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Subject: EFET[1] response to the consulted tariff methodology for the regulatory period 2023-2024

EFET welcomes the opportunity to comment on the proposed tariff methodology for the upcoming regulatory period 2023-2024. We particularly appreciate that the consultation is being held in English and with enough time to analyse the underlying documents. Below we provide some comments on the proposed methodology.

We begin by noting that, by default, the regulatory period is established to avoid making multiple alterations to the tariff levels through deciding upfront on the way system costs are allocated onto entries and exits. As such, the regulatory period for the Polish transmission system is already very short, as it covers merely two years. In such a regime, the proposed optionality of making further alterations to the entry/exit split, unseen anywhere else in the European Union, can cause serious concerns over the actual stability of the tariffs. We therefore underline that the "dynamic" approach to the entry/exit split can only be deemed acceptable if it is used exclusively to contain the transmission charges volatility between the tariff periods. Equally, we would invite URE to consider a longer regulatory period of at least 3 years.

The second point of concern is the forecasted contracted capacity levels used for calculating the indicative prices. The assumed booking levels have not been disclosed per point, hence we have no option to comment on their accuracy from the system user's perspective. Given that the tariffs are based on a capacity forecasts (i.e. the single cost driver) we can only deplore this lack of transparency. We do note, however, that the assumed short-term booking levels have been derived from the bookings done over the course of the pandemic year 2020. If this is the case, we would like to understand whether this is the right reference year for doing forecasts and whether that does not result in underrating the future network utilization. In addition, the cost allocation assessment is quite opaque and deserves further details.

Thirdly, it is necessary to underline the sharp increase in the allowed revenues level of approx. 34%. This increase has been attributed to the multitude of capital-intensive investment being finalized in the discussed period and if this is the case, while we may wonder about the appropriateness of the relevant underlying economic tests, we do recognize the need to have

[1] The European Federation of Energy Traders (EFET) promotes competition, transparency and open access in the European energy sector. We build trust in power and gas markets across Europe, so that they may underpin a sustainable and secure energy supply and enable the transition to a carbon neutral economy. We currently represent more than 100 energy trading companies, active in over 27 European countries. For more information: www.efet.org.

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the related costs reimbursed through the tariff. Nonetheless, we take this opportunity to highlight that detailed values per asset type are not provided and that the estimated impact on tariffs is substantial (15% and 32% increase for exit and entry charges respectively) and a prolonged depreciation period could for instance be considered as a way to mitigate the steep increase.

Fourthly, we note the dissonance between the proposed LNG terminal entry point discount and the justification offered for maintaining it at 100% for years 2023-2024. The stated role of the LNG terminal *"(…) is to support the process of competition development on the gas market by enabling entities operating on the global LNG market to enter the Polish market."*. While we agree that the terminal offers flexibility to the Polish system and supports gas imports diversification, we also note that it is fully booked by the former incumbent for years to come, with no congestion management procedures in place. Under such circumstances, the discount is effectively offered to a single market participant and consequently distorts competition.

Finally, we note that a different tariff methodology has been proposed for the transit pipeline, despite the fact that it is operated by the same TSO and will no longer be booked under the long-term contract. We believe that the merger of the systems should be considered at some point in the future so that the entire H-Gas network in Poland becomes part of the same balancing zone. In the meantime we note that the consulted tariff methodology for the transit pipeline has the same flaws as is the case for this consultation, covering merely a two-year period, with no justification offered for the expected booking levels. While we recognize that a degree of uncertainty needs to be reflected in the forecasts, we believe that the potential short-term booking levels should not be underestimated, especially in view of the envisaged increase in the country's gas demand[2]. We therefore believe that less pessimistic forecasts should be considered for the coming years so that the tariff level does not artificially distort the supply route competition.

Kind Regards,
On behalf of EFET TF CSEE-G,

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Chairman of EFET TF CSEE-G

[2] as per Gaz-System Network Development Plan