Situation transmission tariffs for gas storages

Meeting with DG ENER
4 June 2015
Storage less competitive in flexibility market due to transmission tariffs

- Gas storage competes with other sources of flexibility
- Member States should facilitate, not stifle this open competition
- Restrictions imposed by high transmission tariffs make gas storage uncompetitive with other sources of flexibility

- Transmission fees of – in extreme cases – more than 1 EUR/ MWh are almost prohibitive to storage use
- Hub based flexibility services have no additional transport fee to pay
Transmission tariffs – seasonal gas storage product

Transmission tariffs in EUR/ MWh stored, 100 days injection/ withdrawal

Note: 0.00 = zero transmission tariff, no figure = no figure available
Transmission tariffs – mid range gas storage product

Transmission tariffs in EUR/ MWh stored, 60 days injection/ withdrawal

Note: 0.00 = zero transmission tariff, no figure = no figure available
Transmission tariffs – fast gas storage product

Transmission tariffs in EUR/ MWh stored, 20 days injection/ withdrawal

Note: 0.00 = zero transmission tariff, no figure = no figure available
ACER Initial impact assessment
... typically result in gas storage users paying twice

ACER Open house material
... take into account that gas storage users have already paid an entry fee and will be paying an exit fee...

ACER FG
... take into account benefits and efficient investment

ACER Justification document
No more detailed rules
... no stakeholder support
... subsidiarity
... benefits difficult to substantiate

ENTSOG NC TAR for RoP
... may take into account benefits and efficient investment
GIE proposes to better reflect of net cost/benefits of gas storages

Article 20

Storage

When the national regulatory authority sets or approves the transmission tariffs for the storage facilities, the following shall be taken into consideration:

1. the net benefits that the storage facilities may provide to the transmission system;
2. the need to promote efficient investment in the transmission system;
3. the need to minimise detrimental effects on cross-border trade;
4. that storage facilities are not a net source of supply or demand and that users already paid entry and exit tariffs to use the transmission network.
Possible descoped version of the should include the point of specific transmission tariffs for gas storages

NOTE: a possible descoped version of the network code ... 
... should not disregard specific transmission tariffs for gas storages
Thank you for your attention
Note

ACER believes that the discrimination risk mentioned by Brattle report in their impact assessment can be solved as storages are different from other entry and exit point in the sense that they are by definition not a net source of demand or supply, but only shift consumption over time (which is an important distinction to other gas infrastructures).
GIE input to stakeholder support process November 2014

Please provide brief reasoning for your responses, if you wish

**Article 20(1)** does not address the concerns GIE addressed previously: In setting tariffs for entry and exit points from and to gas storage facilities, it shall be considered that gas storage is not a net source of supply or demand and users already paid entry- and exit tariffs at import/production and at end consumption. The tariff at these points shall cover incremental costs if not compensated by the benefits of gas storages contributing to the network system. GIE proposes a more specific wording on the methodology in setting tariffs at storage connection points taking into account the following principles: “In order to promote efficient investments and cost reflectivity and in order to avoid undue discrimination between network users, the transmission tariffs for gas storages shall be based on costs arising from the connection of storages to the transmission system and take benefits of gas storages into account. Costs arising from the connection of storages and variable costs related to the transportation of gas to and from storage shall be substantiated. Benefits of storages (e.g. reduced investments regarding peak capacity of the transmission system and import facilities and reduced OPEX) shall be taken into consideration.”
Gas storage. Business as Usual.

Transportation tariffs make up for a significant part of the costs of gas storage. Due to different cost allocation mechanisms the transportation tariffs for storages vary across member states. In addition, in several member states storages receive a discount on the transportation tariffs, while in other countries there is no specific transportation tariff for storages, as is shown in the table below. As the table below also shows, these discounts vary across member states. Such discounts are typically substantiated by the positive effect of storages on required network investments or the contribution of storages to system stability. In countries with an entry-exit system, the way that tariffs are calculated may result in tariffs paid for transporting gas using storages that are not cost-reflective because tariffs are not allowed to depend on contractual paths. This may typically result in gas storage users paying entry and exit tariffs twice.

For the above reasons the absolute tariff levels paid by gas storages vary significantly across member states, and storages therefore face different costs depending on both the member state they are located in and on their position within the concerning network. The current mechanism therefore creates location signals for storages. See figure below, based on public sources, and as verified within ACER working group:

Considering the policy objective of not having inefficient investments and the policy objective of cost-reflectivity this would argue for a discount on transportation tariffs to and from storages. An adequate discount may also solve any cross-subsidies between those that use storages and those that do not.

ACER believes that the discrimination risk mentioned by Brattle report in their impact assessment can be solved as storages are different from other entry and exit point in the sense that they are by definition not a net source of demand or supply, but only shift consumption over time (which is an important distinction to other gas infrastructures). Furthermore, discounts on tariffs for storages are already in place in several countries in Europe, so (perception of) discrimination does not seem to be a problem in practice.
February 2013: open house material

The Network Code on Tariffs shall develop a tariff methodology regarding capacity and/or commodity base charges that NRAs have to apply to entry and exit points to and from gas storage facilities, taking into account that users of gas storage facilities have already paid an entry fee when entering in the transmission network and will be paying an exit fee when exiting it.

[Alternative: The network code on tariffs shall develop a methodology for the pricing of entry and exit to and from gas storages to safeguard efficient investments in networks. In developing this methodology ENTSOG should take into account the effects on cross-border trade and cost-reflectivity such that the resulting tariffs will reflect the role of gas storages in the functioning of the internal market.]

We also seek amendments so that there are specific transmission tariffs when exiting the system to a storage facility or entering the system from a storage facility.

The objective of this amendment is to ensure that cost-reflective transmission charges are paid by system users accessing underground storages located within an entry-exit system. The transmission charges that such users should pay should account for them entering the entry-exit system only once and exiting the entry-exit system only once. While these users should not pay the full transmission charges to enter the entry-exit system twice and exit the entry-exit system twice, they may be charged specific costs relating to the costs they impose on using the entry-exit system.