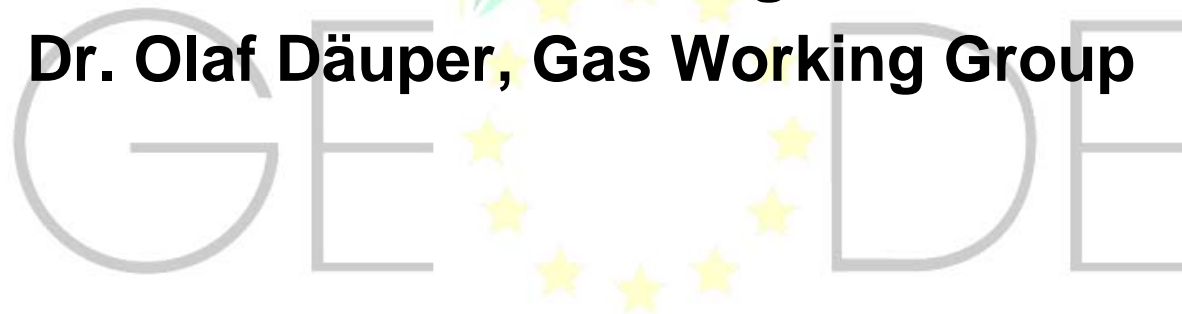




Explanatory Notes on Article 3 of Regulation (EC) 1775/2005

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Conclusions drawn from Art. 18 (1) of Directive 2003/55/EC

GEODE agrees with these conclusions:

- **No element of negotiation and no arbitrary element**
- **Tariffs must not be subject to any discount**
- **Non-discriminatory referring to size, relation to TSO or portfolio considerations**
- **Sufficient period of time between publication and entry into force**
- **All users pay same tariffs for identical services**



Factors for tariff- formation

GEODE stresses that

- **the entry-exit-system is the most effective tariff-system**
- **distance of transportation is a factor only under very special circumstances**
- **it is not sufficient to solely separate supply affiliate and grid operator with respect to financial transfers**
- **„Pancaking“ of transaction costs and transportation fees hampers competition**



Scope of Regulation 1775/2005/EC

GEODE agrees with the Commission that:

- **The regulation only covers transmission systems, irrespective if cross-national or only national but not distribution systems**
- **Tariffs shall reflect costs corresponding to those of an efficient and structurally comparable operator**
- **Tariffs should be set according to investments made to alleviate physical congestion**
- **Tariffs may include an return on investment commensurate with the involved risk**
- **Benchmarking only as complementary element in case of existing competition**

GEODE underlines that any tariff at TSO-level must have a cost base



Relevance of Benchmarking

- **Benchmarking should not be restricted to the national level**
- **Only as mean to cap cost-reflective prices at competition-level**
- **No appliance in case it leads to higher costs**
- **Just amongst pipeline-to-pipeline competition and only where effective competition exists**
- **Not amongst pipe-in-pipe systems.**

Parallel pipes as such are a necessary but not sufficient criteria for efficient pipeline-to-pipeline competition



Further criterias for pipeline-to- pipeline competition

- **Exit and entry points stimulated equally by demand**
- **Transmission systems supplement each other**
- **Availability of capacity due to different gas qualities**
- **Existence of sufficient exchange capacity**
- **Any congestion situations exclude effective competition**