EDISON

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To: ERGEG European Regulator's
group for electricity and gas

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Edison Edison's answer to the Ergeg Consultation paper "Principles on calculating tariffs for access to gas transmission networks".

Please find enclosed Edison's comments on the present process.

Regards

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Edison welcomes the decision of ERGEG to cope with the principles on calculating tariffs for access to gas transmission networks, as well as the opportunity to contribute to this review as part of the public consultation process.

In particular, Edison appreciates Ergeg's efforts in achieving progress in the harmonisation of the tariff methodologies among Europe - especially in the context of cross border trade - in the wider context of the creation of a competitive European gas market. Considering the different background and the resulting different status of each European country from a regulatory standpoint, Edison welcomes a common drive, promoting a sound implementation process

Nevertheless, it is extremely important to underlying that, once common principles in the tariff calculation methodology are set among Europe, each single country must be free to decide how to articulate and delineate them. Common principles should be fixed at a European level and National Authorities should be in charge of detail them, defining, for example, which costs should be included in the operating costs, as well as the cost of capital and the depreciation period, or how to manage fuel gas, etc.

Edison believes that, instead of having a "blind" uniformity, it is important to consider different countries needs. Indeed, regulatory differences don't imply necessarily the impossibility to have an harmonization tariff context, and undifferentiated rules should be adopted only if indispensable.

With regard to Ergeg's proposals showed in the current consultation document, they are sharable to a large extent. However, Edison would like to underline the following points:

- In the depreciation chapter (3.2), it is reported that "*a depreciation schedule (…) is designed to keep tariffs constant in real terms over the life of the system*". Edison suggests also to take in consideration the mechanism described at point 45 of the ERGEG document dated 6/12/2006 "Report on the transmission pricing (for Transit) and how it interacts with Entry-Exit Systems" to obtain constant tariff[1];

[1] "The tariff that is levied on users of infrastructure must reflect the underlying costs of its provision – e.g. the present value of the operational and capital costs including an allowance for tax (where appropriate) and a fair rate of return and divide the present value by the sum (present value) of the contracted (forecasted) medium- and long term capacity over the entire timeframe of the regarded infrastructure (…)".

- In the operating costs chapter (3.3), Ergeg says that: *"(…) it is recommended when using an escalation of OPEX to include an improvement incentive such as Retail Price Index minus an efficiency factor, X (RPI-X)"*. In Edison's opinion the application of improvement incentives shall be decided on a case by case basis, considering also that on point to point transport infrastructures improvements in efficiency may be unlikely to happen.

- Regarding fuel gas, it is reported that: "*NRAs shall ensure that effective mechanisms are in place requiring TSOs to procure fuel gas efficiently*" Edison suggest that transporters, at least for point to point transport infrastructures, shall have the possibility to ask shippers to provide directly fuel gas in kind. Such solution is cost reflective and the easiest one