

Gas Transmission Europe

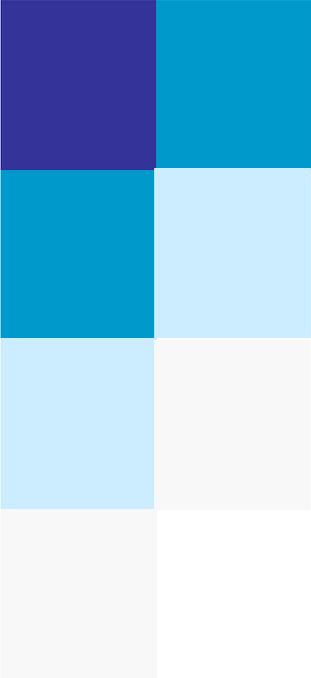
GTE Comments on the revised draft Explanatory Notes on Tariffs

Madrid, 18 May 2006

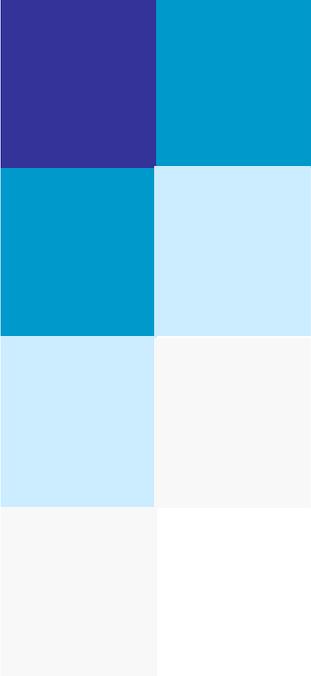
Jacques Laurelut
GTE President



GTE main comments – General remarks

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- A decorative graphic on the left side of the slide consists of a 4x2 grid of colored squares. The top-left square is dark blue, the top-right is medium blue, the second row is medium blue and light blue, the third row is light blue and light grey, and the bottom row is light grey.
- GTE believes that the instrument of the DEN may usefully contribute to the creation of a level playing field with respect to the regulatory requirements for TSOs in Europe.
 - GTE is pleased to note that the revised note is much more concise and precise
 - GTE has submitted a written contribution with comments on the Explanatory Notes and wishes to be involved in the further development of these notes

GTE main comments - synopsis

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- The note has a strong focus on cost-based tariffs, but it does not exclude the possible use of market-based mechanisms and benchmarking of tariffs
 - Especially (but not exclusively) in the case of effective pipe-to-pipe competition – which the Note correctly indicates to be possible – in order to avoid that cost based tariffs distort this competition the Regulation states that the application of benchmarking of tariffs will be a relevant consideration.
 - The underlying reasoning for this is that effective pipe-to-pipe competition reduces or eliminates the need for a cost based tariff to serve as a proxy for competition (and therefore efficient tariffs)
 - GTE believes that TSOs should always be actively involved where convergence of tariff structures is concerned
 - Most GTE members have now implemented (a type of) an entry-exit system. But entry-exit models constitute a compromise between appropriate cost allocation and market facilitation and may therefore result in significant cross-subsidies.