

# TWENTY-THIRD MEETING OF THE EUROPEAN GAS REGULATORY FORUM

## IFIEC-CEFIC position FG on Tariffs

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# Revenue recovery:

## Tariff methodology should be based on cost coverage

- End users accept to pay a fair price and a tariff that reflects efficient costs relating to their transport/booking profile, which implies a reserve price for daily and within-day capacity products that should on average be proportionately equal (and not less) to the price of the yearly reference price;
- (Regulated) reference prices for (IP) transport capacity should be:
  - cost reflective, based on actual cost (of efficient) network operators;
  - Leading to low risk premiums (efficient cost);
  - prevent free riders behaviour via 'causer pay' principle;
  - provide optimal incentives for investments based on market tests
    - Fair 'return on equity'; 'Weighted Average Cost of Capital' (WACC); 'value assets'; 'indexations'.

# Cost allocation split entry-exit of the overall revenues to prevent cross-subsidization

- 50/50 split between entry and exit as a starting point
- We support a comparative test on cross-subsidization that could be developed as a rule in the Network Code (instead of the Framework Guideline) after enhanced discussions in stakeholder workshops.
  - Current test only between transit and domestic based on distance
- Tariff methodologies preferably based on cost recovery via
  - a capacity charge:
    - to prevent high commodity charges for short term capacity exceeding variable cost and inhibit trade;
    - Main part of transport costs are fixed cost;
  - Preferably an equalisation approach, because of decoupled entry-exit systems

# Transparency is also key for the NC on tariffs

- Customers of the grid must have information about the real transport costs and the methodology how the costs will be allocated into tariffs.
  - historical and actual data on tariffs for all entry and exit points will help consumers to estimate transport price fluctuations in the future that will be dominated by capacity auctions;
- The FG should set a clear framework with regard to ‘access to data’ for everyone who wants to have access, and to minimize the non-publication of data due to apparent ‘confidentiality’.
  - We like to recall the so-called three-minus rule from the pre-third package era: when at an Interconnection Point (IP) less than three shippers were active, data would not be published because of confidentiality. IFIEC always stated that having only one or two shippers active at a certain IP is an extra reason for publishing these data, hence create transparency.