/ or LNG, which vary daily.

1.2 The proposed methodology is discriminatory for cross-border flows

EFET notes that the calculation of the relevant distances for cross-border and domestic exit points, as proposed by CRE, lacks transparency. Specifically, for cross-border exit points the consultation document implies that the flow scenarios consider the closest IP entry point or PITTM, provided there is available capacity, with the exception of entry point Obergailbach for exit point Oltingue and the exception of entry point Virtualys for exit point Obergailbach. Nonetheless, annex 6 of the consultation pack demonstrates that CRE does not always rely on the closest entry point to determine distances for the cross-border exit points. As a result, distances for cross-border exit points are significantly higher than the ones calculated for domestic exit points (from the closest entry point).

Ultimately, we do not agree with the exclusion by CRE of certain entry points for the cross-border exit points (e.g., entry point Obergailbach for exit point Oltingue and entry point Virtualys for exit point Obergailbach) on the basis of its own economic assessment which seemingly does not factor in the presence of a hub, future market dynamics, market spreads and shippers' logistic portfolios.

As a result, by calculating distances differently between cross-border and domestic exit points, and by setting significantly higher tariffs for the cross-border exit points, compared to the domestic exit points, the methodology allocates a disproportionate amount of system costs to the consumers of adjacent markets. It therefore creates a discrimination towards the latter, while, at the same time, distorts cross-border trade.

1.3 Recommendations for adjustment of the point-to-point approach

To assess the cost-reflectivity of additional cost drivers and of the RPM, recital 3 and article 26(1)(a)(v) NC TAR requires a comparison of the RPM with the CWD reference methodology. We note that, according to the standard implementation of article 8 NC TAR, the distance for each entry point is calculated as the capacity-weighted distance between the entry point and all network exit points. Conversely, for each exit point, the distance is

determined as the capacity-weighted distance between all network entry points and the exit point. As Member States with a transmission network similar to the French one, like Belgium, have enforced CWD methodologies with entry-exit splits, we believe that CRE should follow suit to address the issues described above, and abandon the point-to-point approach to the definition of import/ export routes.

However, if CRE decides to maintain the existing point-to-point approach in the calculation of distances, we consider of utmost importance to implement the following adjustments to partially address the distortions indicated in previous sub-sections:

1. Remove the exclusion of some entry points to calculate distance for cross-border exit points, as this is based on assumptions that might prove to be wrong.

2. Determine the relevant flow scenarios by calculating distances for exit points prorating the capacities of their nearest entry points among both domestic and cross-border exit points.

2. Other points

2.1 Options to mitigate the tariff increase

We take note of the measures presented by CRE to address the 20% tariff increase expected on average between 2023 and 2024, given the forecast costs of the French TSOs for the next regulatory period owing to residual investment needs for the integration of biomethane and an OPEX cost increase. EFET welcomes any effort to minimise the tariff increase from one regulatory period to the other.

However, we note that all three options proposed by CRE in the consulted text prospectively bear the risk of a substantial longer-term impact on the level of tariffs beyond the next regulatory period and until 2030. Any solution to mitigate the tariff increase should be aligned with certain regulatory predictability and stability to the system, which is also necessary for the hub liquidity. Therefore, any changes should be progressive and preferably implemented strictly after an impact assessment.

2.2 Recovery of congestion charges

We take note of the proposal of GRTgaz to return to shippers the revenues from congestion on a shorter cycle. As EFET, we are nonetheless in favour of the recovery of these revenues through the CRCP, as is currently the case, i.e., recovery from the entire system instead of by selecting groups of users.