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Beschlusskammer 9

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Bundesnetzagentur für Elektrizität, Gas,
Telekommunikation, Post und Eisenbahnen
- Beschlusskammer 9 -
Herr Thorsten Dickopp
Tulpenfeld 4, 53113 Bonn

Paris, the 15th April 2016

Dear Thorsten Dickopp,

Please find ENGIE's answer to HOKOWÄ consultation.

HOKOWÄ leads to very significant entry tariff rises for TSOs focused on gas transit or cross-border trade to the benefit of TSOs with significant domestic portfolios.

Indeed, as cross-border TSOs were effectively recovering their assets related costs this new regulation will not assure cost-reflectiveness anymore.

More importantly, this is an addition to the list of other German regulations that together create huge tariff barriers, transferring domestic costs to transmission tariffs, e.g. :

- MRUU that transfer German boilers adaptation costs (i.e. retail costs) to exit transmission tariffs from Germany and storages
- KONNI and its Neutrality Conversion Charge where all physical gas entries within NCG area have to pay for the H/L gas balancing conversion costs.

Cross-border shippers – save for the Dutch-German L-Cal border – should not be penalized by such issues.

In the medium term - not to mention that shippers have currently only very limited visibility on the evolution of the levels which is an issue for any long term bookings - their combined effect on cross border tariffs is huge, certainly hindering cross-border trade, limiting competition, reducing liquidity and thus hampering Internal European Gas Market integration.

Some examples:

- The tariff for Entry Bocholtz to Exit Wallbach route, could increase by a total of 40c€/MWh (15c€/MWh for HOKOWÄ, 15c€/MWh for KONNI, an expected 10 c€/MWh in the medium term for MRUU) i.e. more than its current tariffs of around 35c€/MWh.
- For Entry Greifswald to Exit Medelsheim route through Gazelle and Waidhaus, the tariff hike could be even worse, around 60c€/MWh, as there are two entry and two exit points to cross.
- Another frequent case is linked to the use of storages in Germany, exposed to at least some of these taxes or tariff hikes. Here again, a shipper can be exposed several times, especially if engaged with a storage in one market area and needs in other area.

Mitigation measures (mainly ability to terminate transport capacity in case of tariff rise higher than inflation) are only partial or non applicable : long term shippers may have long term assets in the German system

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(storage contracts, long term supply contracts) they cannot exit.
This lack of effective mitigation measure is not normal because these tariff hikes are not linked to the contract they initially signed, with its own risks, but to changes of regulation. This increases perception of regulatory risk : shippers are more and more reluctant to take long term engagements, as they fear the economy of these engagements can be threatened at any moment with new layers of regulation. This will lead to a progressive concentration of the market in the hands of the very few actors that can cope with this regulatory risk.

In our view, such tariff barriers are not on line with the third European Directive spirit, which indicates in its article 13 : "Tariffs for network access shall neither restrict market liquidity nor distort trade across borders of different transmission systems".

ENGIE fully supports the need to guarantee TSOs revenues all over Europe. Nevertheless such revenues do not have to be covered by transit or cross-border taxes, which put the brakes on the Internal European Gas Market integration. Therefore ENGIE strongly supports EC proposition to " to look into broader natural gas tariffication principles (including general charging principles and in the broader context of deepening market integration)".

Laurent HAMOU
Head of Booking Policy & Market Design
Global Energy Management

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