



**Additional CNMC consultation on the proposed regulation establishing the tariff structure and the price methodology to set up transmission, regional network and regasification tariffs of natural gas**

**Eni's statement**

Eni would like to take the opportunity to provide to the CNMC its comments on the revised draft *Circular* establishing the methodology for the calculation of the transmission, regional network and regasification tariffs, focusing in particular on the proposals for the implementation in Spain of the EC network code on harmonised transmission tariff structures for gas (TAR NC).

We acknowledge that CNMC proposals for the transmission tariffs are generally compliant with the TAR NC and appreciate that the revised consultation document has been published also in the English language and that - even if the methodology that is currently used to calculate transport charges is not public and current tariffs include *inter alia* the allowed revenues for both transmission and distribution activities – the CNMC has made the effort to compare tariffs resulting from the application of the proposed Circular and current charges.

However, the February Consultation confirms the high difference between the tariff currently applied at European IPs for entry to PVB (130,18 €/ (MWh/day)/year) and the corresponding Gas Year 2020-2021 (GY20) ones resulting from the Circular, that is 192,11€/ (MWh/day)/year for VIP Pirineos and 329,15 €/ (MWh/day)/year for VIP Ibérico<sup>1</sup>, before escalations as per explanation included in paragraphs IX 1.1, 1.2 and 1.3 of the *Memoria*.

As also said in the consultation document, **the significant increase of entry tariffs for all entry points vs the current postal tariffs is mainly a result of the variation of the entry-exit split. In this regard, we reiterate the concerns we stated in our response to the first consultation related to the possible detrimental impact on the attractiveness, competitiveness and liquidity of the Spanish market that could be produced by a so rapid and steep increase of the entry tariffs to the Spanish system.**

In our response to the first consultation we also pointed out the fact that **with the proposed 50/50 entry/exit split, entry points would be charged with costs which are related to the overabundant entry capacity to the Spanish system**

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<sup>1</sup> The actual global tariffs are even higher since on top of the mentioned capacity charges one also has to consider the proposed new commodity charge.



with respect to the internal demand needs and which actually serve the purposes of i) granting flexibility and security of supply (SoS) and ii) safeguarding a sufficient and efficient level of competitiveness: such costs should instead be more properly allocated to final users that actually benefit from SoS and competitiveness in the market.

We deem therefore that **the methodology recently adopted by the Italian regulator ARERA** for determining the entry/exit split in Italy allows to properly allocate network costs according to their nature and produces more cost-reflective tariffs: ARERA methodology **moves to the exits the part of entry costs which is related to the overabundant entry capacity and thus serves the purposes of granting flexibility, SoS and competitiveness, by correcting the starting 50/50 split in order to take into account the quota of entry costs non related to actual transportation needs, based on the actual use of the entry capacities.** According to our calculations, **the application of said methodology to the Spanish system, based on the actual use of the Spanish entry capacities, would provide a corrected entry/exit split within the range of 35/65 to 40/60.**

Having said that, **a second best solution to address the above mentioned concerns for the significant increase of entry tariffs for all entry points vs the current postal tariffs could be the application of a gradual increase of the current entry-exit split (28/72) to reach the target 50/50 ratio at the end of the convergence period contemplated in Royal Decree-Law 1/2019, as also proposed by CNMC<sup>2</sup> in the *Memoria*.**

Along the same lines of concepts outlined above, we consider that in case the CNMC will not be able to publish network access charges for VIP Ibérico and VIP Pirineos by the beginning of June 2020, and thus relevant tariffs approved in *Orden IET/2446/2013* of 27 December will apply for the GY20 (as per *disposición transitoria cuarta* of the draft *Circular* under consultation), the potential corresponding adjustments to the application of the reference price methodology to all entry and exit points in GY20, as well as where necessary in GY21, will be made in full compliance with Article 6.4 of the TAR NC. In particular, we understand that missing revenues, if any, would be recovered via the “rescaling factor” mentioned in paragraph IX 1.3 of the *Memoria*.

**As far as Regasification tariffs are concerned, we appreciate the revision of the tariff structure for LNG storage which includes now also a variable component, as per description in Table 75 “Determination of the terms of the billing**

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<sup>2</sup> Section “4.5.1 Transmission tariffs for yearly standard capacity products for firm Capacity”, page 42, of the *Memoria* (English version).



variables for LNG storage tariff" of the *Memoria*. **Nevertheless, we consider that this positive addition is still not enough to limit possible entry barriers for new entrants and/or operators with smaller portfolios.**

On the above topics, we remain available for any question or clarification and we would be glad to engage in future conversations with CNMC.

San Donato Milanese, 10.04.2020