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The Netherlands Authority for
Consumer and Markets (ACM)
Muzenstraat 41
2511 WB Den Haag
the Netherlands

*Implementation of Network code
on harmonized transmission tariff structures for gas (NC TAR)*

Dear Sir or Madam,

Gazprom export LLC appreciates the opportunity to take part in the consultation on the implementation of Network code on harmonized transmission tariff structures for gas (NC TAR). It is a common belief that NC TAR will contribute to market integration, enhancing security of supply and promoting the interconnection between gas networks. We would like to present our views on that process below.

The draft decision dated 1st March 2018 assumes that 50/50 entry-exit split allows transmission system operators (TSO) to collect revenues via the entry and exit tariffs in a fair and cost-reflective manner. However, we believe that such a split is not fair and cost-reflective. Firstly, there is a significant difference in amounts of high pressure transmission network points (HTL-network) and regional transmission network points (RTL-network). The division is as follows: HTL-network: 67 entry points versus 81 exit points, RTL-network: 2 entry points versus 445 exit points.

In this regard, we assume that the costs incurred by TSO in order to be able to provide entry capacity at entry points cannot be considered equal to the costs TSO incurs in order to provide exit capacity at exit points.

Secondly, the proposed split results in an increase of entry tariffs by 87% compared to the tariffs of year 2018. This may potentially make Dutch market less attractive for European market players with regards to the short term trading activities and price arbitration.

Thirdly, we suppose that market consensus on a fair and balanced split was not achieved among market participants and ACM. During consultations and hearing organised by ACM the main issue raised by market participants was the split percentage and a rationale behind the proposed figures. Therefore, Gazprom export LLC is of opinion that the split percentage should be further investigated and justified.

We believe that 30/70 entry-exit split would be more market-oriented and, at the same time, mutually acceptable. The analysis conducted by Gazprom export LLC reflects that the slight increase in entry tariffs is fairly compensated by the decrease in storage costs. Thus, a TSO will get the necessary investments for adjustment of entry cross-border points to the growth of gas flows and will maintain a balance between the amount of entry and exit points in terms of distribution of costs. In addition, the proposed split would give more flexibility to react to peak gas demand via supplies from gas storages.

Otherwise, the shippers would face a significant increase in entry tariffs and inability to terminate long-terms contracts on transport capacities, which is not in line with a policy of non-discriminatory and fair treatment to market players.

Kind regards,

**Head of Logistics and Gas Storage
Department**

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