



Development of the TAR NC: Consultation Workshop

Introduction and Meeting Objectives

Jan Ingwersen

ENTSO-G

TAR NC Consultation Workshop

Process so far

Stakeholder contributions

Purpose of today

Issues for discussion

Next steps



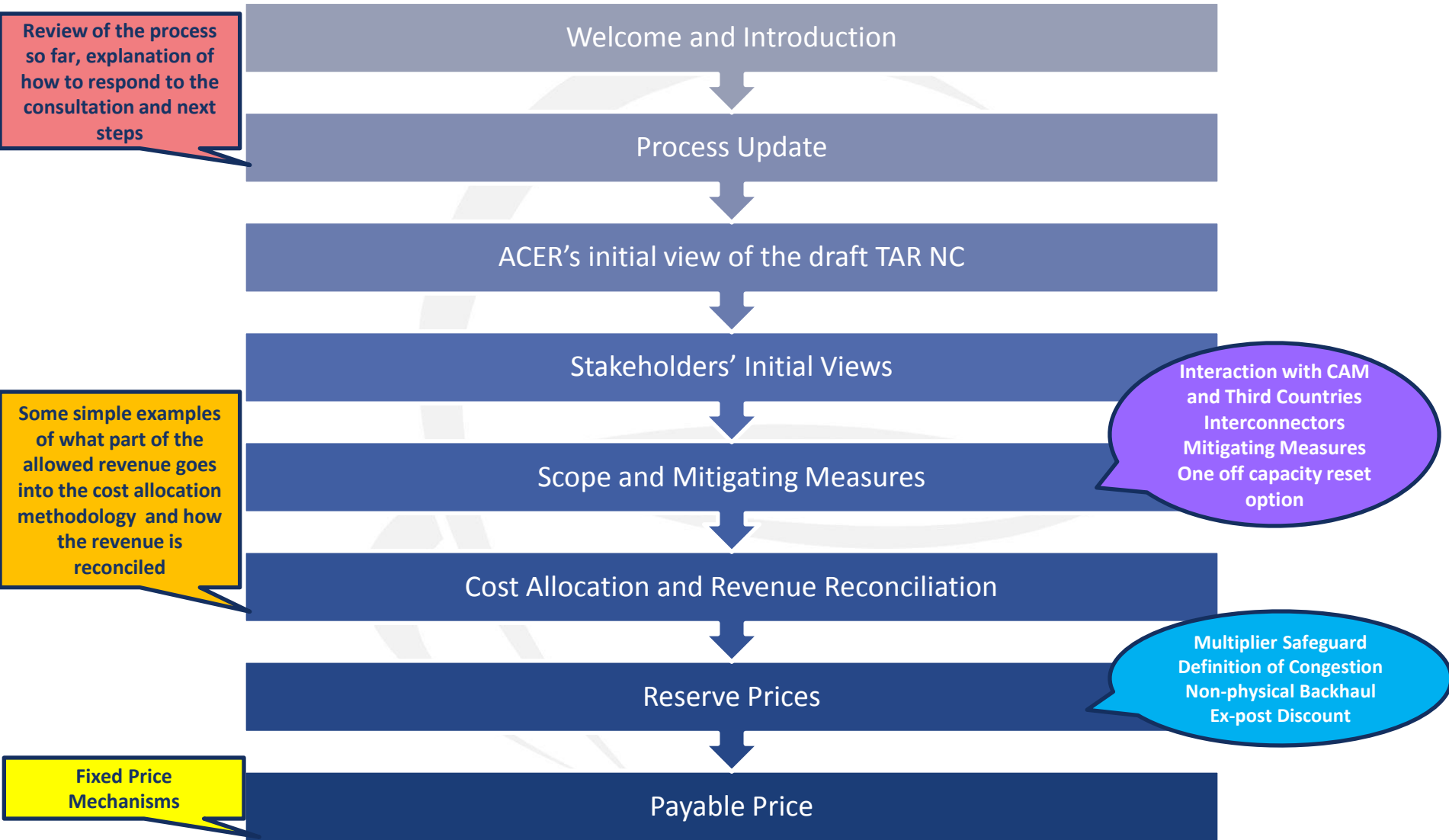
Development of the TAR NC: Consultation Workshop

Agenda and Process Update

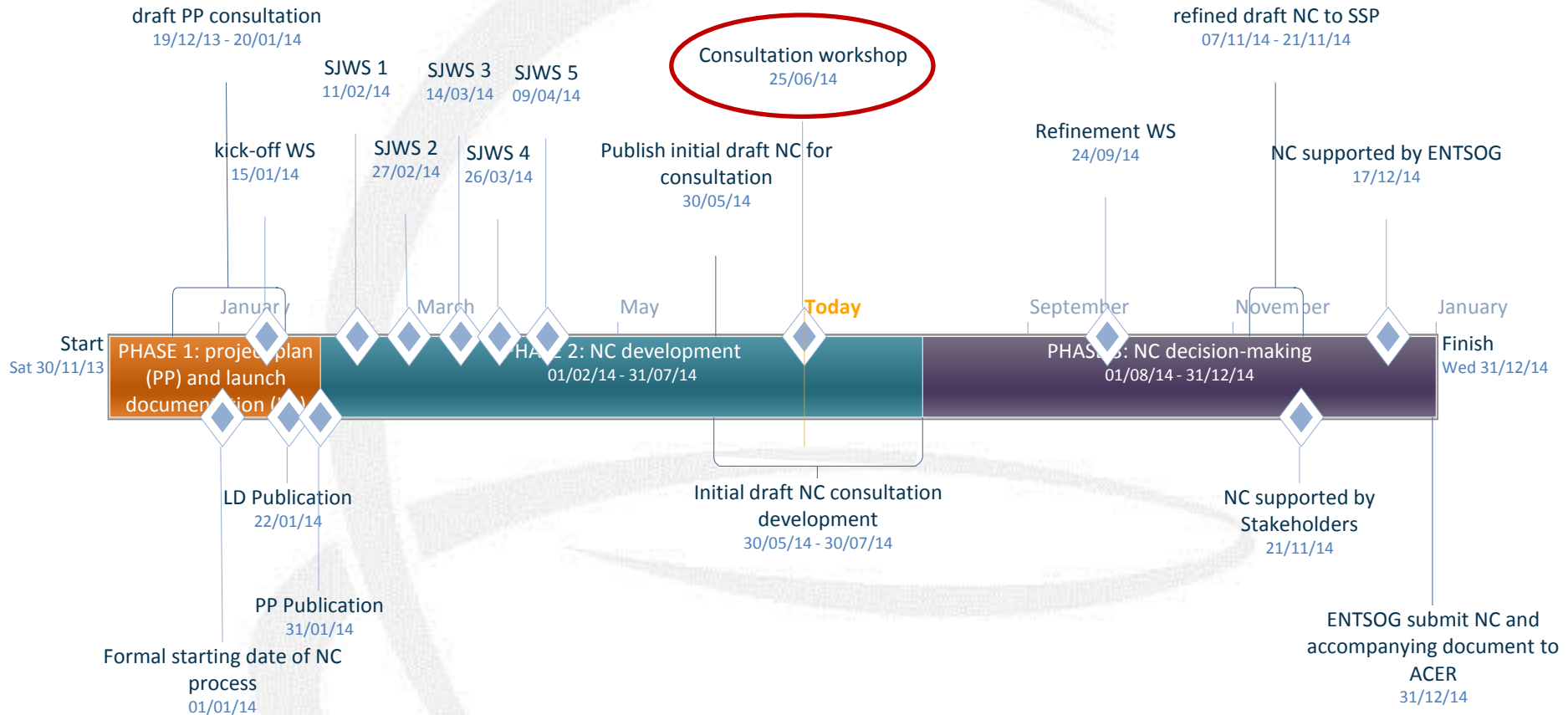
Ann-Marie Colbert

ENTSO-G

Agenda



Phase 2: Network Code Development





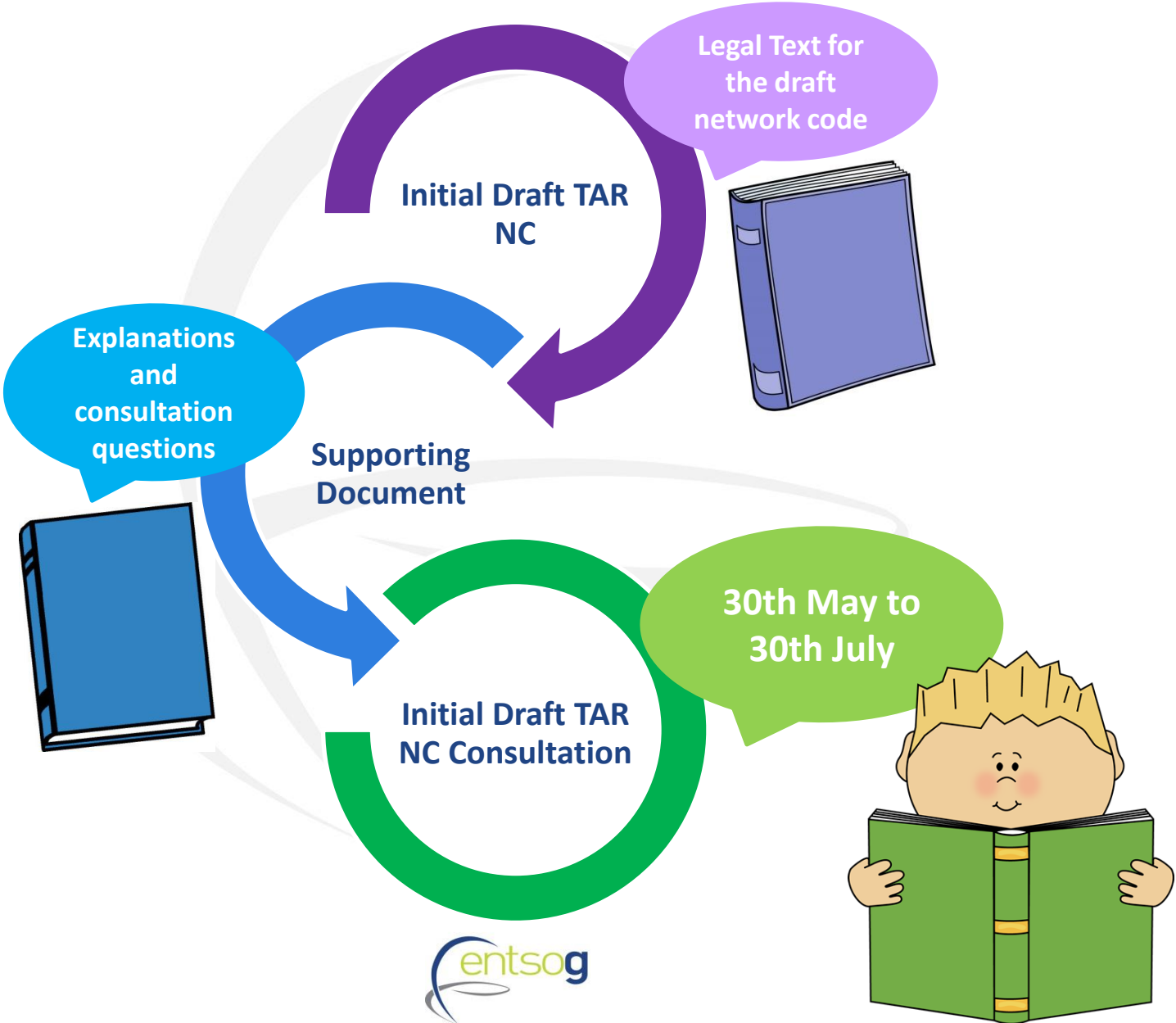
Activity Post SJWSs



- Stakeholder feedback
 - 15 stakeholders provided written feedback after the last SJWS
- Drafting and internal discussions
 - Stakeholder feedback was discussed internally as part of the drafting of the initial draft TAR NC and the Supporting Document
- Prime Mover Meeting
 - The 6th prime mover meeting was held on the 12th of May
- Approval of the initial draft TAR NC and Supporting Document
 - ENTSOG Board approved the documents for public consultation on 28th of May



Initial Draft TAR NC Consultation



How to respond to the consultation (1)

The screenshot shows the ENTSOG website interface. At the top, there is a navigation bar with the ENTSOG logo, 'Transparency Platform', and 'Secure Area' links. A red circle highlights the 'Menu' button in the top left corner. Below the navigation bar is a large image of a field with a yellow sign. The main content area has a breadcrumb trail: 'Home - Publications - Market - Tariffs'. A search bar is visible on the right. A green bar labeled 'TARIFFS' is highlighted with a red circle, and an arrow points from it to a dropdown menu. The dropdown menu is also highlighted with a red circle and contains the following items:

- > TAR NC CONSULTATION DOCUMENTATION
- > TAR NC MEETINGS, SJWS & WORKSHOPS
- > TAR NETWORK CODE PROJECT PLAN AND LAUNCH DOCUMENTATION
- > TAR FRAMEWORK GUIDELINE AND EC INVITATION
- > EC & ACER COMMUNICATION TARIFFS

Below the dropdown menu, there is a list of documents with their dates:

| Document Title | Date |
|---|-------------|
| > TAR NC CONSULTATION DOCUMENTATION | |
| > Initial Draft TAR NC - For Consultation (TAR200-14) | 28 May 2014 |
| > Initial Draft TAR NC Supporting Document - For Consultation (TAR300-14) | 28 May 2014 |
| > Initial Draft TAR NC Online Consultation (external link) | 28 May 2014 |
| > * Press Release * ENTSOG launches two consultations (PR066-14) | 30 May 2014 |

On the left side of the page, there is a section titled 'Publications' with a sub-section for 'TARIFFS'. It includes a calendar for the year 2014 and a paragraph of text:

On the 19th of December 2013, the European Commission invited ENTSOG to draft a network code on rules regarding harmonised transmission tariff structures for gas (the TAR NC) and to submit it to ACER by the 31st of December 2014. The TAR NC will be based on the Framework Guidelines on rules regarding harmonised transmission tariff structures for gas published by ACER on the 30th of November 2013.

The TAR NC will be developed through a process of broad stakeholder engagement. This will be facilitated by way of stakeholder joint working sessions (SJWS), workshops, meetings and a number of consultations.

For further information please contact:

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How to respond to the consultation (2)



Network Code on
Harmonised Transmission Tariff Structures for Gas (TAR NC)
Questionnaire

TAR NC Questionnaire

Page 1/11

INTRODUCTION

An integral part of the formal consultation process for the **Network Code on Harmonised Transmission Tariff Structures for Gas (TAR NC)** is to gather views from all interested stakeholders. Stakeholder's views will be gathered through an online consultation questionnaire. Therefore, all interested stakeholders are encouraged to provide their views on the initial draft TAR NC and where requested and possible, provide additional opinion and supporting evidence for such views. Should any assistance be required in the completion of this questionnaire please contact the ENTSOG team whose details are below.

Deadline

ENTSOG welcomes all feedback during the consultation period which extends from 30 May 2014 to 30 July 2014. Stakeholders are asked to please respond to the questions via the online response form **below by 17.00 (CET) on Wednesday, 30 July 2014.**

Contact for ENTSOG

Ann-Marie Colbert, T: +32 2 894 51 26, email: ann-marie.colbert@entsog.eu and TAR-NC@entsog.eu.

ENTSOG Treatment of responses

Where indicated and clearly marked, ENTSOG will treat the responses (or any part thereof) as confidential, however please note that ENTSOG's approach to developing the TAR NC relies heavily on the transparent exchange of views by market participants. Therefore, we would encourage you to allow your full response to be made public, unless it is not possible due to the inclusion of commercially sensitive information.

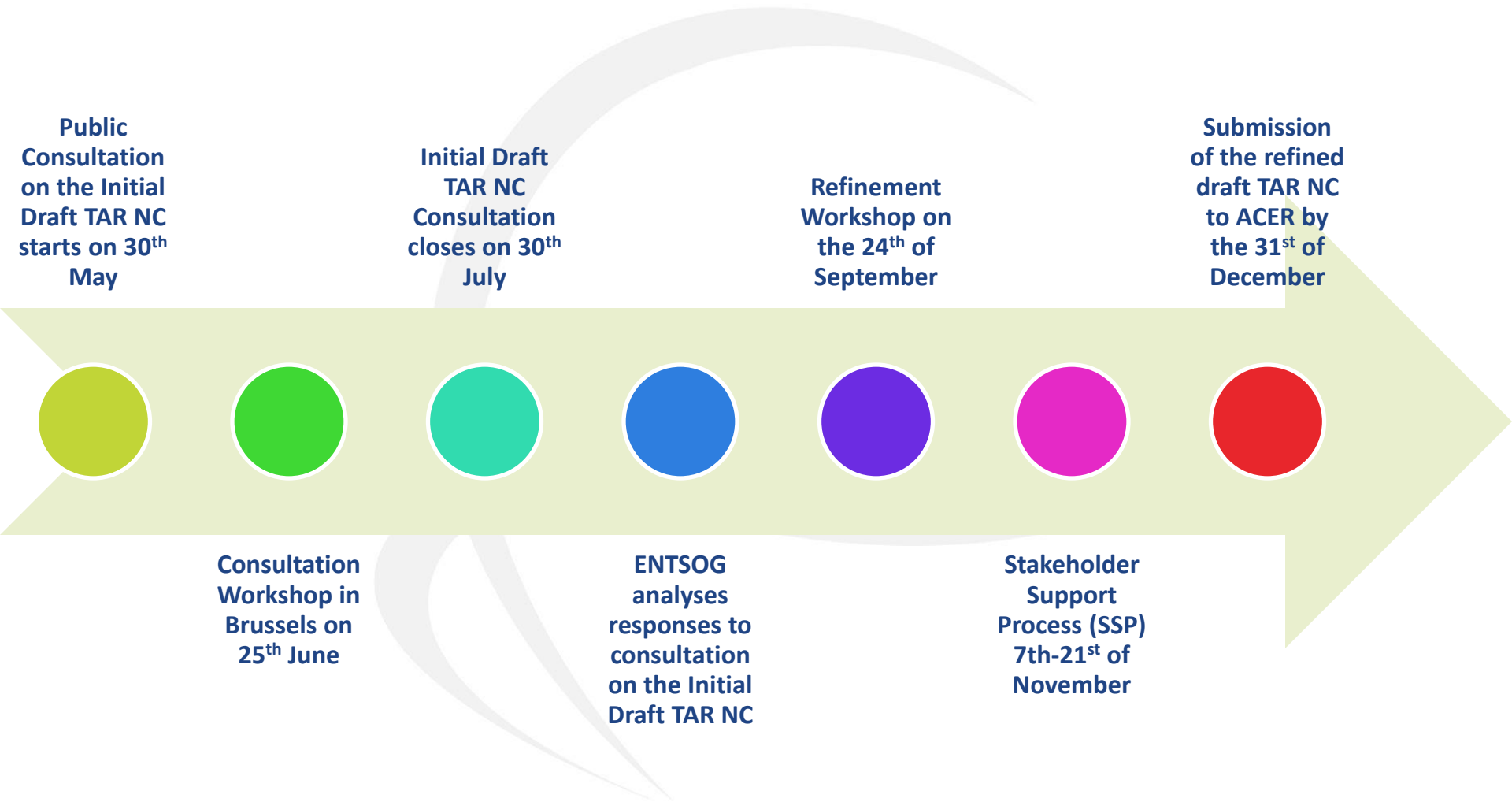
Your Contact details

Please provide your contact details at the end of this questionnaire. You can find our Privacy Policy at: <http://www.entsog.eu/terms-and-conditions-of-use>

Next

Click 'next' to
start the
questionnaire


Tariff Timeline to Network Code Submission





Thank you

ACER

 Agency for the Cooperation
of Energy Regulators

Network Code on Harmonised Transmission Tariff Structures – ACER's preliminary comments

Benoit Esnault, ACER Task Force Chair

ENTSOG Tariff Workshop
Brussels, 25 June 2014

Agenda

- I. Process within the Agency
- II. Reminder: Framework Guidelines Goals
- III. Overall Assessment of the Network Code
- IV. Specific Issues
- V. Conclusion

Process within the Agency

Ultimately, after 31 December 2014, ACER must provide:

- A reasoned opinion to ENTSOG, within 3 months (Art 6(7) of the Gas Regulation);
- A recommendation for adoption to EC, once the Agency is satisfied that the network code is in line with the Framework Guideline (Art 6(9) of the Gas Regulation).

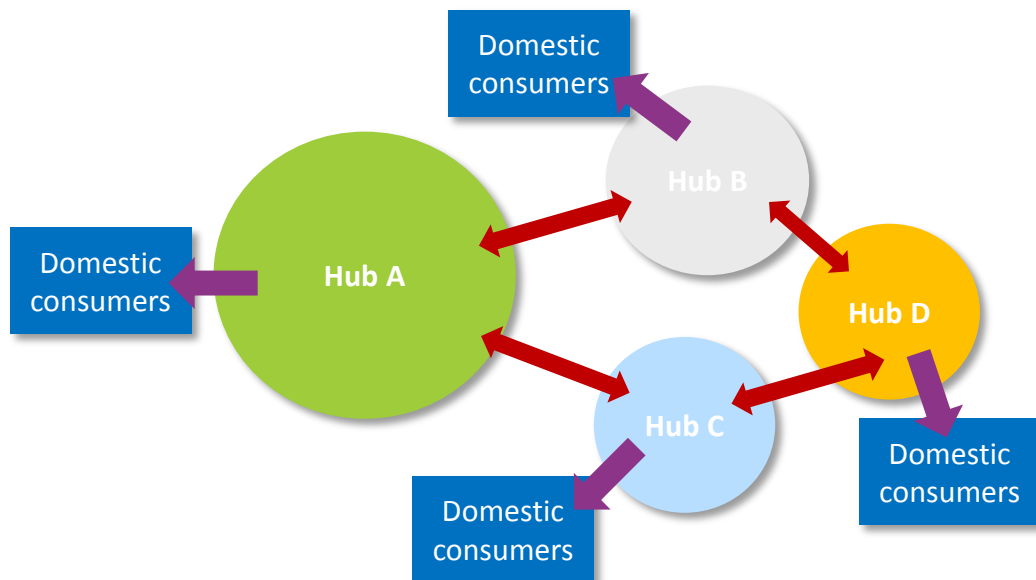
The current presentation shall not be seen as exhaustive. At this early stage, ACER provides preliminary views to facilitate the process.

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Tariff structures and the “target model”

- All market areas within the EU organised as **entry-exit zones with virtual hubs**
- Developing **cross-border trade and liquid hubs** is a central objective
- Transmission tariffs at interconnections influence price differences, hub-to-hub arbitrages and the competitiveness of transit routes
- The way costs are allocated to the various entry and exit points **at a national level has an impact on market integration**



- **Avoiding cross subsidies** within a market area is essential for an efficient use of the system and avoiding pan-caking,
- **Cross-border TSO & NRA cooperation** is key to implement the targets and reach consistent tariffs on both sides of IPs.

The FG promotes a coherent model addressing all the issues

- The choice has been made according to the analysis of national practices, feed-back from stakeholders and discussions within the expert group
- Many of the issues raised at length during ENTSOG's SJWS had already been discussed and determined via the FG process
- The central role of cost allocation
 - Cost allocation methodologies aim at developing tariff structures which avoid cross-subsidies
 - Cost recovery should not distort cost allocation
 - Decisions on payable price and multipliers are consistent with this principle
- Shippers have to pay an appropriate share of the costs

ACER views on ENTSOG's role

- **The main role of ENTSOG is to provide technical complements to the framework guideline**
 - Translate the FG into applicable provisions
 - ACER is available to help ENTSOG interpreting the FG
- **ACER is opened to debates on the orientations proposed by the FG to the following extent**
 - Proposed amendments to the FG must be based on objective analysis and reasoned justification not only reflect the positions and interests of a certain category of users
 - Proposed amendments should not undermine the internal coherence of the overall package

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Preliminary views on the Network Code

- The text shows quality and in most cases demonstrates a comprehensive approach to the wide range of topics covered despite the short timing;
- Constructive dialog with ACER;
- The supporting document (SD) clarifies certain concepts:
 - Distance and average distance;
 - Information publication formats;
 - Revenue recovery.
- Some objections regarding:
 - Overall reach of Regulation objectives;
 - The current level of compliance between FG and NC;
 - FG requests for ENTSOG to provide additional expertise.

Overall assessment of the compliance between FG/NC

A number of issues remain open, offering more options, in a document achieving a lower level of harmonisation than the FG.

The SD provides some explanation of the reasons for some of the non-alignments between FG and NC. However, a significant number of deviations exist for which there is no justification or evidence for ACER to be able to make an assessment on ENTSOG's proposal.

In addition, ACER is concerned that not all stakeholders, and in particular consumers' associations, expressed their views during the first phase of the NC drafting process.

ACER invites all stakeholders to contribute to ENTSOG's consultation process, in order to provide evidence.

Agenda

- I. Process within the Agency
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- III. Overall Assessment of the Network Code
- IV. Specific Issues
 - I. Scope
 - II. Payable price
 - III. Cost allocation methodologies
 - IV. Reserve price, multipliers and interruptible capacity
- V. Conclusion

Scope: definition of transmission services

- The Framework Guidelines required either to keep or to restrict the definition it contains;
- The current NC proposal is fully open to national interpretation : *“transmission services’ means the services provided by the transmission system operator for the purpose of transmission, **excluding the activities defined under the applicable national rules, such as...**”*
- As a result, there is no restriction to the exclusion of activities from the transmission revenue.
- In addition, publication requirements are now restricted to transmission services revenues and not total allowed revenues: no transparency over the proportion of allowed revenue that is not fed into the cost-allocation mechanism

The current proposal creates a by-pass mechanism that would neutralise efforts of harmonisation and transparency as promoted in the Framework Guidelines. ACER invites stakeholders to share their views on the topic in question 5 of the public consultation.

Payable price (1/3)

- The FG proposal is build on the following principles:
 - Transmission costs are largely capacity related, therefore recovering allowed revenues on the basis of capacity charges is most cost reflective;
 - All users should contribute to revenue recovery & revenue reconciliation;
 - The cost allocation methodology is the tool for determining users' share of both.
- Floating tariffs maintain the link between the price paid for capacity at the time of use and the cost allocation methodology
 - The cost allocation methodology remains consistent over time;
 - The price for a given product is independent from the time at which it was booked.
- Fixed tariffs break this link exposing some users to revenue reconciliation and not others creating potential cross subsidies
- Fixed capacity tariffs in combination with floating commodity tariffs may shift revenue reconciliation and charging uncertainty from capacity to commodity

Payable price (2/3)

The SD suggests three alternatives to floating payable price:

- Fixed + indexation – revenue under/over recovery may vary on the basis of factors other than the indexation parameter, therefore does not ensure appropriate contribution of all users to revenue reconciliation;
- Fixed + variable commodity triggers distributional effects among users depending on the load factor and the time of booking (see Justification Document, p52), and may shift revenue reconciliation and charging uncertainty from capacity to commodity.

Payable price (3/3)

- Fixed + premium would require additional information including:
 - how parameters for premium could be determined objectively, and an assessment of the premium value;
 - how the parallel offer of fixed tariffs and floating tariffs would coexist in practice at IPs regarding revenue reconciliation and bundled capacity pricing, and how this would not be detrimental to market integration.

ACER welcomes the input of the Supporting Document on Payable Price. However, at that stage, the NC remains completely open to solutions that are not consistent with other sections of the Code.

Evidence is now needed to underpin propositions. ACER welcomes stakeholders' contributions to questions 47, 48 and 49.

From SJWS, the issue is tariff visibility. ACER invites stakeholders to express how this could be mitigated in relation with the harmonisation of the tariff setting year (question 26), and the Impact Assessment conducted by ENTSOG on the topic.

Cost allocation methodologies (1/2)

- **The methodologies are less detailed than in the FG.** ACER is concerned that the current level may not allow stakeholders to perform tariff calculation;
- **1 Methodology per TSO.** ACER is not given any means to reconsider its initial judgment as there is **no element of rationale in the SD and no question raised to the stakeholders;**
- **Asset allocation approach (question 11).** ACER objects to the added value of this methodology, in particular compared to the matrix approach. The SD states this added value but does not demonstrate it. In the light of the SJWSs, ACER notes that the debate concerns differentiated contributions to revenue reconciliation based on assets. This could be applied to any of the 4 methodologies.

ACER invites stakeholders to perform an assessment of this methodology in question 11 of the Public Consultation.

Cost allocation methodologies (2/2)

- The proposed secondary adjustments allow further cross-subsidies (Q. 12)
 - **Rescaling** now allows a differentiated treatment among IPs;
 - **Equalisation** is no longer restricted to homogenous sets of points, thus allowing cross-subsidies among stakeholders who have a different use of the system, thus trigger different costs;
 - **Benchmarking** is now directly compensated by tariff increases at other points.

Overall, ACER notes that the current NC approach regarding cost allocation methodologies is detrimental to the principles of transparency, simplicity and avoidance of cross-subsidies.

ACER notices that, although mentioned as a main concern by stakeholders during the SJWSs, there is no specific question on transparency in ENTSOG Public Consultation. ACER invites stakeholders to share their views on the topics listed above in question 57.

Reserve price, multipliers and interruptible capacity

- **Multipliers**

The current proposal pushes back the decision over the level of multipliers to the MS.

The SD wrongly focuses on revenue shortfalls at a given IP, which may be addressed via an adjustment of the reference price. It fails to address the question of a proper balance between short term and longer term products.

The approach to congestion, i.e. the context in which higher multipliers would be necessary, should first be defined. ENTSOG's proposal is interesting and needs further analysis and debates.

Reserve price, multipliers and interruptible capacity

- **Interruptible capacity** – the current proposal does not contribute to harmonisation (see in particular A and B factors). At points where all firm capacity has been sold, ACER does not support the ex-post discount, which goes against the principles set in CMP, most importantly by pushing the financial risk of interruption to the shippers. At points where firm capacity is available, ACER would welcome further explanation regarding the practical implementation of the solution.
- **Backhaul capacity** is not priced at marginal cost, in contradiction with the FG and the Justification document.

ACER notes that on the topics of Multipliers and Interruptible capacity, the NC proposal goes against increased harmonisation and transparency.

On multipliers, as expressed during the SJWS, any reconsideration of the limit of 1,5 would need to be properly motivated: the SD must include evidence that this limit might be too low to achieve a proper balance between short term and longer term products. ACER invites stakeholders to contribute to questions 28 to 33 with such evidence.

Incremental capacity (1/2)

Overall, the consistency of this section, both internal and with other sections of the NC, is hard to assess and would need further streamlining.

In general, the text, and in particular article 46, goes beyond the scope established in the FG.

- **Depreciation period** – the current proposal opens a debate that was kept at national level in the Framework Guidelines. The SD does not provide a clear rationale for the necessity of the debate, nor the chosen solution;

Incremental capacity (2/2)

- **Adjustment of the reference price:**
 - The NC is now more open than the FG on the factors which could lead to tariff adjustments. The ET is not intended to stimulate demand, therefore we are opposed to downward adjustments.
 - The default rule for tariff adjustment is in line with the FG but Article 46 seems to allow NRA discretion to deviate without any further analysis of criteria – this is inconsistent with the FG.
- **The SD does not provide any comparative analysis of the various possible adjustments, although this was a FG request.**


The NC proposal is not in line with the FG. ACER invites stakeholders to provide views and facts in the consultation.

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Review of the misalignments

- Key requests from stakeholders during the drafting of the FG and SJWSs regarding Tariff harmonisation and transparency have been overlooked, while Regulation standards regarding cross-subsidies, non-discrimination have been lowered;
- Many points were reopened during the SJWSs; the Supporting Document only provides partial rationale for the positions adopted;
- Request for further work has not been fulfilled on important topics.



The Agency has concerns over the current approach on these topics and will assess the extent to which the NC should be amended in order to better reflect the requirements of the Regulation and the FG.

Preliminary conclusions:

- The text shows quality despite the variety of topics covered and the short timing;
- However, at this stage, NC shows unjustified misalignments with the FG on essential provisions:
 - Transparency and harmonisation ;
 - Cost reflectivity, non-discrimination, cross-subsidies.

Beyond these non-exhaustive preliminary views, meant to facilitate the process, the Agency will continue the scrutiny of the NC in the light of stakeholders comments in the public consultation.

ENTSOG's Draft Tariff Network Code

How do we get to a fit for purpose code?

ENTSOG stakeholder workshop 25 June 2014

Alex Barnes

ENTSOG Prime Mover for Tariff Network Code

Head of Regulatory Affairs, Gazprom Marketing & Trading



Disclaimer: these slides do not necessarily represent Gazprom's official position

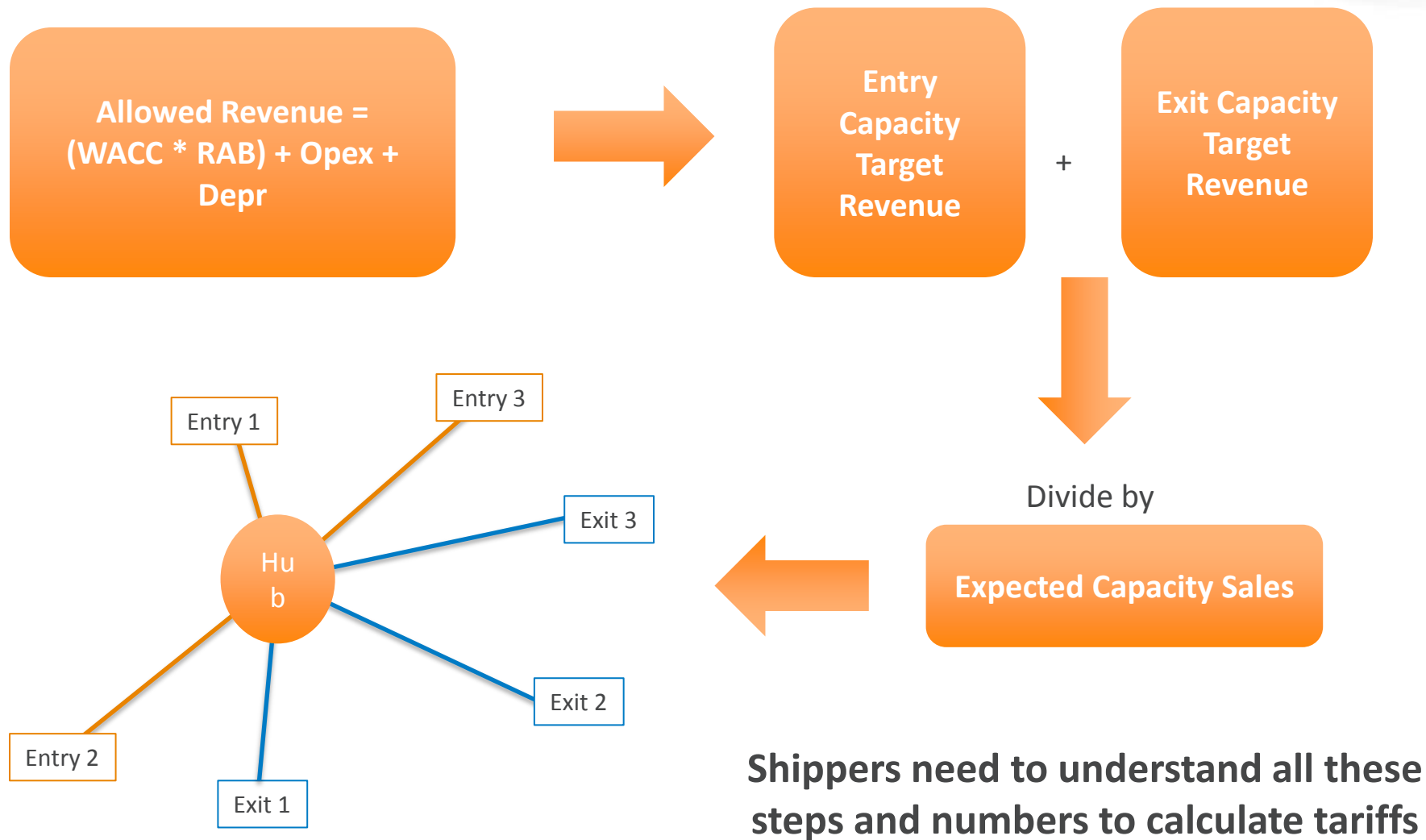
Disclaimer:

These slides have been developed by the Prime Movers supporting ENTSOG's Tariff Network Code development.

The views expressed are those derived from discussions by the members of the group and do not necessarily represent the views of any of the individual's employers.

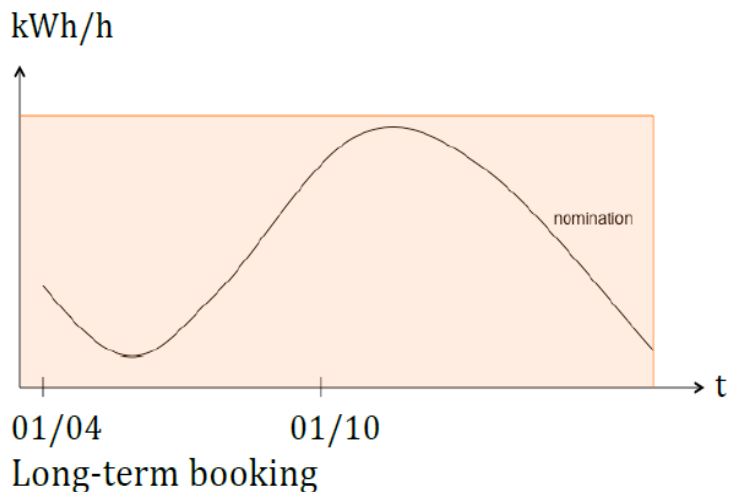
How gas transportation tariffs are set

A simple approach

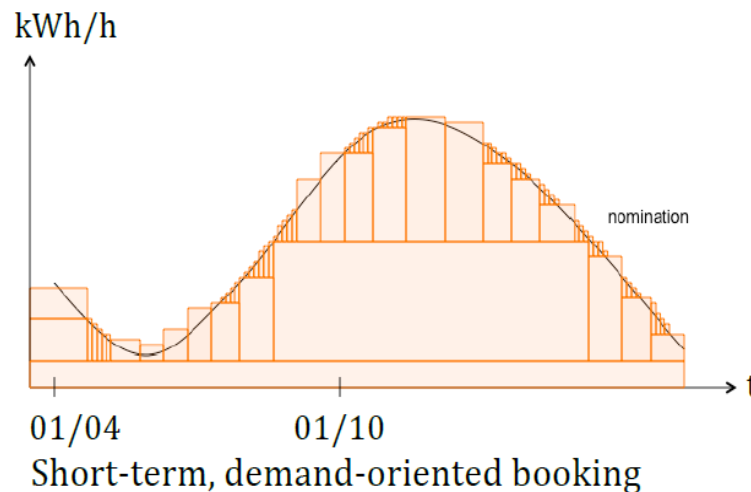


The way capacity can be booked is changing

Pre CAM



Post CAM



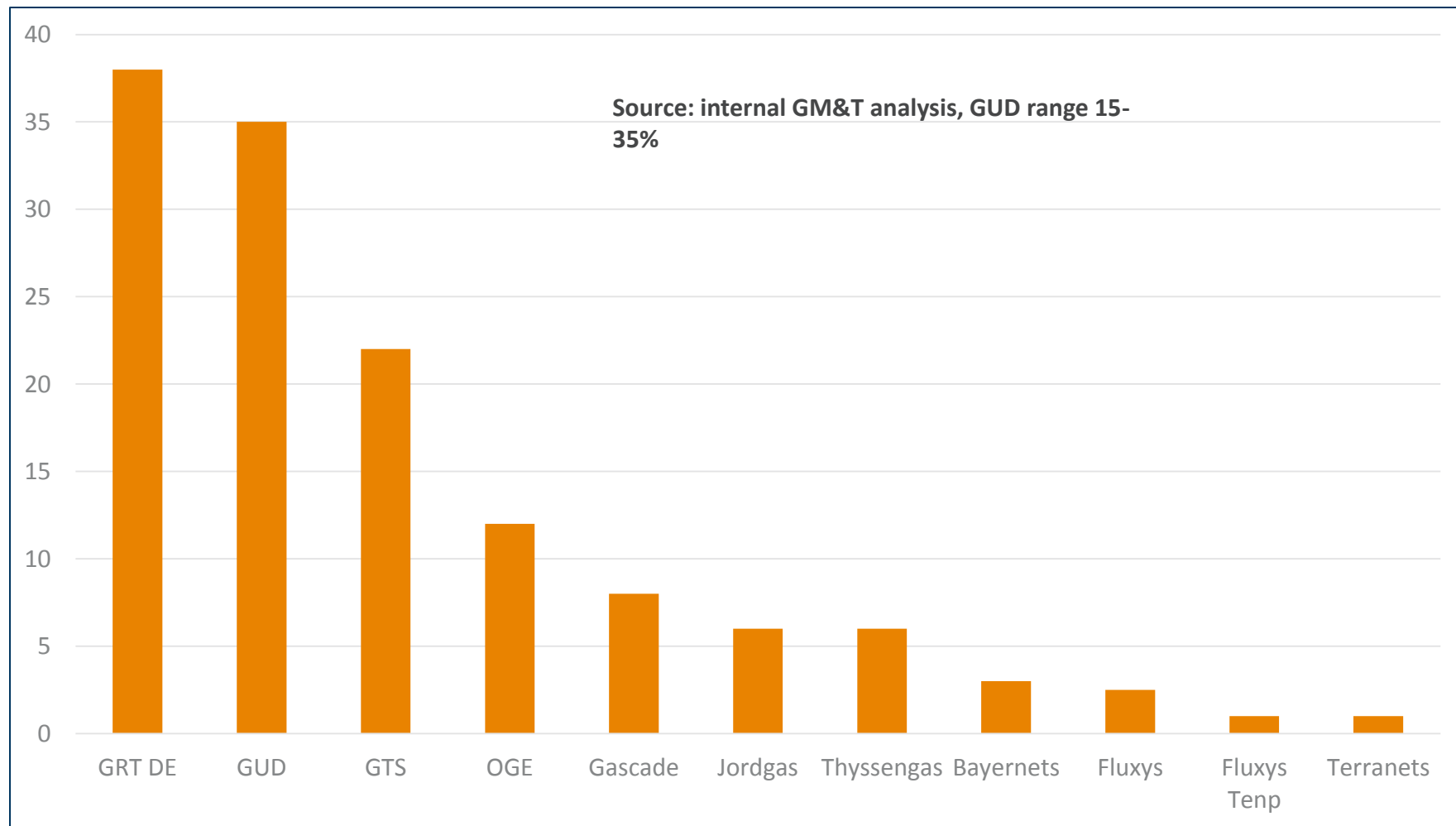
Shippers' booking behaviour will depend on:

- **Relative prices of short term and long term capacity**
- **Relative prices of capacity at different Interconnection Points**

This in turn will impact tariff levels set by TSOs.

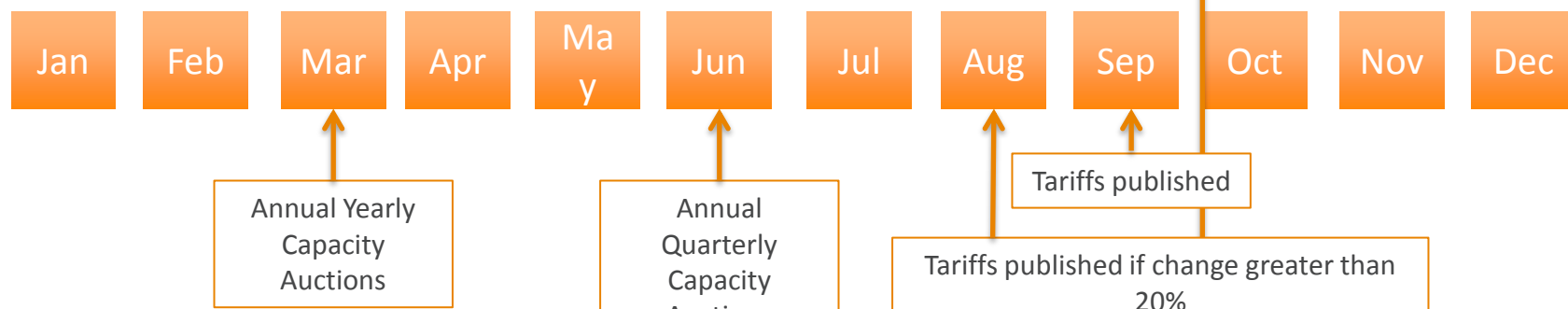
Tariff changes are already volatile

Percentage tariff increases observed at 1 Jan 2014



Timely publication of reserve prices prior to auctions is essential

Tariff Year Starting October

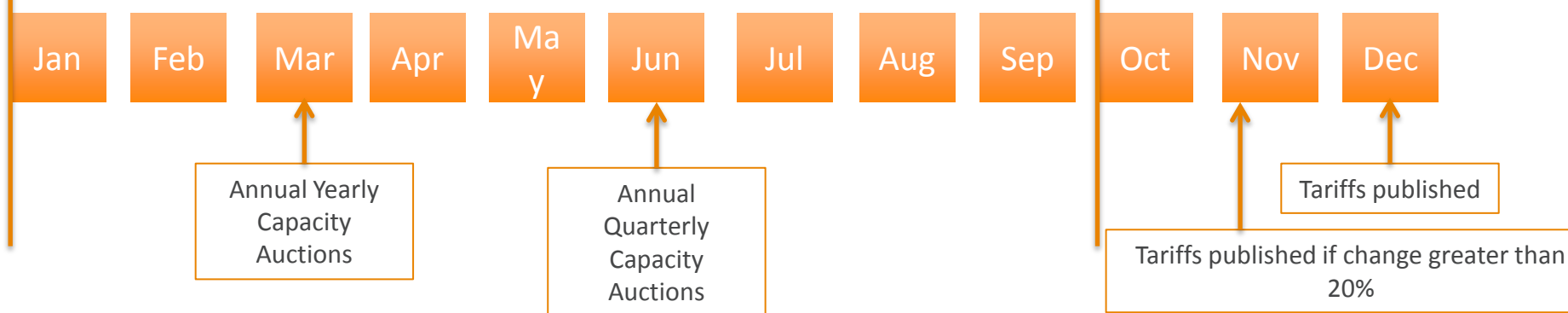


Shipper does not know the price he will pay for capacity when bidding for capacity in auctions

Start of tariff year

Tariff Year Starting January

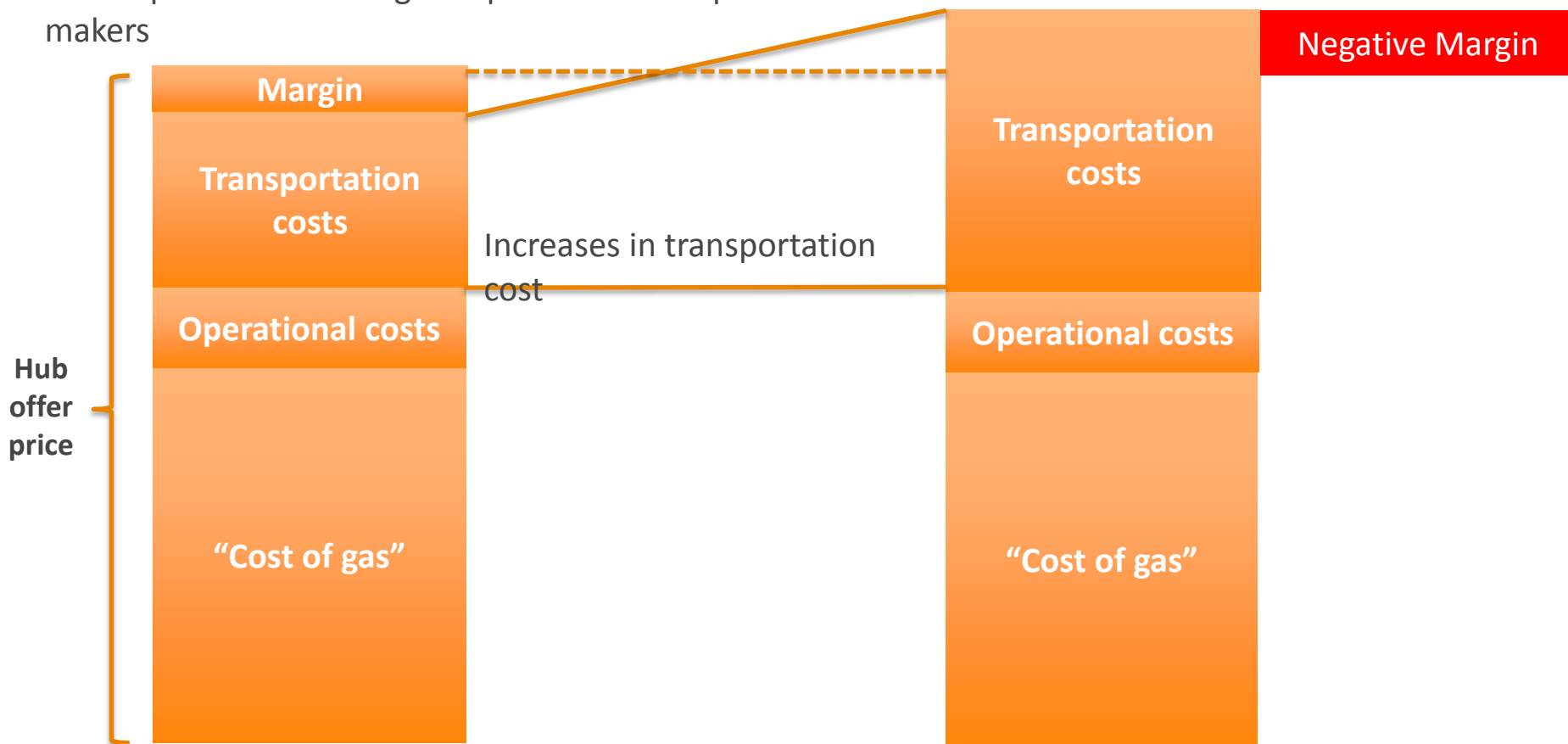
Start of capacity year



Shipper does not know the price he will pay for capacity when bidding for capacity in auctions for 9 out of 12 months

The importance of reasonable predictability of transport pricing

In the shorter term transportation prices are known and so margins can be locked in
But unpredictable changes in prices can turn profitable transactions into loss makers



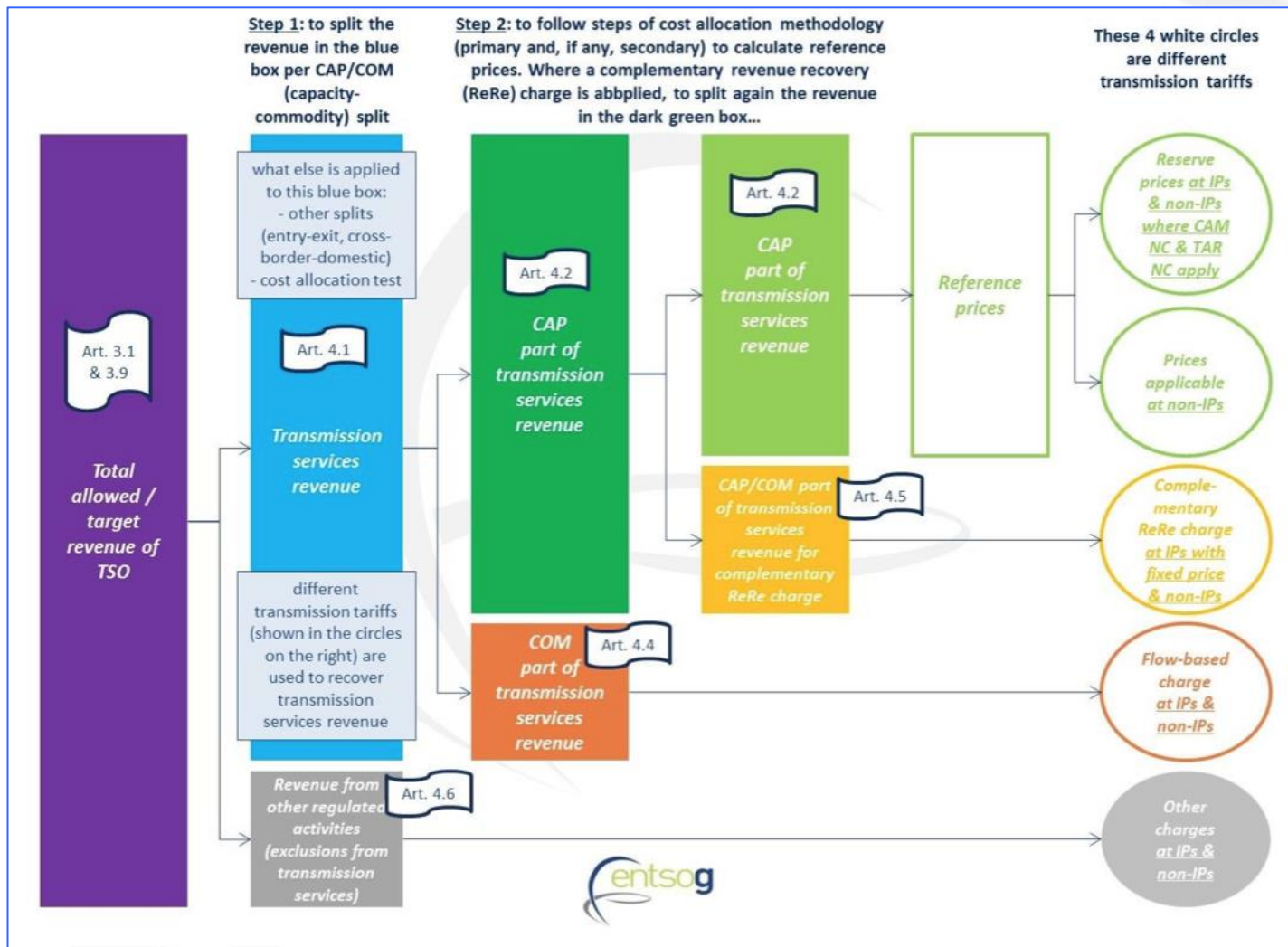
Predictability of transportation pricing is therefore critical to a well functioning forward market

What does the code say about applicability?

| | CAM points | Non-IP CAM points |
|-----------------------------|---|---|
| 1. General provisions |  |  |
| 2. Cost Allocation Approach |  |  |
| 3. Publication requirements |  |  |
| 4. Reserve prices |  | possible |
| 5. Revenue reconciliation |  | |
| 6. VIP capacities |  | possible |
| 7. Payable price |  | possible |
| 8. Incremental capacity |  | |
| 9. Final and transitional |  |  |

.. but we need clarity about how each country will apply the code

Understanding the revenue breakdown



Clarity needed for all five tariff components

Scope of capacity and commodity charge

Capacity and commodity charging for non-CAM points

Revenue recovery methodology

Flow based costs recovery methodology

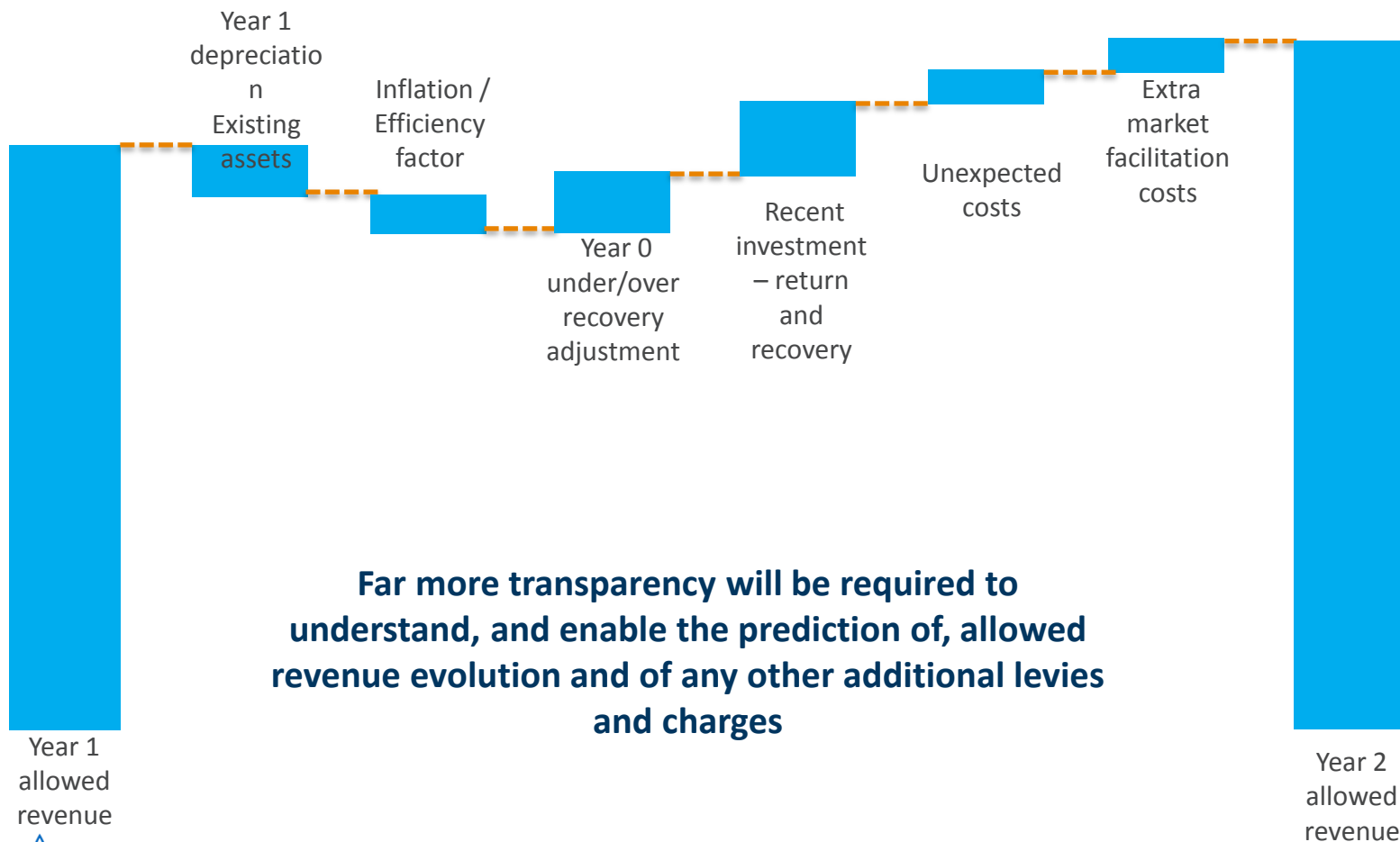
Scope and methodology for excluded services

Considerable uncertainty about how range of tariff components will be derived

Understanding the evolution of allowed revenue

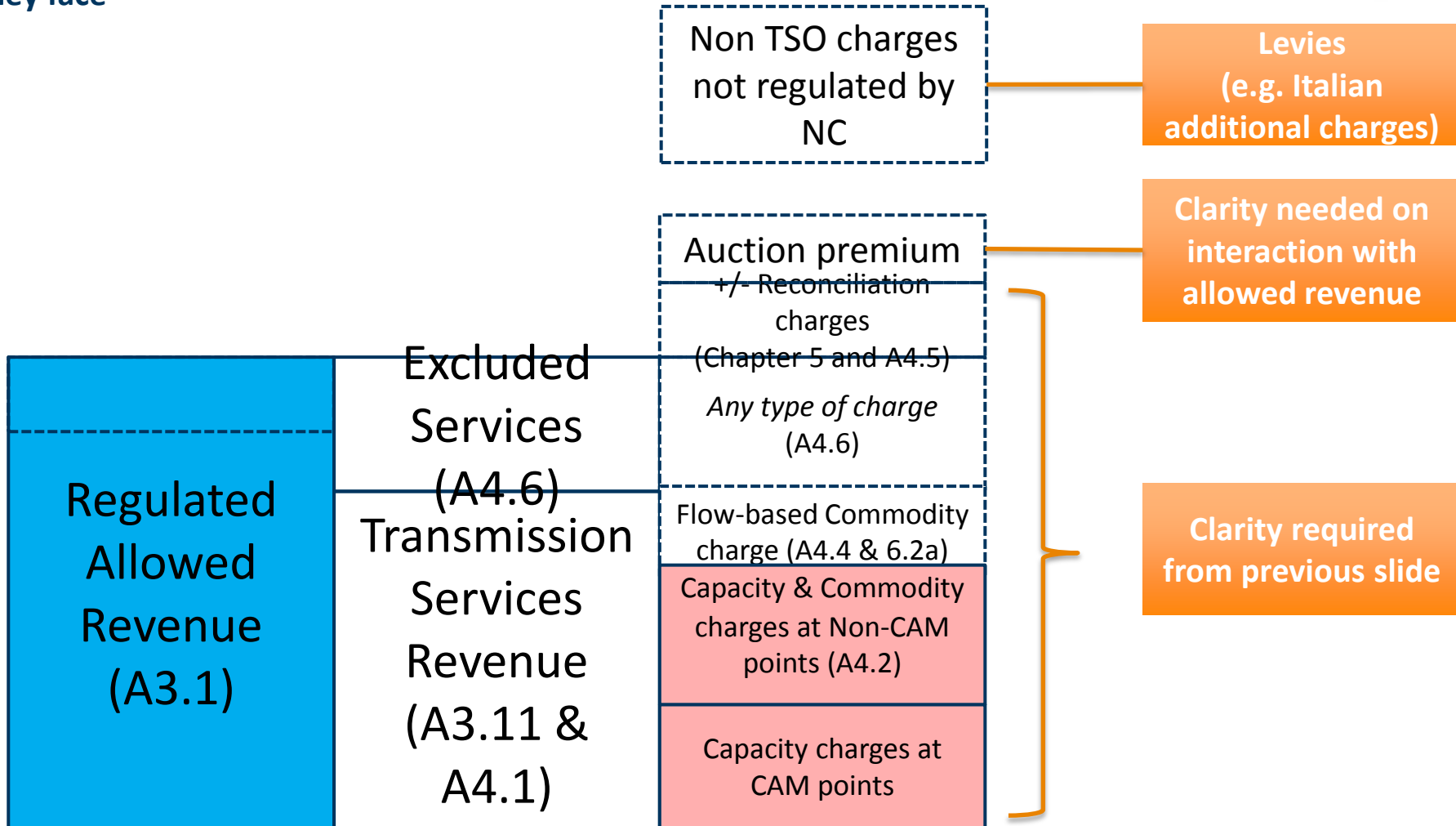
Our research indicates it is very difficult to understand and validate year on year tariff changes

Even to understand year on year allowed revenue changes will require enhanced transparency

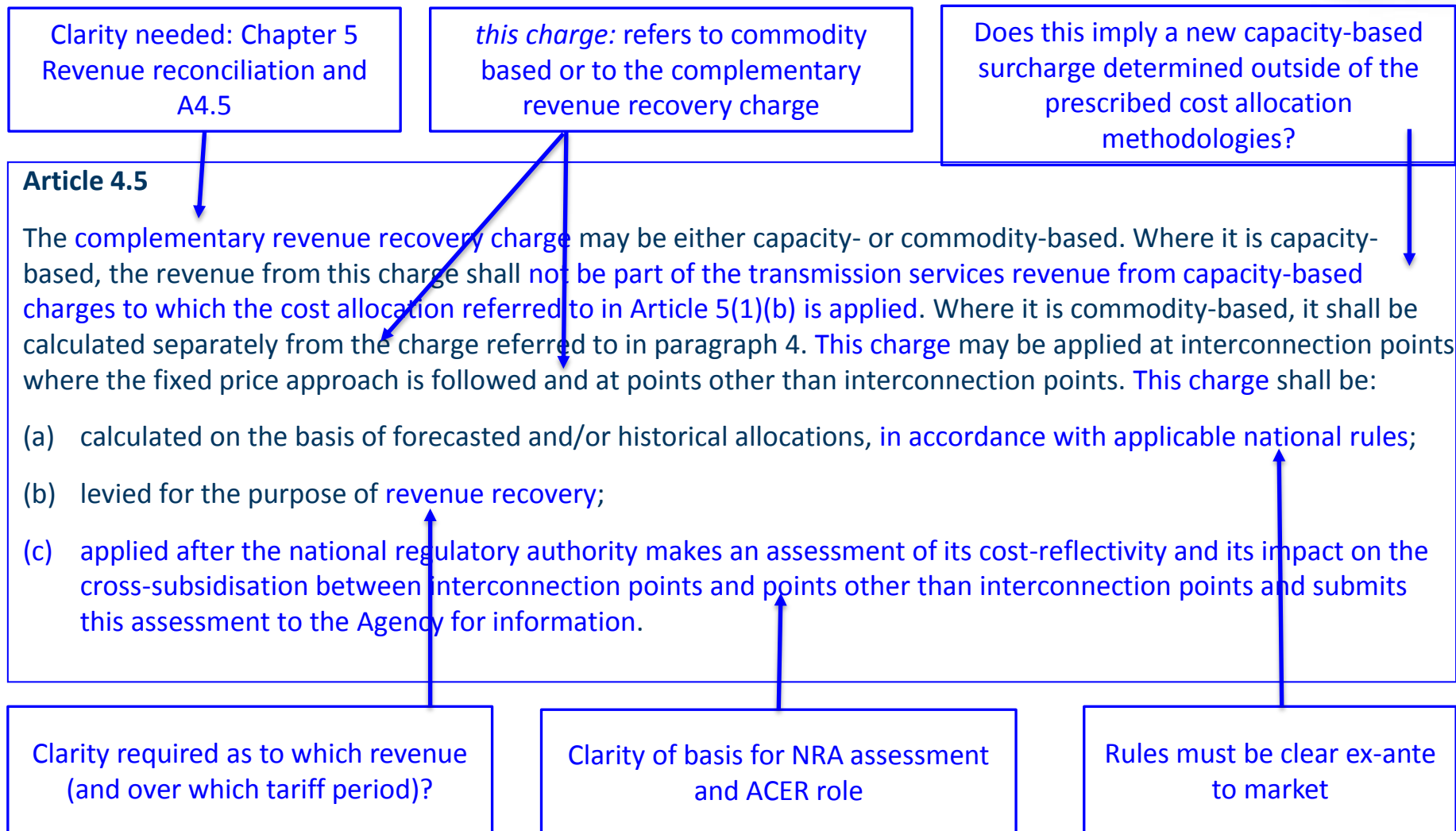


Our recent but still evolving view

Network users must understand, and be able to predict with reasonable accuracy, all the TSO charges they face



.. but there are doubts arising from the network code drafting

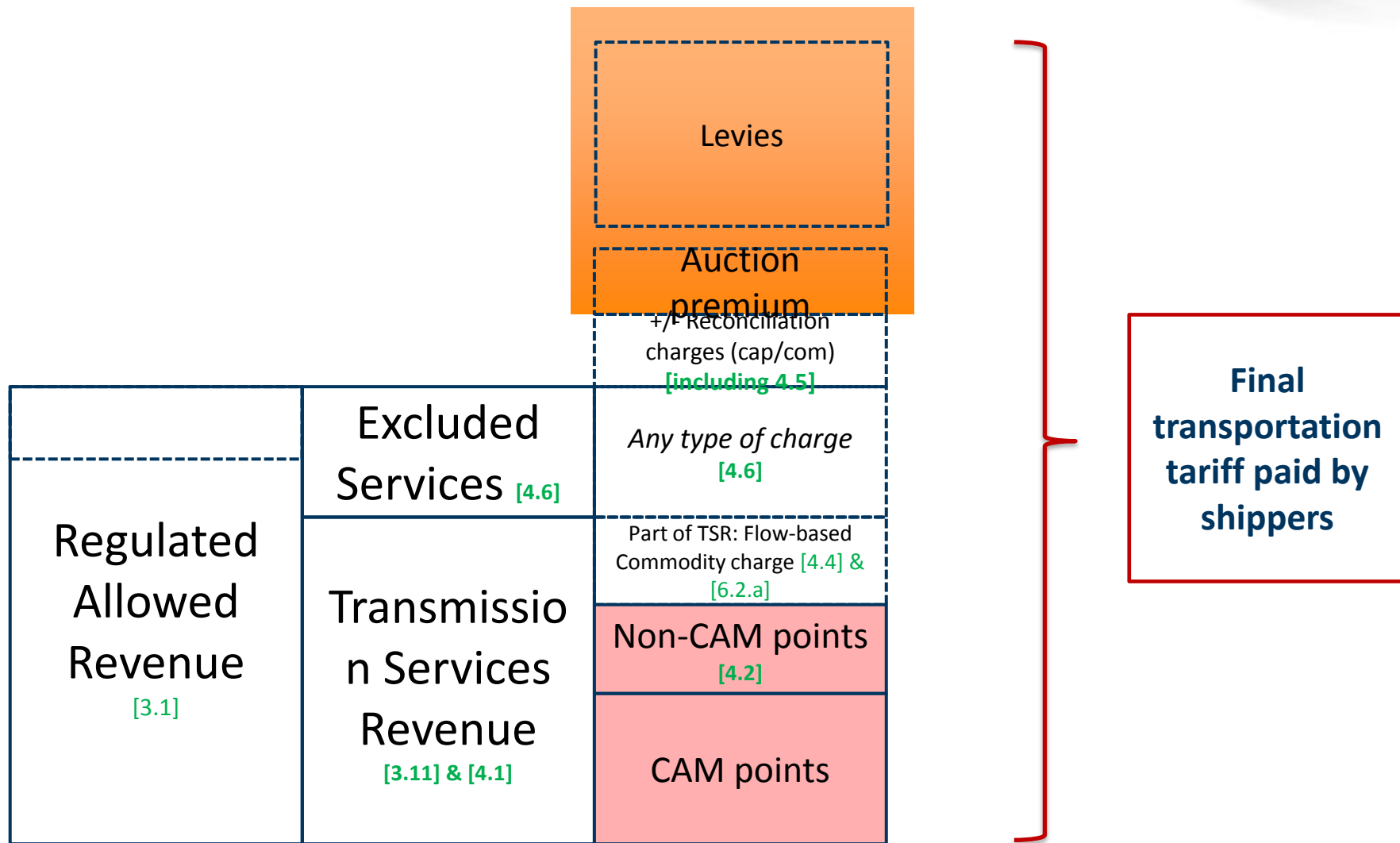


Clarity essential before we can be confident our comments are

robust.

Disclaimer: these slides do not represent Gazprom's official position

So what do we need to understand



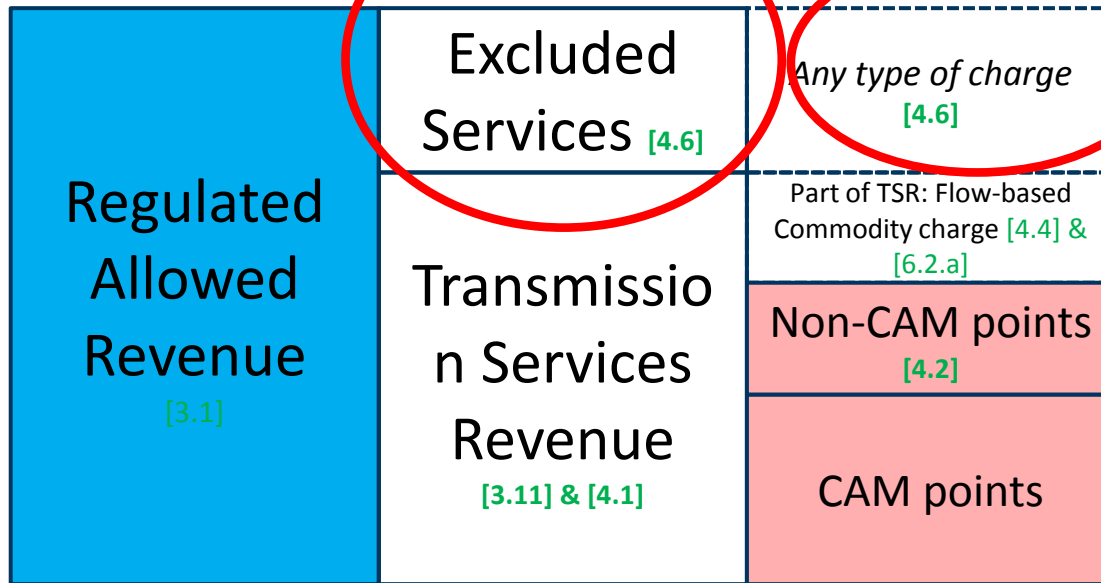
So what do we need to understand

| | | |
|--|--|---|
| | | +/- Reconciliation charges (cap/com) [including 4.5] |
| Regulated Allowed Revenue [3.1] | Excluded Services [4.6] | Any type of charge [4.6] |
| | Transmissio n Services Revenue [3.11] & [4.1] | Part of TSR: Flow-based Commodity charge [4.4] & [6.2.a] |
| | | Non-CAM points [4.2] |
| | | CAM points |

So what do we need to understand

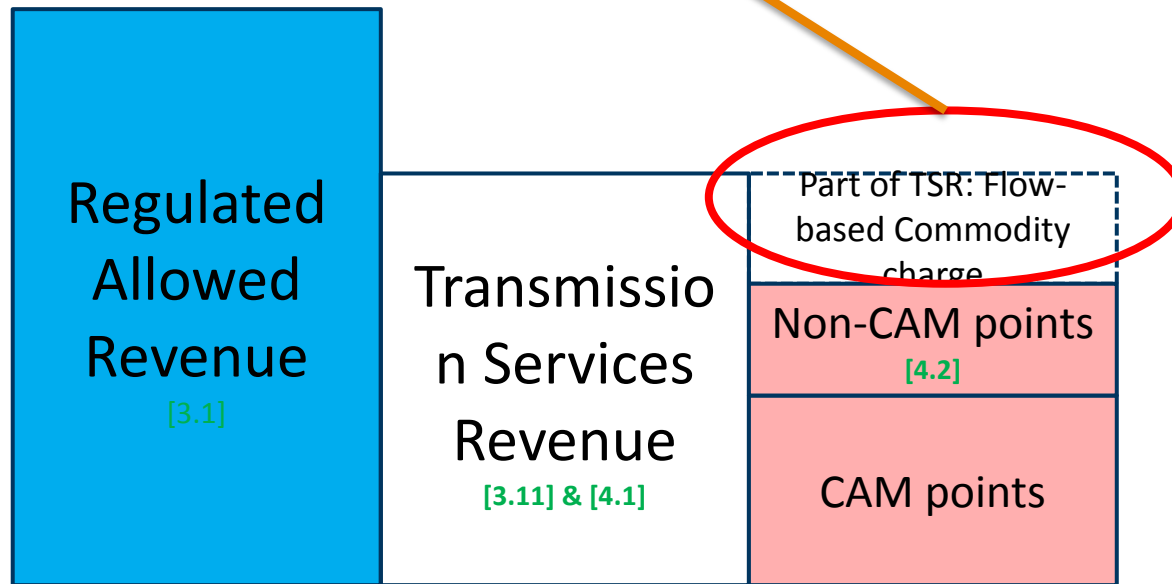
Then we need to understand how excluded services are identified and their associated revenue stream

.... and the basis by which the revenues will be recovered



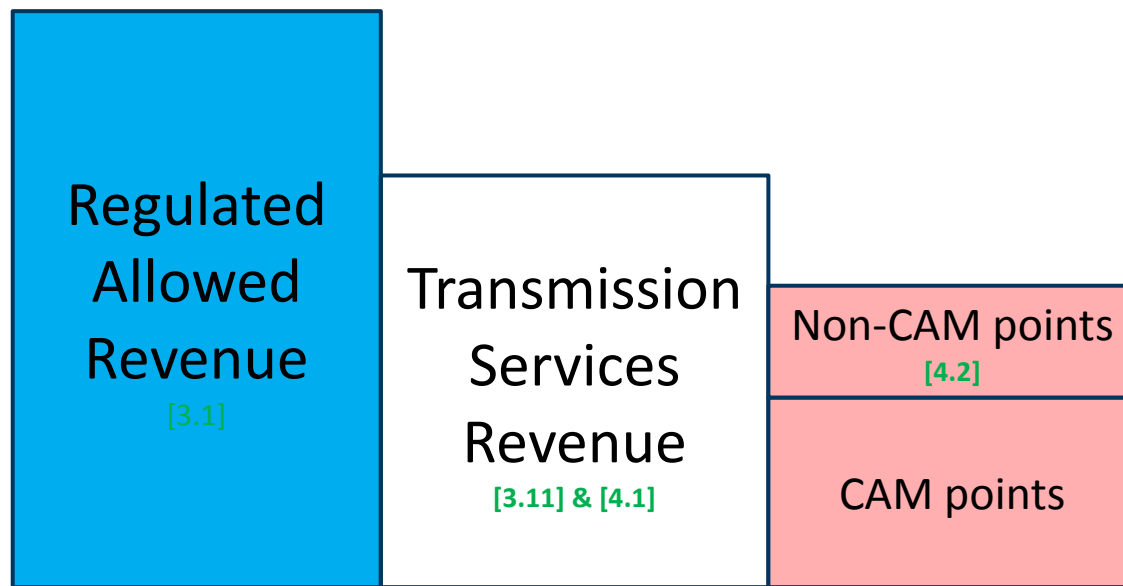
So what do we need to understand

A capacity/commodity split is then applied to the transmission services revenue to leave that part of revenue to be addressed by the cost allocation methodology, the detail of which is the subject of the code



So what more do we need to understand about cost allocation methodologies

- Examples of the 5 methodologies applied in realistic situations including:
 - Application of primary methodology
 - Secondary adjustments (scaling, equalisation and benchmarking)
 - Reference price calculations to reflect commercial booking behaviour for all firm and interruptible products
 - Multiplier and seasonal factors



Understanding of network user charges across Europe

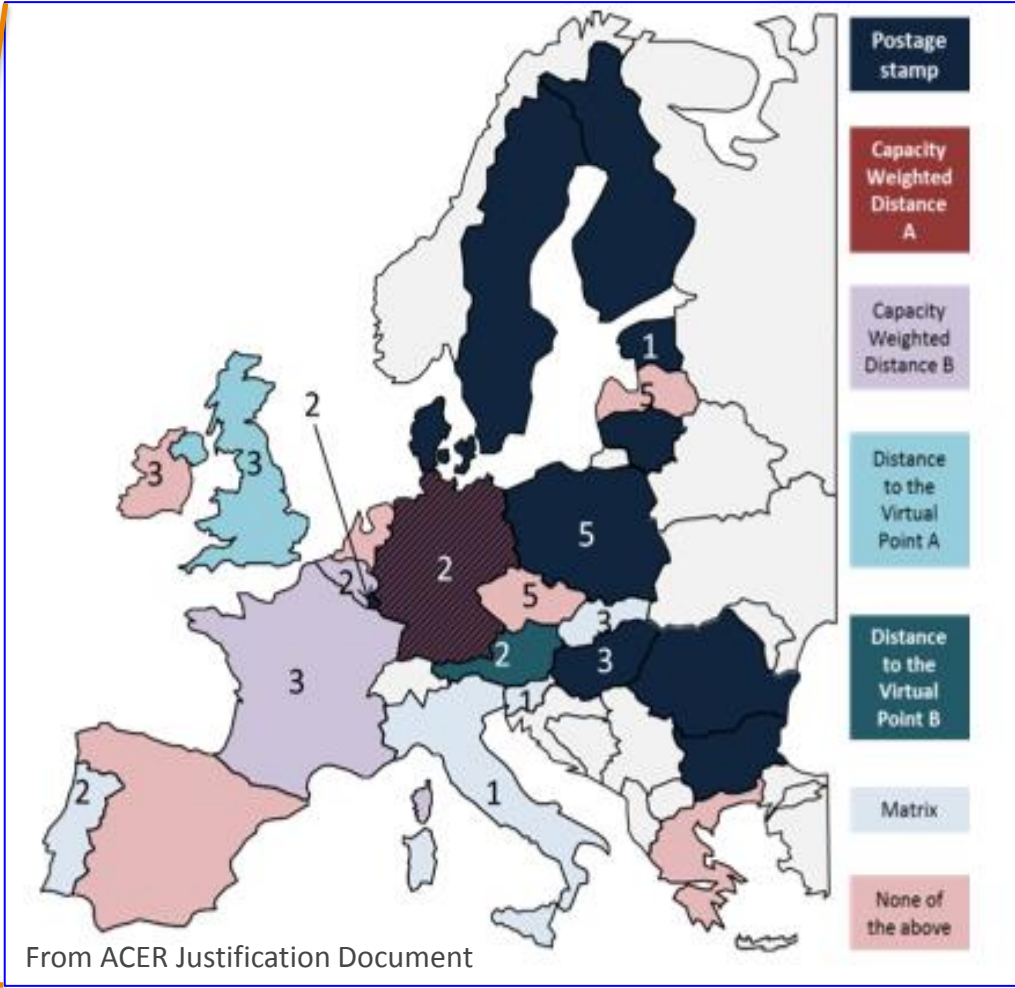
Our work implies that it is difficult to get a full picture of methodologies for all charges used in Europe

Non TSO charges
not regulated by
NC

Auction premium
+/- Reconciliation
charges
(capacity/commodity)
Excluded services
Any type of charge

Part of TSR: Flow-based
Commodity charge
Capacity & Commodity
charges at Non-CAM
points
Capacity charges at
CAM points

Cost allocation
methodology
applied to this
part of
revenue



ACER's work may only address the capacity component of transportation services revenue?

Transparency is the key

Within current scope of code as currently drafted

- Tariff derivation must be replicable
- Detailed explanation of all variables used in the tariff methodology
- Longer term evolution of RAB/Allowed revenue projections must be understood
- 3-4 year visibility of tariff projections must be underpinned by extensive data provision
- Within-year information about revenue recovery performance to enable assessment of reconciliation sums and their expected recovery will be essential

But to ensure full network user charges are understood scope of transparency provisions must be extended to cover:

- Detailed information about
 - Other charges / levies and their projections
 - Excluded services charges and their evolution
 - Flow based charges

Enhanced transparency essential to support predictability of all charges that network users are likely to face.

Requirements to deliver a fit for purpose code

- Comprehensive examples to enable full understanding of end-to-end process of tariff derivation
- Tariff model to be provided by TSOs to enable shippers to replicate tariffs
- Examples of unexplained methodologies (e.g. Distance to Virtual Point Version A)
- ACER draft reasoned opinion on code
- Revised transparency provisions to meet
 - Framework Guideline requirements
 - Additional requirements of market players as explained above

Progress on the above would enhance market prospects



Development of the TAR NC: Consultation Workshop

**Scope:
Interaction with CAM NC and 3rd countries**

**Irina Oshchepkova
ENTSOG**

TAR NC scope as compared to CAM NC

CAM NC: IPs

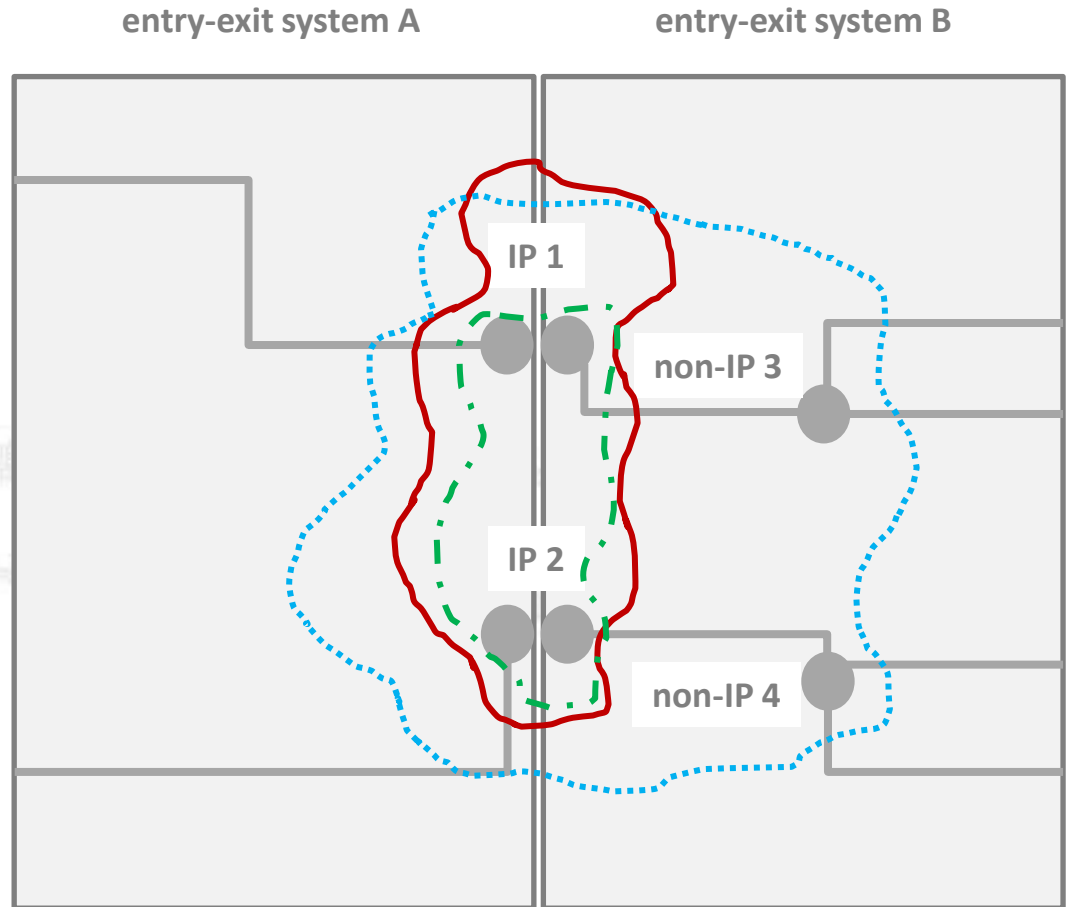
connect adjacent entry-exit systems or entry-exit system and interconnector

TAR NC: broader scope

partly to IPs only

(general rule for Chapters IV, VI, VII on reserve prices, pricing of bundled capacity, pricing at VIPs and payable price)

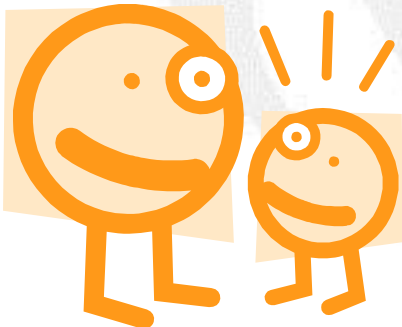
partly to IPs and non-IPs



TOPIC 1: Interaction with CAM NC for non-IPs

TAR FG:
regulated
price

price of capacity
products at points
where the
capacity allocation
procedure is not an
auction



Initial draft
TAR NC:
term deleted

**price applicable at
non-IPs**

if CAM is applied then it
is the reserve price
(auctions per CAM)
see slide 'Price at non-IPs [1]'

if CAM is not applied
(some other auctions or
other capacity allocation
mechanisms)
see slide 'Price at non-IPs [2]'

Price at non-IPs: application of CAM and TAR [1]

Where, subject to the decision of the relevant national regulatory authority, Commission Regulation (EU) No 984/2013 applies to points other than interconnection points, this national regulatory authority may decide to apply Chapters IV, VI and VII of this Regulation to those points, mutatis mutandis.

Condition 1

- NRA takes decision 1 to apply CAM at non-IP_a

Condition 2

- NRA takes decision 2 to apply TAR at non-IP_a

Result for non-IP_a

- Capacity allocation: per CAM
- Pricing: per TAR

Price at non-IPs: application of only TAR [2]

Where, subject to the decision of the relevant national regulatory authority, Commission Regulation (EU) No 984/2013 applies to points other than interconnection points, this national regulatory authority may decide to apply Chapters IV, VI and VII of this Regulation to those points, mutatis mutandis.

Condition 1

- No application of CAM at non-IP_a

Condition 2

- NRA takes decision to apply TAR at non-IP_a



Result for non-IP_a

- Capacity allocation: other than in CAM
- Pricing : per TAR
- 'mutatis mutandis' – e.g. substitution of 'reserve price' with 'price applicable at non-IPs'

TOPIC 2: Application to 3rd countries



Green/red points

NRA discretion regarding the application of:

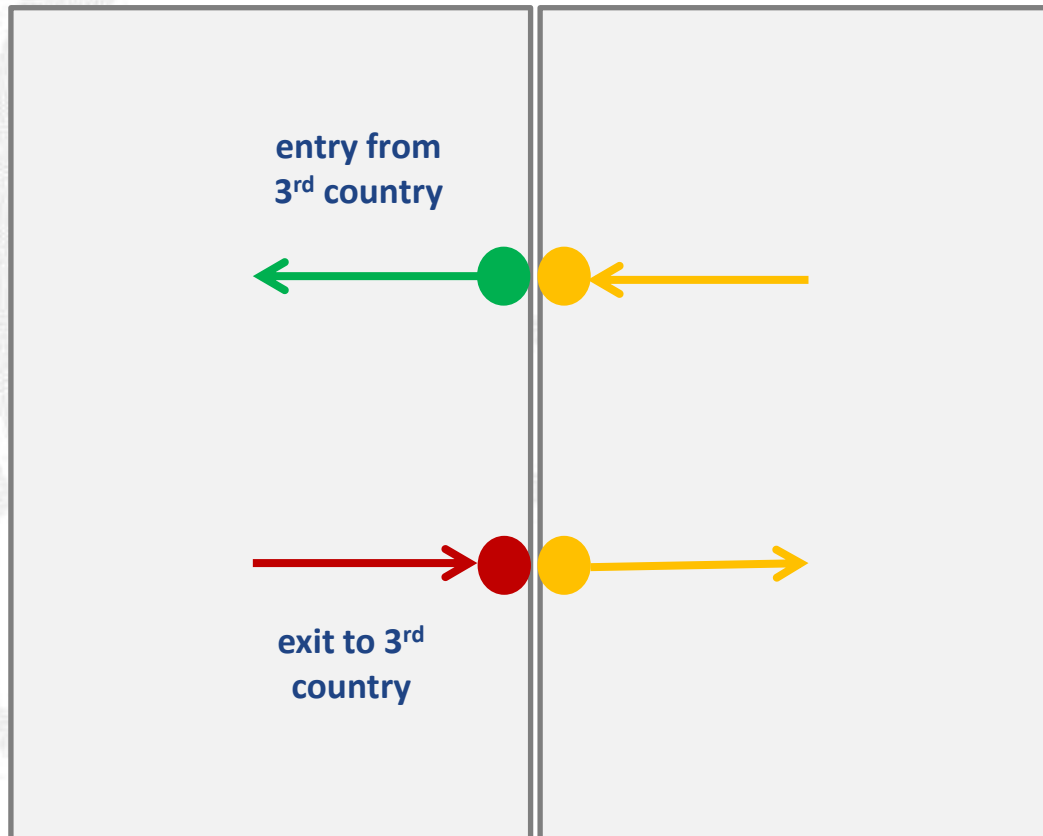
* CAM and TAR

see slide 'Price at points with 3rd countries [1]'

* only TAR

see slide 'Price at points with 3rd countries [2]'

...note CAM and CMP: 'may... apply'



Yellow points

distinction between Energy Community countries and the other countries

...note Ministerial Council Decision of 6 Oct 2011: 'shall endeavour to apply'

Price at points with 3rd countries: application of CAM and TAR [1]

Where, subject to the decision of the relevant national regulatory authority, Commission Regulation (EU) No 984/2013 applies to entry points from and/or exit points to third countries, this national regulatory authority may decide to apply this Regulation to those points.

Condition 1

- NRA takes decision 1 to apply CAM at e/e point_b with 3rd country

Condition 2

- NRA takes decision 2 to apply TAR at e/e point_b with 3rd country

Result for e/e point_b

- Capacity allocation: per CAM
- Pricing: per TAR

Price at points with 3rd countries: application of only TAR [2]

Where, subject to the decision of the relevant national regulatory authority, Commission Regulation (EU) No 984/2013 applies to entry points from and/or exit points to third countries, this national regulatory authority may decide to apply this Regulation to those points.

Condition 1

- No application of CAM at e/e point_b with 3rd country

Condition 2

- NRA takes decision to apply TAR at e/e point_b with 3rd country

Result for e/e point_b

- Capacity allocation: other than in CAM
- Pricing: per TAR



Development of the TAR NC: Consultation Workshop

Scope:
Interconnectors

**Pavanjit Dhesi, IUK
(on behalf of ENTSOG)**

TOPIC 3: Interconnectors

This Regulation shall be applied taking into account the specific nature of interconnectors, in particular with regard to having an effective revenue recovery mechanism.

Precedent

- Their 'specific nature' is captured in CAM and BAL

Specificity

- Particular attention in TAR is drawn to effective ReRe mechanism



Result for interconnectors

- 'Specific nature' is captured
- Effective ReRe mechanism is an example



Development of the TAR NC: Consultation Workshop

Mitigating Measures

Ann-Marie Colbert

ENTSO-G

Mitigating Measures

Tariff Framework Guidelines

‘To prevent or limit undue negative repercussions resulting from implementation of the Network Code on Tariffs, NRAs may implement mitigating measures before 1 October 2017. In the case of exceptional circumstances such measures may be extended beyond 1 October 2017, by a period not exceeding twenty four months subject to Article 7(4) of the Agency Regulation. These circumstances may include instances, where the transition to the new tariff level by 1 October 2017 would:

- affect the execution of specific contracts;
- not coincide with the commencement of the gas year, tariff setting cycle or regulatory period; or
- where tariffs at individual entry or exit points would increase by more than 20% from one year to the next due to the application of the provisions in the Network Code on Tariffs.’

Article 47.2 (a) & (b)

2. The detailed design of mitigating measures shall be defined by the transmission system operator or the national regulatory authority, as relevant. Such measures may include the following:

- (a) use of earned in the previous tariff period auction premium that exceeds the allowed revenue applicable for that tariff period for the purpose of decreasing the transmission tariffs applicable for the current tariff period;
- (b) apportionment of any increase of or decrease in transmission tariffs applicable for two consecutive tariff periods over a number of tariff periods.

Mitigating Measures & Transitional Provisions

Article 47

**Mitigating
measures**

Spread increase or decrease in tariffs over a couple of years so that there is a glide path for tariff changes

Use the auction premium, if any, to mitigate against tariff increases

Article 48

**Transitional
Provisions**

Execution of specific contracts

Timing of implementation not in line with gas year / tariff setting year/regulatory period

One Off Capacity Reset Option

The option has not been included in the initial draft TAR NC for the following reasons:



Could lead to severe instability in the market and impact on tariff stability in the future



Penalises network users needing gas, the remaining gas users will pay for the choices of other gas users



Damages the gas industry and the competitiveness of gas in Europe



Could cause cross-subsidisation between different users and a non-cost reflective redistribution of costs



Discourages new entrants from coming into the market



Changes the competitive position of market players



Impact on the use of the secondary market



Could have unintended consequences for LNG and storage

One Off Capacity Reset Option



It would have an impact on investments. Those that triggered investment in the past and made commitments to underpin that investment may return the capacity and then that investment would have to be paid for by those that rebook capacity or keep their existing capacity bookings.

It might impact on the structure/application of the rules for incremental and new capacity



There could be an impact on the market valuation of the TSO's business.

This could lead to a devaluation of the company, which in turn could have an impact on the tariffs and on the ability of the TSO to invest in the network in the future.

Risk to the financeability of the TSO's business leading to an increased cost of capital

Are network users willing to pay the increased tariff after the implementation of the one off capacity reset option, when they rebook the capacity, in order for the TSOs to recover the allowed revenue?

German Example: Impact of stepping out of contracts

- **Option of termination of contracts according to the German General Terms and Conditions**, if the increase of tariff for the respective year is higher than the inflation rate
- **New capacity allocation and congestion management in Germany (KARLA Gas)** was introduced in 2011. According to the new rules for all capacity products irrespective of their duration the multipliers of 1 have to be implemented. The tariff of daily capacity product is equal to the tariff of yearly capacity product divided by 365
- **Change of Shipper's booking behavior in order to optimize their costs** led to a significant shift in booking structure toward short-term capacity utilization and great amount of free capacity

German Example: Impact of stepping out of contracts

- **Average decrease of total amount of booked capacity -> approx. -26%**
(GUD - Gas Year 2011/2012 in comparison to Gas Year 2013/2014)
- **Reason: profiled bookings, change in structure of bookings**
- **The following tariff increase** reasoned additional terminations of long-term capacity contracts. This new reduction of booked capacity caused a new tariff increase in a next tariff period.
- **Tariff increase** due to the shift in booking behavior from 2012 to 2014 of **approx. +30%** (GUD)
- **Vicious circle dynamic:** higher tariffs will increase the stepping out rate and generate other upward adjustments

Mitigating Measures



ENTSOG recognises that change is coming



Some mitigating measures have been included in the initial draft TAR NC to try to address the issue



While ENTSOG is not in favour of the one off capacity reset option, it is open to discussing other mitigating measures that would not undermine contractual commitments

Why a reset clause mechanism is needed : to correct a regulatory discrimination

- The whole regulatory setup is discriminatory against long term shippers : it decreases the value of long term capacities without proposing any serious mitigation measures to adapt to these changes
 - Offer for shorter-term products has been improved significantly since long term capacity were initially booked
 - Mandatory bundling has reduced the value of existing unmatched capacities. In several cases (mismatch of technical capacity, IP linking several pipes...), capacity has become completely useless, but still have to be paid by shippers.
 - DA UIOLI reduces the flexibility of capacities without any discounting of the price. It concerns more long term users who booked flat capacities than short term users that can book profiled capacities.
Due to the definition of congestion, and to the fact that even unilateral application of the measure on one side of the border impacts the other side, there is a threat of a very large application of the measure.
 - Currently, uncertainty on tariff network code is total : shippers do not have a clue on how tariff may evolve, and this uncertainty could last even after the code is adopted. Currently proposed mitigation measures are just postponing tariff structure issue for months, whereas some capacity bookings span over more than 25 years.
- ➔ Regulatory setup imposes long term shippers to support the bulk of the stranded costs, to the benefit of their competitors booking short term products. A level playing field should be reimplemented.

Some impacts of the reset clause

- Rest clause will accelerate the completion of an integrated European gas market :
 - Develop short term capacity market
 - Solve most congestion issues
 - Improve competition thanks to a level playing field
 - Give TSOs more facilities to match their technical capacities on both sides of the borders and to adapt their offer to capture higher value
- TSO needs to adapt because of the shift to short term imposed by the regulation, not because of a reset clause
 - Capacities corresponding to physical flows will still be booked whether in short or long term
 - Reset clause or not, TSOs must adapt to a higher level of short term booking, and to possibly higher tariff uncertainty → this is an unavoidable consequence of regulation and gas demand decrease.
 In any cases, TSOs are protected by the revenue regulation, whereas shippers cannot price their capacities due to regulatory discrimination.

Consultation Workshop for the Network Code on Harmonised Transmission Tariff Structures for Gas (TAR NC)

CEFIC-IFIEC preliminary position

**Dirk Jan Meuzelaar
chair of the CEFIC IT Market Liberalisation
member IFIEC Working Party Gas**

Brussels, 25 June 2014

In principle CEFIC & IFIEC welcome the Network Code on Harmonised Transmission Tariff Structure for Gas

- Harmonization Tariff Structures is a Key Success Factor for IEM aiming at
 - More transparency about tariffs and its structure
 - Improve cross border trade leading to more competition
 - Increase efficiency, better services and lower prices
- Tariffs should be cost reflective, efficient and avoiding cross subsidy between network users
 - Avoiding free riders behavior
 - Causer pay principle

We are not convinced that current proposal will result in a substantial better functioning of the IEM with decreasing costs, more transparency and increase of the competitive position of consumers (Performance Indicators)

NC is suffering fear for under recovery of costs and is unable to force essential adjustments for harmonizing the cost allocation approached

- NC is primarily focused on too many revenue recovery mechanisms and cost allocation methodologies
 - TSOs still have several options and alternatives for allocation;
 - These methodologies contain many variables that TSOs can use to manipulate the tariffs (e.g. the applied backhaul correction factor);
 - Uncertainty about the final tariffs of the different allocation options;
 - NC does not provide the methodology nor the information to compare tariffs and efficiencies of the TSOs.
- NC does / will not
 - Focus on increasing cross border trade,
 - Increase harmonization,
 - Lower costs and
 - Increase competition.

NC is a result of a political process rather than harmonising tariff structures necessary for a long term strategic integration of one IEM

As a first step, various tariff structures should at least be transparent and in line with the main guiding principles

- The NC on Tariffs is not transparent and leads to much uncertainty, not only for TSOs, but also for shippers and end-customers
 - More clarity about all details of the tariffs including sensitivity analyses compared with alternative methodologies would help;
- We are willing to support the position for proper incentives to book one yearly ahead contracts (Y+1), not only for more predictability and stability of tariffs but also to prevent free riders behavior (e.g. cheap short term profiled bookings, etc);
 - Seasonal factors and multipliers: should be in line with causer pay principle and avoiding cross subsidization;
 - The cap of the multipliers should be higher than 1.5
- Clear definition and justification - including harmonization - for activities and other services other than 'simple' transport, like quality conversion. These services should also be at least cost reflective and should be paid by the causers or entities that need these services.

We are still confused but on a higher level

New tariffs systems lead by definition to a redistribution of costs. Mitigating measures may not lead to under recovery

e.g. a capacity reset option, as a mitigating measure, could lead to under recovery and unfair redistribution:

- Changing a tariff system does not effect the total recovery. Total costs should be the same;
- Only reset the long term contracts that are out of the money will lead to under recovery and an increase of exit tariffs;
- Capacity reset *option* may not be “a free option” leading to cherry picking;
- Changing rules and laws are part of normal regulatory risks.

Mitigating measures that lead to under recovery may not be passed on to other users

NC should give binding rules regarding tariffs for Gas Storages instead of leaving its approvals to NRA's

- In principle we disagree with the proposition that gas in storages gas already paid for its transport costs
 - Gas which is in storages is not controlled by the TSO
- In case its tariffs are based on benefits rather than transport, at least the different roles of storages should be taken into consideration
 - Optimization of production and portfolio
 - Efficient gas transport
 - Insurance and Security of Supply
- Control of storages partly regulated (SoS)
 - TSO should control storages for its SoS contribution



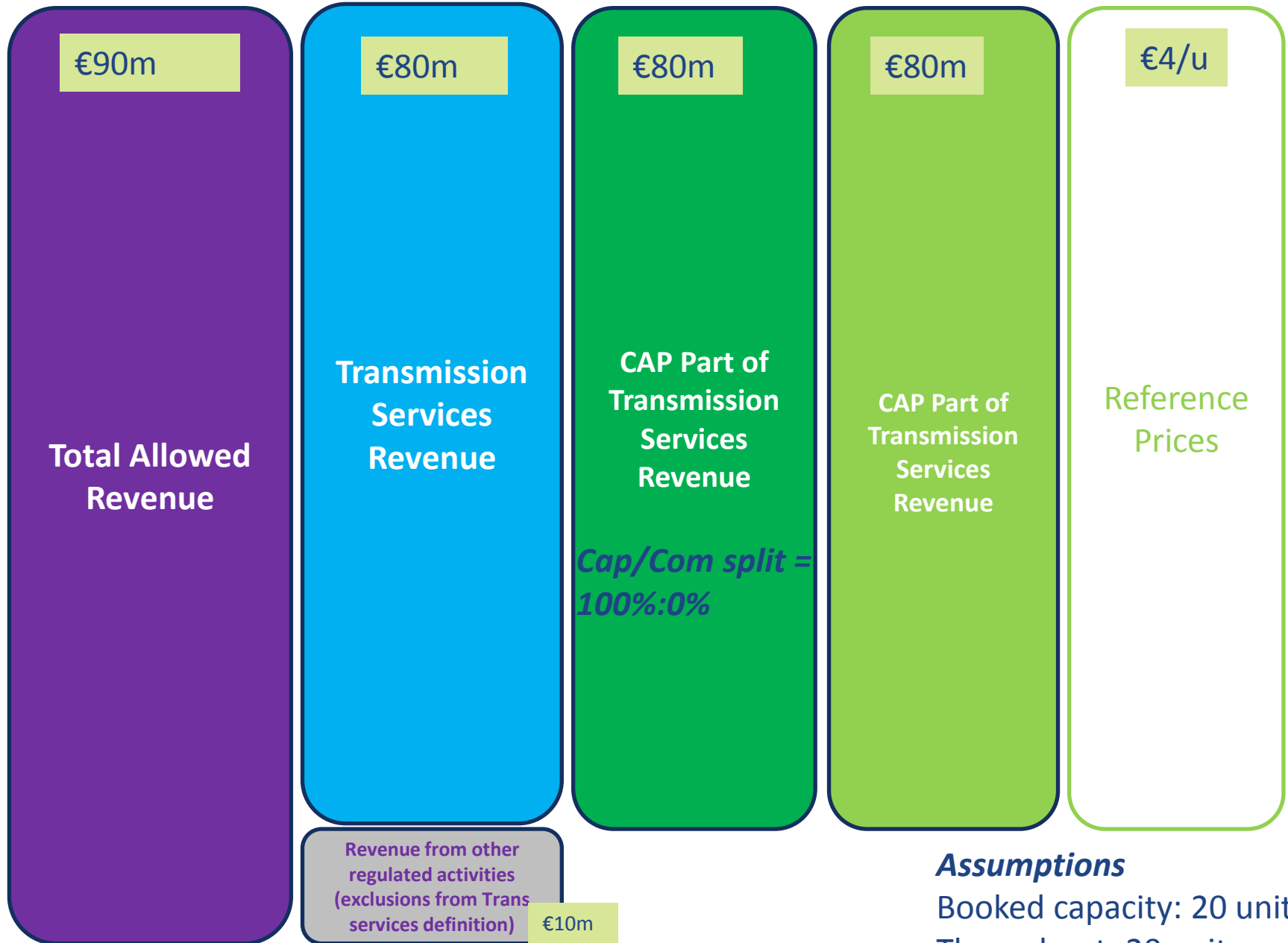
Development of the TAR NC: Consultation Workshop

Cost Allocation Approach – Charging Examples

Áine Spillane

ENTSO-G

Cost Allocation Approach – with Capacity only

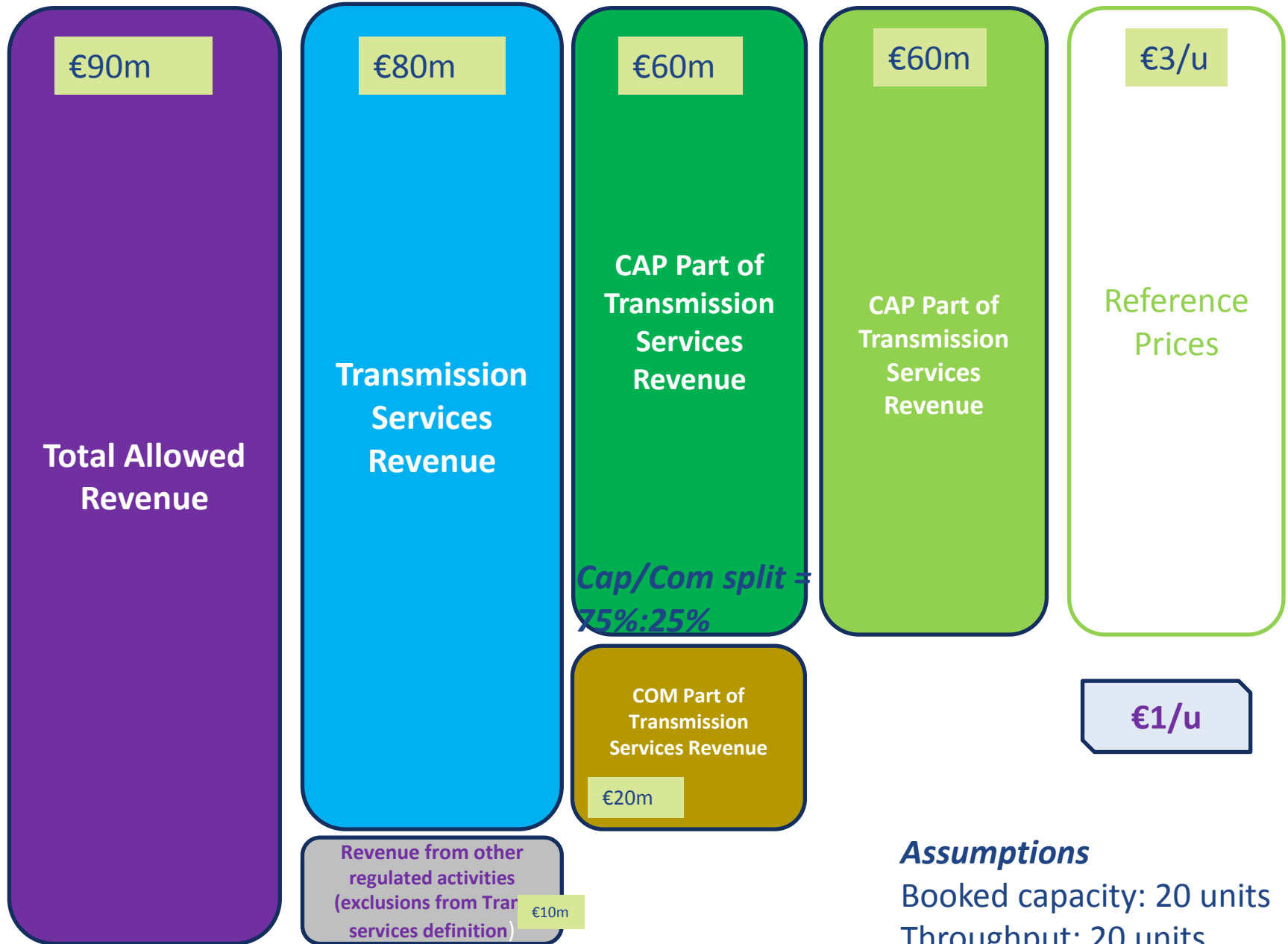


Assumptions

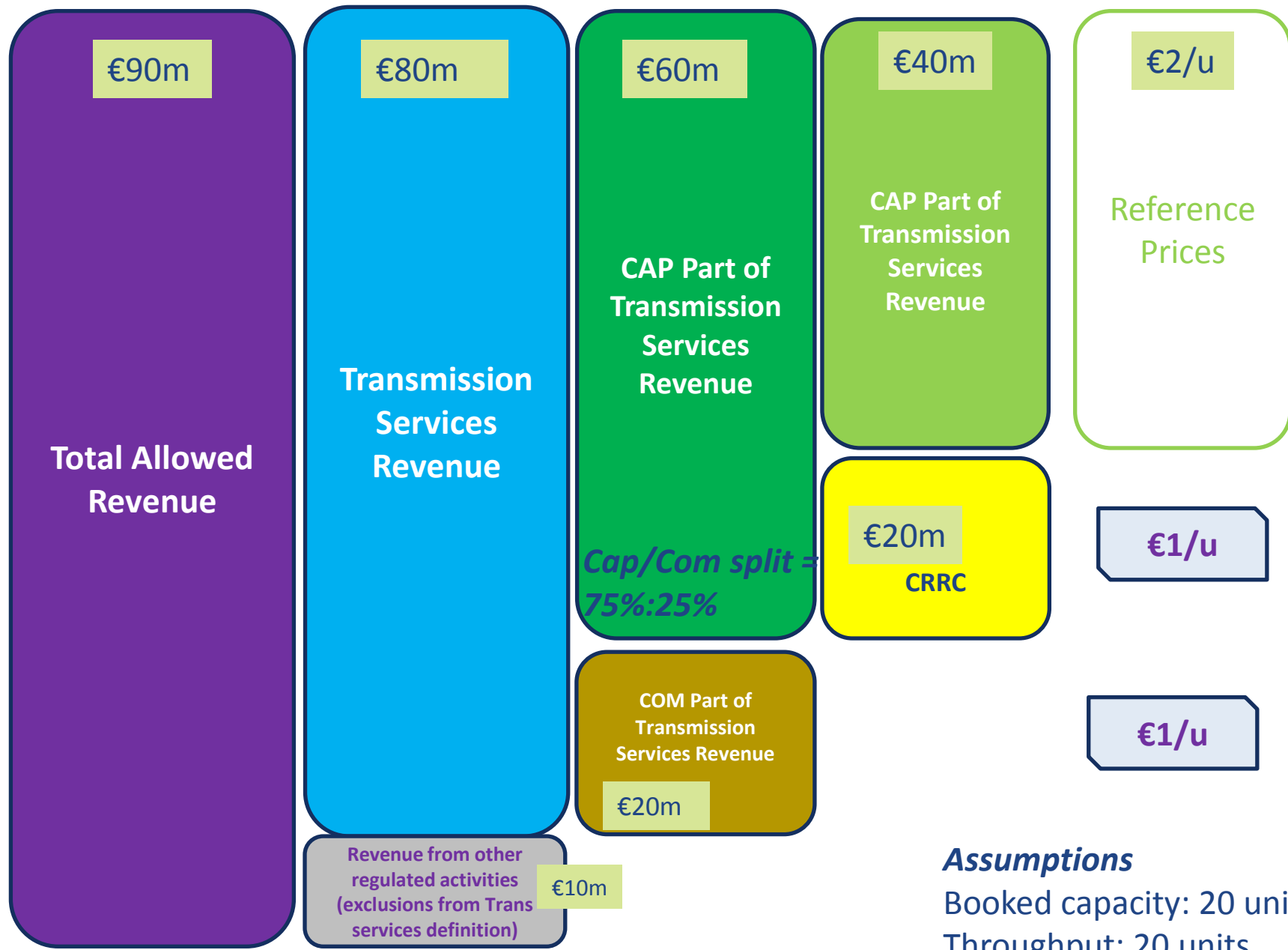
Booked capacity: 20 units

Throughput: 20 units

Cost Allocation Approach – with Capacity and Commodity

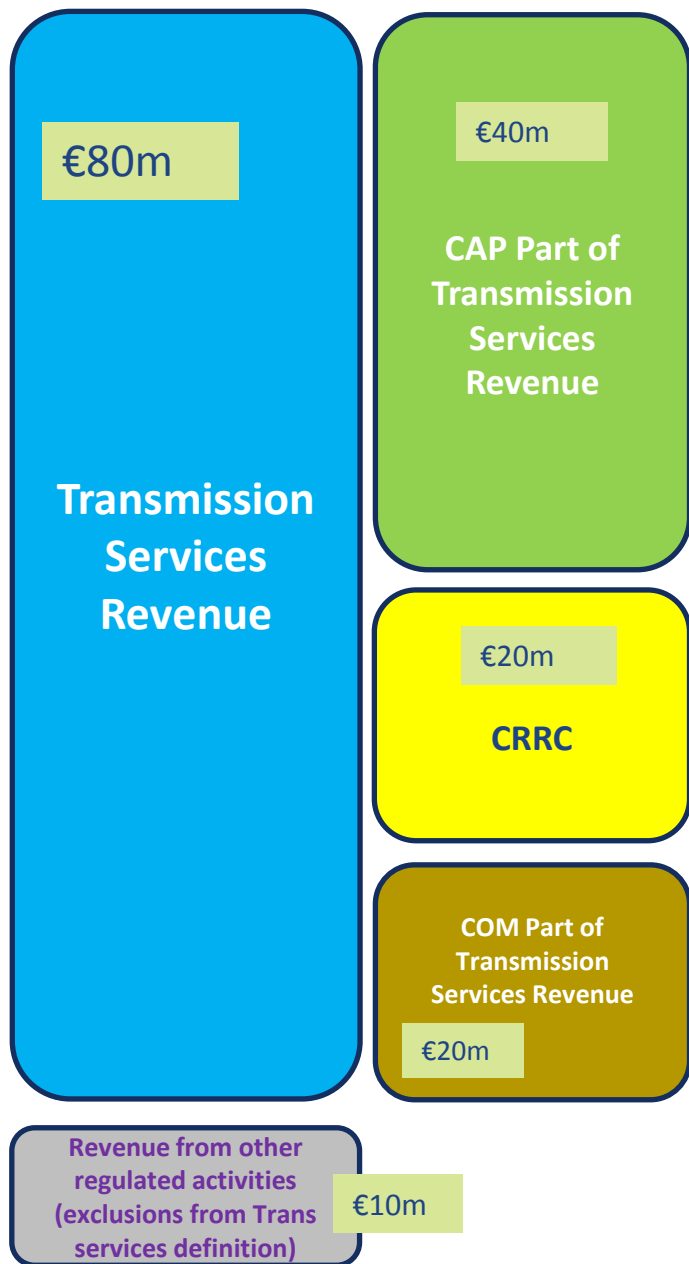


Cost Allocation Approach – with Capacity, Commodity and Complementary ReRe Charge

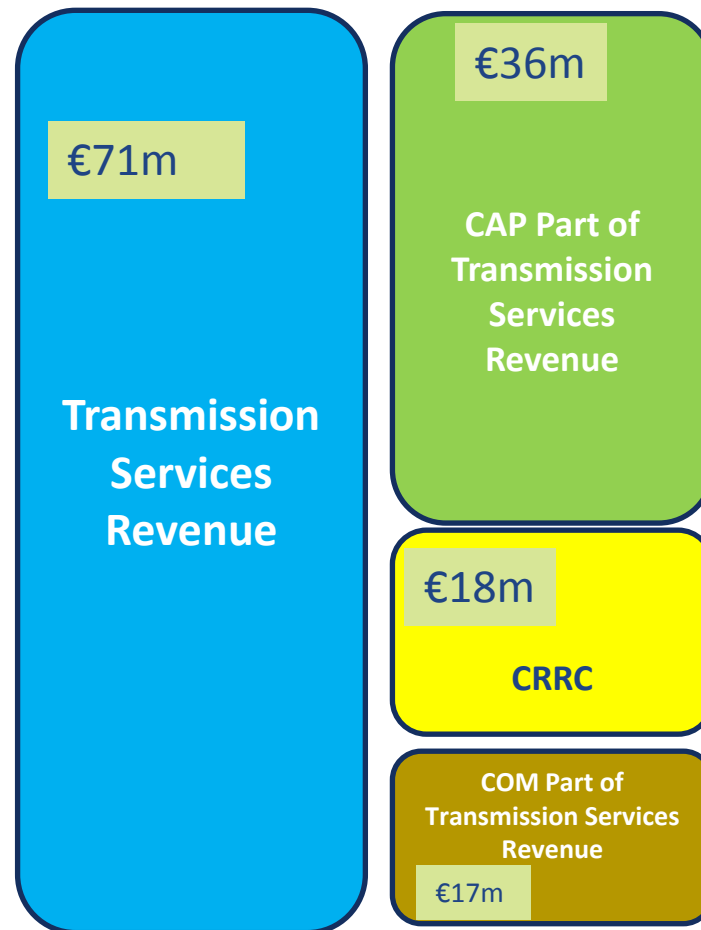


Assumptions
Booked capacity: 20 units
Throughput: 20 units

Allowed Revenue for 2018

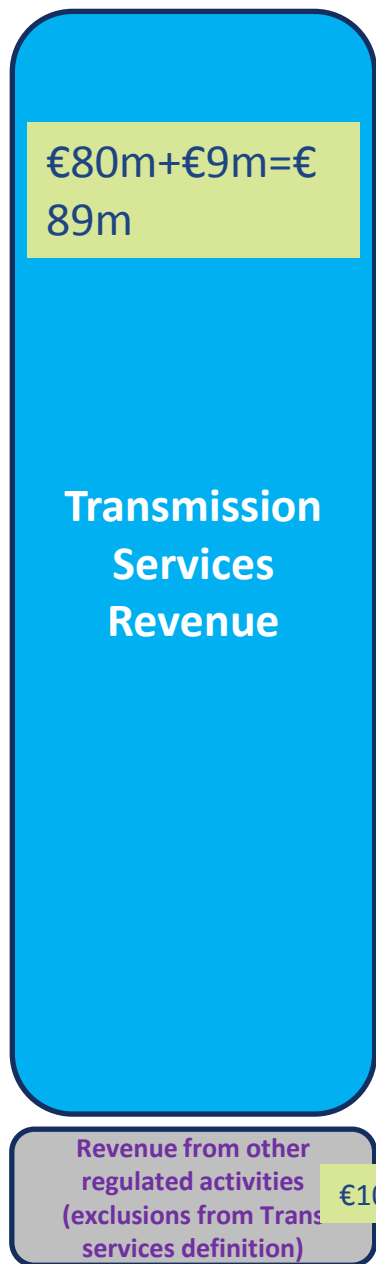


Actual Obtained Revenue for 2018

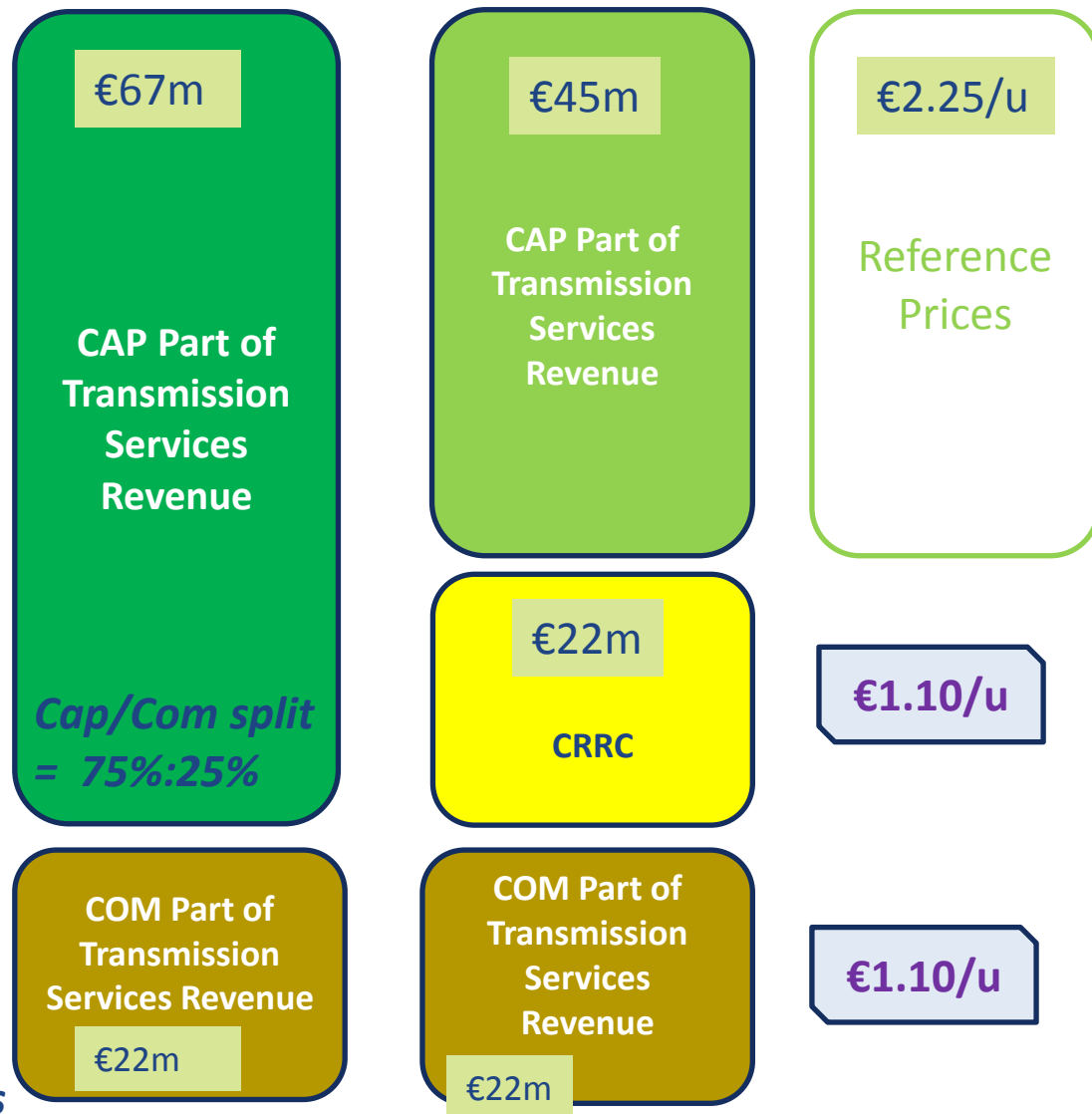


$€80m - €71m = €9m$ under-recovery

Allowed Revenue for 2019



Tariffs for 2019



Assumptions

Booked capacity: 20 units

Throughput: 20 units

The €9m under-recovery from 2018 will be recovered entirely in 2019



Development of the TAR NC: Consultation Workshop

Multipliers

Reserve Prices for Short-Term Capacity Products

**Nikolaos Katsis, DESFA
(on behalf of ENTSOG)**

Use of multipliers – some considerations

(1) Multipliers ranges: Link to the CMP Guidelines with regards to defining congestion

(2) Insertion of a safeguard in relation to the cap for multipliers



*Further explanations of the proposals in the initial draft TAR NC
can be found in the Supporting Document*

(1) Multipliers ranges

TAR FGs:

'The Network Code on Tariffs shall set out that, in determining multipliers the following conditions apply:

- In the absence of congestion, NRAs may decide to apply multipliers not lower than 0.5 but not higher than 1.5.*
- In the event of congestion at specific entry or exit point, NRAs may decide to allow for multipliers not lower than 0.5, and not higher than 1.*

Congestion shall be defined as in point 2.2.3.1 of Annex I to Gas Regulation.

When the NRA decides to allow multipliers, the NRA shall take into account whether the TSO has offered additional capacity that has been paid by incentives as defined by Section 2.2. of Annex I of the Gas Regulation.'

(1) Multipliers ranges

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'The Network Code on Tariffs shall set out that, in determining multipliers the following conditions apply:

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Congestion shall be defined as in point 2.2.3.1 of Annex I to Gas Regulation.

When the NRA decides to allow multipliers, the NRA shall take into account whether the TSO has offered additional capacity that has been paid by incentives as defined by Section 2.2. of Annex I of the Gas Regulation.'

Different issues raised for this section of the TAR FG

(1) Multipliers ranges



TAR FGs:

- *Who has the role to evaluate the definition of congestion?*
 - *ACER according to the yearly monitoring report?*
 - *NRA's?*
- *How shall NRAs take into account whether the TSO has offered additional capacity that has been paid by incentives as defined by Section 2.2. of Annex I of the Gas Regulation? (OS&BB)?*
- *The definition of congestion itself has shown some concerns from TSOs and a wide group of stakeholders*

Different issues raised for this section of the TAR FG

(1) Multipliers ranges

TAR FGs:

- *Who has the role to evaluate the definition of congestion?*
- *ACER according to the yearly monitoring report?* ...Timing issues !
- *NRAs?* ... ENTSOG approach is that the definition should be evaluated by the NRAs



(1) Multipliers ranges

Article 29(1): Ranges for the level of multipliers and seasonal factors

'The decision of the national regulatory authority on the applicable level of multipliers shall be based on the following:

A) if in the case of contractual congestion a decision is taken by this national regulatory authority in accordance with point 2.2.3(1) of Annex I to Regulation (EC) No 715/2009;

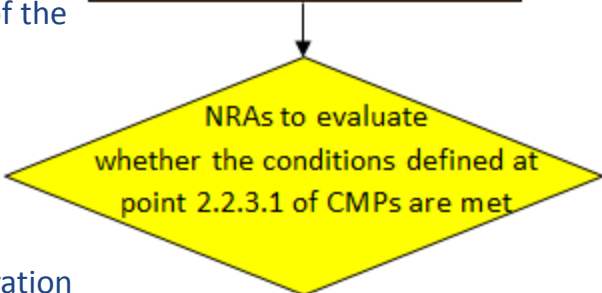
B) if on average the available firm capacity for daily standard capacity products at a given interconnection point is less than ten percent of the technical capacity over 365 days preceding the date of the proposal from the transmission system operator or the date of the decision by the national regulatory authority regarding the multipliers referred to in Article 28.'

| Short Term Product | Multiplier ranges when conditions A + B are met | Multiplier ranges in the rest of the cases |
|-----------------------|---|--|
| Quarterly and Monthly | 0.5 - 1 | 0.5 - 1.5 |
| Daily and Within-day | 0 - 1 | 0 - 1.5 |

✓ **CLEAR AND CONSISTENT CRITERIA NEEDED**

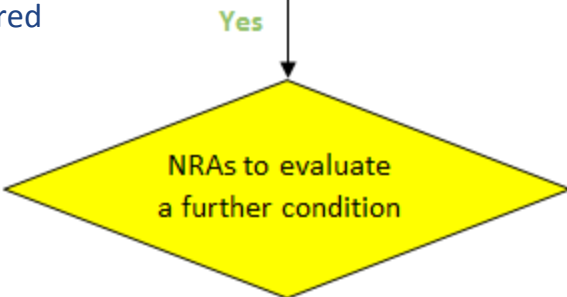
(1) Multipliers ranges

Determination by NRAs of the applicable ranges for multipliers

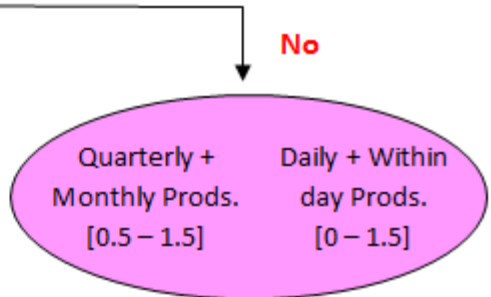
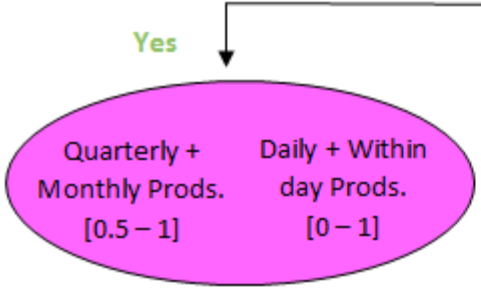
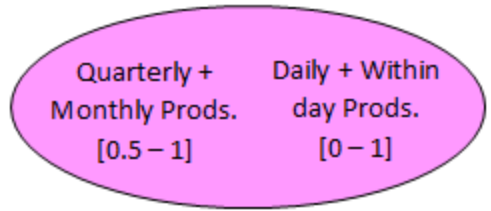


✓ NRAs have flexibility to evaluate the presence / absence of congestion using the definition of CMP.

- Demand exceed offer at the reserve price for products for use in either the year under analysis or in one of the subsequent two years,
- (a) for at least three firm capacity products with a duration of one month or
- (b) for at least two firm capacity products with a duration of one quarter or
- (c) for at least one firm capacity product with a duration of one year or more.
- (d) No firm capacity product with a duration of one month or more has been offered



If on average over the year, the available daily capacity products at a given IP is less than 10% of the technical capacity.



✓ There is a further condition that evaluates physical congestion included as a safeguard – clear indicator of physical congestion

(1) Multipliers ranges – One alternative approach

One alternative: to set the multiplier ranges on the basis of the level of capacity bookings

1) When selling yearly capacity products, if more than 80% of the firm capacity is sold (10% being kept for short-term) → multiplier applied to quarterly products are capped at 1. Otherwise, they are capped at 1.5.

2) When selling quarterly capacity products, if more than 90% of the firm capacity is sold → multipliers applied to monthly, daily and within-day products are capped at 1. Otherwise, they are capped at 1.5.

- **Using this alternative, the level of the multipliers will be determined depending on the results of the previous auctions for other product durations. Therefore, it may not be possible to publish the exact multipliers at the same time of the annual tariff.**
- **This alternative prevents market distortion in order to have lower multipliers by introducing a minimum selling of capacity prior to considering that an IP is congested based only on the payable price.**



(2) Insertion of a safeguard in relation to the cap for multipliers



Low risk of under/over recovery
Assess appropriate balance demand / allowed revenue

When short-term prices don't allow TSOs to maintain the balance due to changes on forecasted bookings
UNDER/OVER RECOVERY

DO PROPOSED RANGES GUARANTEE THE NECESSARY FLEXIBILITY TO MAINTAIN THIS BALANCE ?

Multipliers higher than 1.5 could be needed in some cases

The shorter the duration of the product, the higher value it has for shippers.
Higher multipliers for D, WD products are reflective of the value of the product



The combination of imbalanced recovery and fixed cap for multipliers will imply increase of annual tariffs

Solution for under recoveries: increase annual firm capacity tariff or short term multipliers

(2) Insertion of a safeguard in relation to the cap for multipliers

High under-recoveries have occurred in the previous year

Unreasonable increases in the annual tariffs occur due to the cap of 1.5

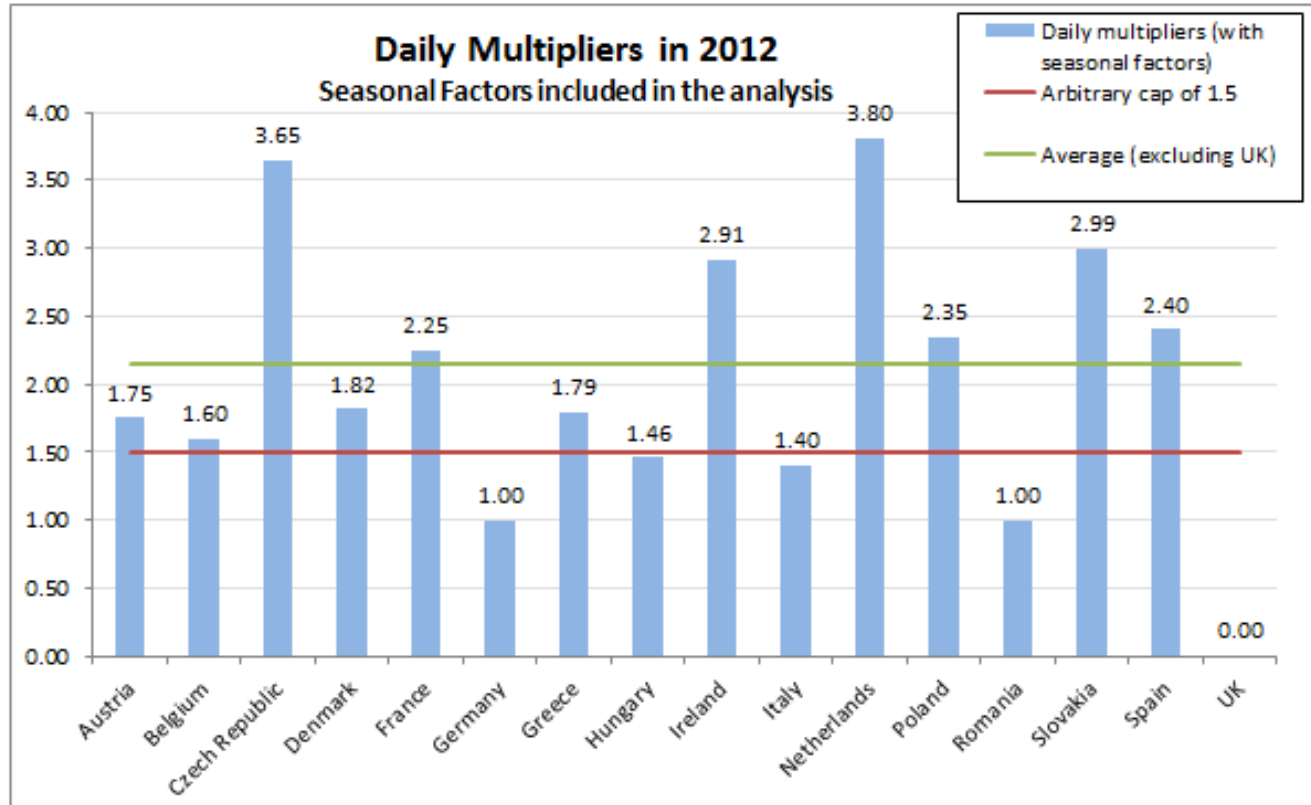
Too low multipliers lead to inconsistency with the chosen cost allocation methodology.

ENTSOG considers the inclusion of a **safeguard** for a higher cap of multipliers necessary

Price cap regimes
If a **low cap** on short-term multipliers is introduced -> Inappropriate revenue shortfalls which the TSO is unable to reconcile.
Irrecoverable shortfall of revenues for TSOs

(2) Insertion of a safeguard in relation to the cap for multipliers

Daily and within-day multipliers



Negative consequences could be created across EU

(2) Insertion of a safeguard in relation to the cap for multipliers

Article 29(5):

*'Subject to the decision of the national regulatory authority, the level of the multipliers may be more than 1.5 where the transmission system operator or the national regulatory authority, as relevant, **justifies** that the resulting reserve prices better correspond to Article 28(5).'*



Development of the TAR NC: Consultation Workshop

Ex-post discount

Pricing of interruptible capacity products

**Jana Krejčová and Borek Kubatzky,
Net4Gas**

(on behalf of ENTSOG)

TAR NC Consultation Workshop – 25 June 2014

Interruptible Capacity - Discount Mechanisms

Article 32(1) of the initial draft TAR NC

'The reserve prices for standard capacity products for interruptible capacity shall be calculated in accordance with either of the following approaches:

(a) by applying an ex-ante discount to the reserve prices for the respective standard capacity products for firm capacity, as detailed in Article 33;

(b) by using the same values as the reserve prices for the respective standard capacity products for firm capacity and in case the capacity is interrupted, by applying an ex-post discount to calculate the reimbursement, as detailed in Article 34;

(c) by using a combination of approaches referred to in points (a) and (b), as follows:

(i) the reserve prices for standard capacity products for interruptible capacity shall be calculated as detailed in Article 33; and

(ii) in case the capacity is interrupted, the reimbursement shall be calculated as detailed in Article 34.'

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Formula for the ex-post discount

$$E_{Rm} = B \times \left(\frac{E_m}{q \times h_m} \right) \times \sum_{R=1}^{h_R} q_{\text{diff } R}$$

E_{Rm} : amount to be reimbursed for an invoicing period within a given contract;

B : adjustment factor applied to reflect the estimated economic value of the type of standard capacity product for interruptible capacity;

E_m : contractual payment for an invoicing period within a given contract excluding, if any, the auction premium;

q : amount of contracted capacity with respect to one hour or one day;

h_m : number of hours or days of an invoicing period within a given contract;

$q_{\text{diff } R}$: amount of interrupted capacity with respect to each hour or each day when the capacity was interrupted;

h_R : number of hours or days of an invoicing period within a given contract when the capacity was interrupted.

Formula for the ex-post discount

! Calculation per invoice period

$$E_{Rm} = B \times \left(\frac{E_m}{q \times h_m} \right) \times \sum_{R=1}^{h_R} q_{\text{diff } R}$$

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Formula for the ex-post discount

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Interrupted
capacity

Total
contracted
capacity

E_{Rm} : amount to be reimbursed for an invoicing period within a given contract;

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Formula for the ex-post discount

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Interrupted capacity

Total contracted capacity



$$\begin{aligned} E_{Rm} &= B \times \left(\frac{E_m}{q \times h_m} \right) \times \sum_{R=1}^{h_R} q_{\text{diff } R} = \\ &= 1 \times \left(\frac{E_m}{20 \times 5} \right) \times (5 + 5) = \\ &= 1 \times \left(\frac{10}{100} \right) \times E_m \\ &= 0.1 \times E_m \end{aligned}$$

The discount is directly proportional to the percentage of interrupted capacity

Justification

- Maintaining ex-post discounts
 - ✓ Can help TSOs to maintain the current offer of different interruptible products
 - ✓ Can avoid unnecessary costs because interruptible capacity could still be offered in parallel with firm capacity as it is implemented nowadays in some systems, to be in line with CAM NC and CMP.
 - ✓ Following the ‘first booked, last interrupted rule’, network users can contract capacity at different times facing different levels of risks; ex-post discounts can take into account the actual risks.

If the ex-post discount is not allowed then it could imply that in some systems with non-congested points, the offer of interruptible capacity would be limited to the minimum requirements in the CAM NC



Development of the TAR NC: Consultation Workshop

Pricing of Non-Physical Backhaul Capacity

**Gregor Scholze, GRTgaz Deutschland
(on behalf of ENTSOG)**

Initial draft TAR NC drafting [1]

The calculation [...] shall apply to all standard capacity products for interruptible capacity regardless of the direction of the gas flow at a given interconnection point. This calculation shall also apply to interruptible capacity products offered at a unidirectional interconnection point in the direction which is opposite to the direction of the physical gas flow as set out in Article 21 of Commission Regulation (EU) No 984/2013.

Nature

- Non-physical backhaul capacity is interruptible

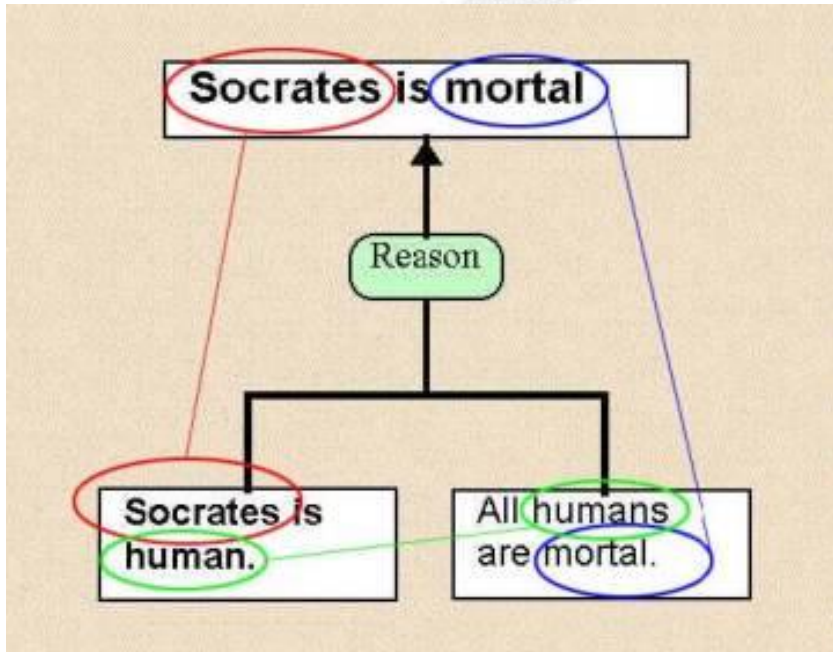
Existing rules

- REG 715 stipulates rules for interruptible
- CAM describes non-physical backhaul

Result for pricing

- Same pricing applied for non-physical backhaul as for other interruptible

Initial draft TAR NC drafting [2]



Non-physical backhaul is dependent on forward flow and thus is **interruptible**.

Interruptible products are priced so that the **probability of interruption is reflected**. (Art. 14.1.b of Regulation 715)

Non-physical backhaul is priced so that the **probability of interruption is reflected**.

Marginal pricing \neq pricing to reflect the probability of interruption

Interrelation of NC with Regulation 715

Each Framework Guideline

- ENTSOG to submit NC that *'is in line with the relevant' FG* (Art. 6.6 of Regulation 715). FG is *'non-binding... setting out clear and objective principles... for the development of' NC* (Art. 6.2 of Regulation 715)
- FG is a step within the NC establishment process (Art. 6 of Regulation 715)

Each Network Code

- NC *'supplements and forms an integral part' of Regulation 715* (recitals of CAM NC and BAL NC)
- NC to be *'compatible with the aim or the content' of Regulation 715* (Art. 5a of Council Decision 1999/468/EC amended by Council Decision 2006/512/EC)



Gas Infrastructure Europe

Tariff Network Code

Philipp Palada, GIE, 25 June 2014

Subject is complex and it's about money

- Harmonised Tariff Structures: achieved, needed?
- Short term capacity: a balanced solution by ENTSOG
- Interruptible Capacity: isn't it the same irrespective of flow direction?
- Storage connection points: room for improvement



Development of the TAR NC: Consultation Workshop

Fixed Price Mechanisms

**Colin Hamilton, National Grid
(on behalf of ENTSOG)**

Fixed Price Mechanisms

Tariff Framework Guidelines

'The Network Code on Tariffs shall set out that, notwithstanding any reserve price adjustments determined by the provisions set out in Chapter 5, the payable price determined in a capacity auction shall be a floating price, which consists of the applicable reference price at the time when the capacity can be used plus the auction premium, if any.'

Article 41(2) of the initial draft TAR NC

'The reserve price referred to in paragraph 1 shall be either of the following:

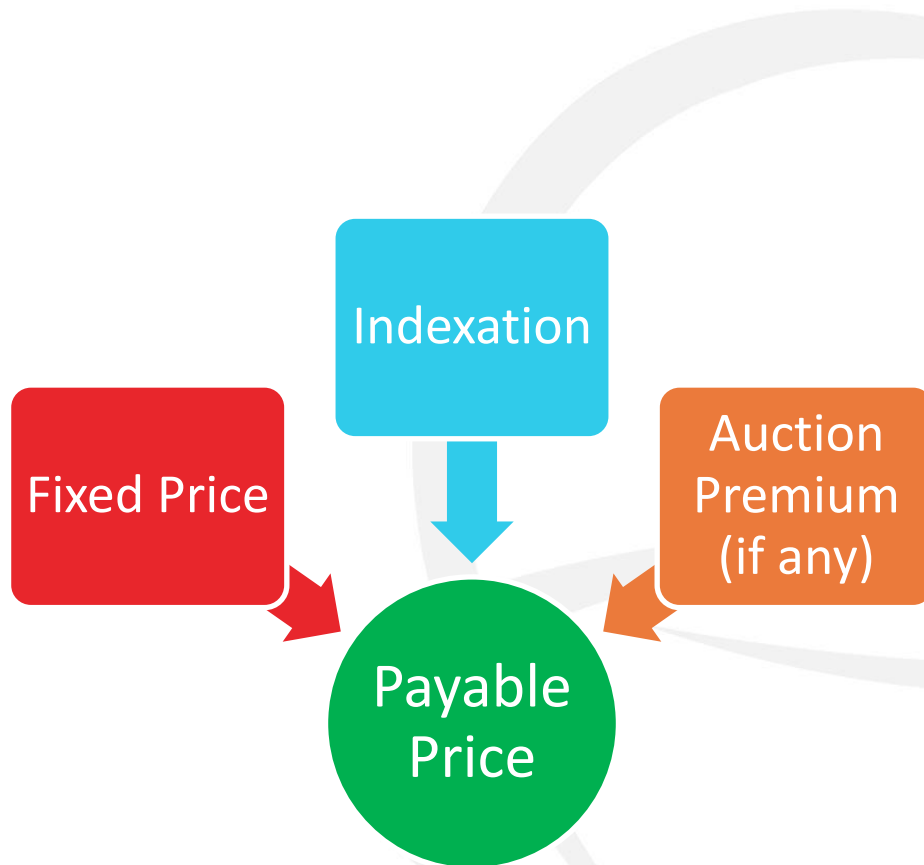
- a) floating price, where such price is the one that is applicable at the time when the concerned standard capacity product may be used;*
- b) fixed price, where such price is the one that is applicable at the time when the concerned standard capacity product is auctioned;*
- c) the combination of approaches referred to in points (a) and (b);*
- d) fixed price referred to in point (b) with an additional variable charge.'*

Fixed Price Mechanisms

Some suggested fixed price mechanisms could be:

- (1) fixed price + indexation
- (2) fixed price + a risk premium
- (3) fixed price + a variable charge
- (4) fixed price + a combination of indexation, and a premium or variable charge.

Fixed Price + Indexation



Indexation Options:

1. Inflation rate e.g. the one used to inflate the RAB
2. Inflation to reflect the time value of money e.g. national or European inflation rate

Fixed Price + A Risk Premium

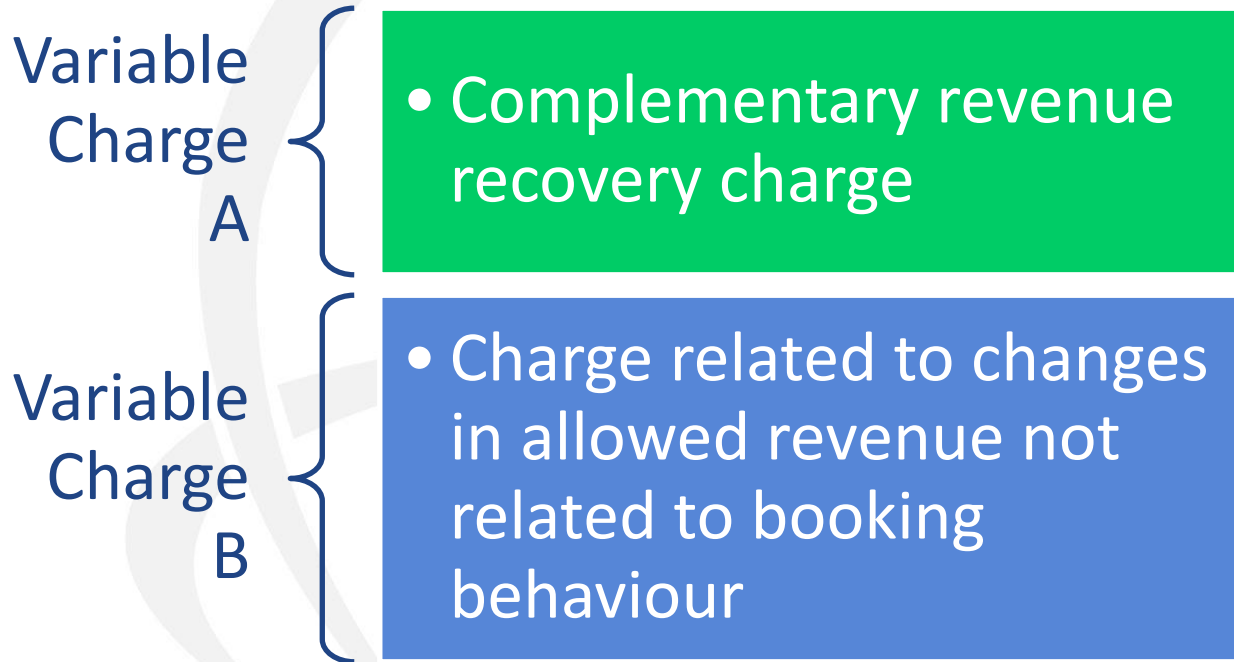
Risk Premium Option A

- Fixed Risk Premium
- Use increased rate of return to calculate an increase in revenue that could be converted into a risk premium

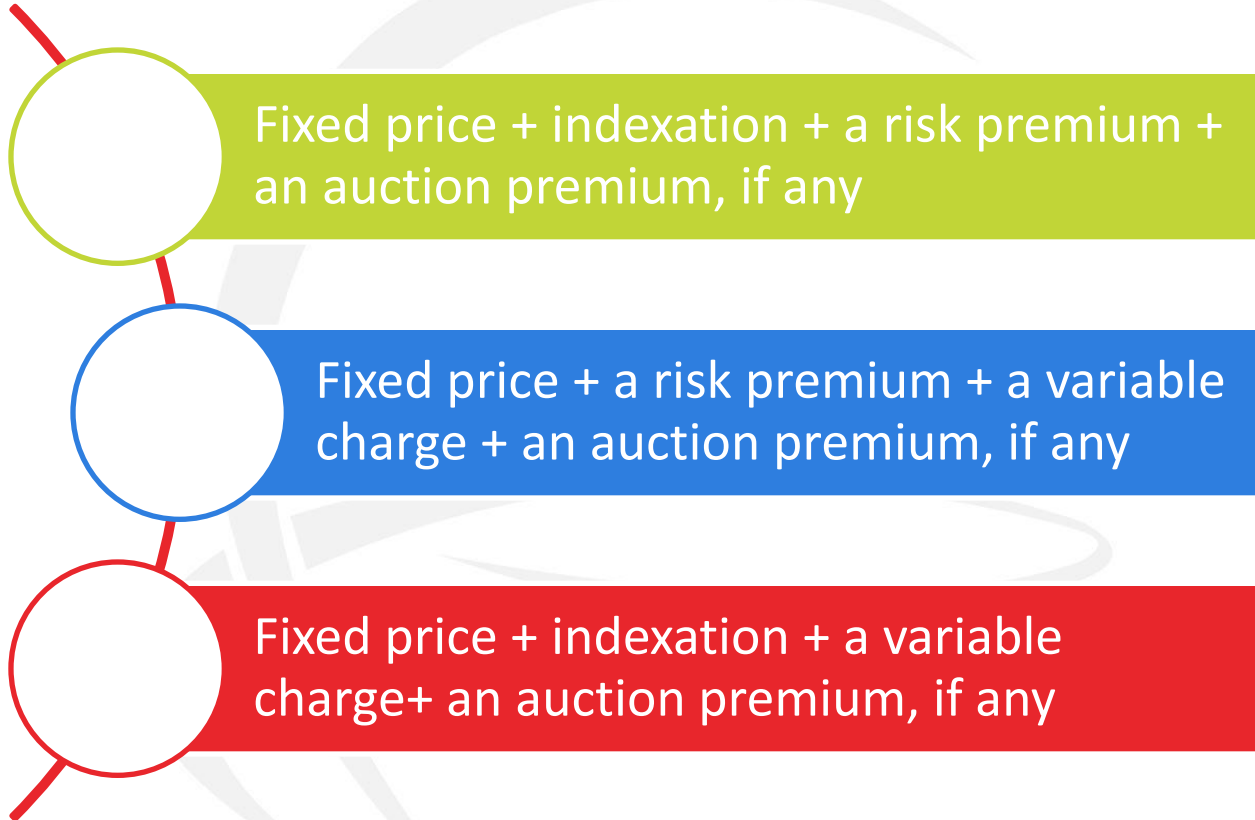
Risk Premium Option B

- Alternative option to keep the appearance of a fixed price
- Use a risk premium as a buffer with a floating tariff
- Risk premium changes depending on the floating tariff up to a maximum amount

Fixed Price + A Variable Charge



Payable Price = Fixed Price + A Combination





european network
of transmission system operators
for gas

Summing Up and Refinement Workshop

TAR NC Consultation Workshop – 25 June 2014

After the Consultation Workshop

Best opportunity for bilateral discussions



- 1 Time spent on the development of the TAR NC up to 25th June
- 2 Time from 25th June until 30th July (end of consultation period)
- 3 Time from 30th July to the 24th September (Refinement Workshop)
- 4 Time from the 24th September (Refinement Workshop) to the Stakeholder Support Process
- 5 Time from the start of the Stakeholder Support Process to the end of it (21st November)
- 6 Time from the end of the Stakeholder Support Process to the 31st of December

Refinement Workshop

- Deadline for responses to the initial draft TAR NC consultation is the 30th of July
- Analysis of initial draft TAR NC consultation responses
- ENTSOG Refinement Workshop
 - Date: 24th of September
 - Location: ENTSO-E Conference Room (Ground Floor of 100 Avenue de Cortenbergh)



Thank you