

**GAS STORAGE POLAND**

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Your ref. no.:

Our ref. no.: DF/DFT/1332/18

Warsaw, 31 October 2018

Re: Consultation in connection with the NC TAR requirements

We kindly inform you that Gas Storage Poland sp. z o. o. based in Dębogórze ("GSP"), using the possibility to participate in the consultations related to the new tariff model of Operator Systemu Przesyłowego Gaz-System S.A. of 28 August 2018, hereby sends its position below.

Underground gas storage facilities ("UGS") play an important role in the natural gas supply chain and ensure safety and stability of the gas system operation. In the event of crisis situations on the domestic and international market, UGS guarantee the security of gas supplies, and this issue is an important element of the European Union's policy. This is confirmed by the provisions of the Regulation of the European Parliament and of the Council (EU) 2017/1938 of 25 October 2017 concerning measures to safeguard security of natural gas supply and repealing Regulation (EU) No 994/2010 (SoS Regulation), whose goal is to have all necessary measures to ensure uninterrupted supply of gas in the entire European Union. The SoS Regulation, indicating the possibility of a supply disruption, defines at the same time the approach to the infrastructure standard, mentioning, alongside inter-system connections, LNG systems and storage systems, etc.

It should be noted that security of supply is also one of the main objectives of the EU Commission Regulation 2017/460 of 16 March 2017 establishing a network code for harmonised gas transmission tariff structures ("NC TAR").

Article 9 of the NC TAR provides for the possibility of a discount applied by the Transmission System Operator ("TSO"), in connection points with storage systems and entry points for LNG systems.

According to the presented simplified tariff model for high-methane gas, as well as a description of discounts in Section 2 of the Consultation Document, the current discount level of 80% will apply to the reference price used in the connection points of the transmission system with storage systems, while for the reference price used at the entry point to the transmission system from the LNG Terminal it will still amount to 100%.

Bearing in mind the similar importance of UGS and LNG terminals for security of supply, it would be reasonable to apply a similar discount to storage systems as for the LNG Terminal. In particular, because the application of a 100% discount for the reference price used at connection points of the transmission system with storage systems is an approach used in several European countries. Analysis of the European market, confirmed by the results of ENTSOG <sup>1</sup>, indicate that transmission system operators in EU countries, i.e., Austria, Denmark, Spain, Hungary, Sweden, grant a discount of up to 100%, which is illustrated in the table below:

| COUNTRY | TSO Entry discount | TSO Exit discount |
|---------|--------------------|-------------------|
| Austria | 100%               | Highly discounted |
| Denmark | 100 %              | 100%              |
| Spain   | 100%               | 100%              |
| Hungary | 90%                | 100%              |
| Sweden  | 100%               | 100%              |

It should be noted that the use of a discount for the reference price used at connection points of the transmission system with storage systems would be used to avoid the so-called "double charging" for users of the network already bearing the associated costs, since the fee is paid for entry into the transmission system and exit to another system or to the end user, while in the case of storage systems an additional charge is required for pumping gas to storage and its collection.

Considering the above, and bearing in mind the benefits of underground gas storage systems for transmission systems, TSO practices used in European countries and the desire to increase the price competitiveness of Polish UGSs and to avoid the so-called double charging of network users, we herewith request to increase the discount referred to in Article 9 Section 1 of the NC TAR to 100%.

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Results published in the document: *Implementation Document for Network Code on Harmonised Transmission Tariff Structures for Gas Second Edition - September 2017*