INITIAL DRAFT TAR NC
CONSULTATION RESPONSES REPORT

(Summary of Responses to Consultation)

WHAT HAPPENED? On 30 May 2014, ENTSOG published for public consultation the Initial Draft Network Code on Harmonised Transmission Tariff Structures for Gas (hereinafter 'the initial draft TAR NC') ([1]). The Supporting Document ([2]) accompanying the initial draft TAR NC provided clarifications and explanations for the content of the initial draft TAR NC and encompassed 58 consultation questions on which the stakeholders were asked to provide their answers. The consultation period ran over 2 months and closed on 30 July 2014. ENTSOG received 46 responses out of which 1 response was marked as confidential. To facilitate the analysis of responses, ENTSOG asked the stakeholders to submit them via an online questionnaire. For the convenience of the public, the compilation of all non-confidential responses received by ENTSOG – structured in a reader-friendly format per respondent – was published on ENTSOG's website on 7 August 2014 ([3]).

WHAT IS THIS DOCUMENT? This document represents the unbiased summary of all responses received by ENTSOG and is structured per consultation question. The confidential response is also taken into account and is marked in this document as 'Respondent A'. The summary is based on the responses in the way they were provided to ENTSOG and is not accompanied by ENTSOG's view thereon. This document has been prepared by ENTSOG in order to help the market with easy identification of stakeholder's views and is for information purposes only.

([1]) Ref. TAR200-14, please see ENTSOG's website: http://www.entsog.eu/public/uploads/files/publications/Tariffs/2014/TAR200-14_Initial%20Draft%20TAR%20NC_for%20consultation.pdf.
([2]) Ref. TAR300-14, please see ENTSOG's website: http://www.entsog.eu/public/uploads/files/publications/Tariffs/2014/TAR300-14_Initial%20Draft%20TAR%20NC%20Supporting%20Document_for%20consultation.pdf.
([3]) Ref. TAR334-14, please see ENTSOG's website: http://www.entsog.eu/public/uploads/files/publications/Tariffs/2014/TAR334-14_Initial%20Draft%20TAR%20NC%20Non-Confidential%20Responses%20to%20Consultation_Reader%20Friendly%20Format.pdf.

HOW TO READ THIS DOCUMENT? The first part of the document is the table of all non-confidential respondents to the consultation with identification of the type of organisation, segment and country of origin. The second part is comprised of the tables per consultation question structured in the following way: (1) total number of respondents; (2) positions and rationale; (3) other remarks / comments / suggestions. The section 'total number of respondents', apart from Questions 9 and 14, is split into 'yes', 'no' – which are highlighted in green or in red depending on whether the respondent is in favour or in opposition – and 'unclear'. The section 'positions and rationale' is split into different themes raised by the respondents with identification of the name of the respondent, the short description of the theme, the rationale for arguments (if any) and the evidence provided (if any).

THANK YOU! The initial draft TAR NC which has been consulted upon was prepared following the Invitation Letter from the European Commission of 19 December 2013 ([4]) and is based upon the Framework Guidelines published by ACER on 29 November 2013 ([5]). The 2-month consultation is a crucial milestone within the network code development process. Pursuant to Article 10(1) of Regulation (EC) No 715/2009 ([6]), ENTSOG has an obligation to conduct an extensive consultation process during such process and in particular, to 'aim at identifying the views and proposals of all relevant parties'. ENTSOG would like to thank the respondents to the public consultation for their feedback and the active participants for their continuous involvement within the TAR NC development process.

WHAT'S NEXT? The responses to the consultation on the initial draft TAR NC will be taken into consideration during the development of the refined draft TAR NC. The Refinement Workshop scheduled for 24 September 2014 is aimed at presenting the summary of such responses and ENTSOG's first views on how they are being considered for the purpose of preparing the refined draft TAR NC. The next stage of stakeholder involvement is the Stakeholder Support Process scheduled for the time period from 7 to 21 November 2014 which, according to Article 26(4) of ENTSOG's Rules of Procedure ([7]), provides the stakeholders with an opportunity 'to express their support of or their disapproval' with regard to the refined draft TAR NC. The key dates in the process of the TAR NC preparation can be checked in the Final Project Plan ([8]).

([4]) Ref. Ares(2013)3773211 - 19/12/2013, please see ENTSOG's website: http://www.entsog.eu/public/uploads/files/publications/Tariffs/2013/20131217%20Invitation%20ENTSOG%20draft%20NC%20TAR.pdf.
([5]) Ref. FG-2013-G-01, please see ACER's website: http://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Framework_Guidelines/Framework%20Guidelines/Framework%20Guidelines%20on%20Harmonised%20Gas%20Transmission%20Tariff%20Structures.pdf.
([6]) Regulation (EC) No 715/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the natural gas transmission networks and repealing Regulation (EC) No 1775/2005 (OJ L 211, 14.8.2009, p. 36).
([7]) Please see ENTSOG's website: http://www.entsog.eu/public/uploads/files/publications/Statutes/2012/LGT0105-12_Rev_1_23%2011%202012_ENTSOG_RoP_Amendment_GA(131212)clean.pdf.
([8]) Ref. TAR202-14, p. 10, please see ENTSOG's website: http://www.entsog.eu/public/uploads/files/publications/Tariffs/2013/TAR0202-14_140130%20Final%20Project%20Plan%20for%20Tariff%20NC.pdf.

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1. Respondents to Consultation

No.	Respondent	Country of Origin	Organisation	Segment
1.	BDEW	Germany	National Association	Network User
2.	Bord Gais Energy Ltd ('Bord Gais Energy')	Ireland	Company	Shipper
3.	Centrica Storage Limited ('Centrica Storage')	UK	Company	Storage Operator
4.	Commission for Energy Regulation ('CER')	Ireland	National Regulator	Regulator
5.	DEPA S.A. ('DEPA')	Greece	Company	Shipper
6.	EDF Energy	UK	Company	Shipper
7.	EDF SA	France	Company	Shipper
8.	EDF Trading Ltd. ('EDF Trading')	UK	Company	Trader
9.	Edison SpA ('Edison')	Italy	Company	Producer
10.	EDP	Portugal	Company	Shipper
11.	EFET	Europe	Association	Shipper
12.	Enel SpA ('Enel')	Italy	Company	Network User
13.	Energie-Nederland	The Netherlands	National Association	Industrial Energy Users
14.	Energy UK	UK	National Association	Shipper
15.	eni SpA ('eni')	Italy	Company	Shipper
16.	E.ON Global Commodities SE ('E.ON')	Germany	Company	Shipper
17.	E.ON Gas Storage	Germany	Company	Storage Operator
18.	ESB	Ireland	Company	Shipper
19.	Esso Nederland BV ('Esso Nederland')	The Netherlands	Company	Producer
20.	Energy and Utilities Alliance - Gas Storage Operators Group ('EUA - GSOG')	UK	National Association	Storage Operator
21.	Eurelectric	Europe	Association	Industry
22.	Eurogas	Europe	Association	Wholesale, retail, distribution

23.	Gas Natural Fenosa	Spain	Company	Network User
24.	GAS STORAGE NETHERLANDS	The Netherlands	National Association	Storage Operator
25.	GasTerra BV ('Gasterra')	The Netherlands	Company	Shipper
26.	Gazprom Marketing & Trading Limited ('GM&T')	UK	Company	Shipper
27.	GDF Suez	France	Company	Shipper
28.	GDF Suez Infrastructures	France	Company	Infrastructure
29.	GIE	Europe	Association	Infrastructure
30.	HANDEN Sp. z o.o. ('HANDEN')	Poland	Company	Trader
31.	Hungarian Gas Tranzit Ltd. (Hungarian Gas Transit)	Hungary	Company	Interconnector Operator
32.	IFIEC Europe ('IFIEC')	Europe	Association	Industrial Energy Users
33.	Initiative Erdgasspeicher e.V ('INES')	Germany	National Association	Storage Operator
34.	OGP - The International Association of Oil & Gas Producers ('OGP')	Europe	Association	Producers
35.	RWE Gas Storage	Germany	Company	Storage Operator
36.	SEDIGAS - Asociación Española del Gas ('Sedigas')	Spain	National Association	Gas Companies
37.	SSE	UK	Company	Shipper
38.	SSE Hornsea Ltd	UK	Company	Storage Operator
39.	Statoil	Norway	Company	Producer/Network User
40.	Vattenfall	Europe	Company	Shipper
41.	VKU	Germany	Company	Local Utilities
42.	VNG Energie Czech	Czech Republic	Company	Supplier
43.	VNG Slovakia spol. s r.o. ('VNG Slovakia')	Slovakia	Company	Supplier
44.	VNG - Verbundnetz Gas AG ('VNG')	Germany	Company	Supplier
45.	WINGAS Gmbh ('Wingas')	Germany	Company	Gas Distribution

2. Summary of Responses per Question

CHAPTER I. GENERAL PROVISIONS

Question 1

Is the scope of the initial draft TAR NC as set out in Article 2 clear to you?			
Number of respondents: 37	**Yes** **30**	**No** **7**	**Unclear** **n/a**
Positions and rationale	**Theme 1**: **Charges within the scope of the TAR NC** Respondents: CER, Esso Nederland, OGP Describe theme: Within this theme, the following issues were raised: (1) additional clarity is needed regarding charges within the scope of the TAR NC (2) the scope of the transmission services is to be left at the NRA discretion **Theme 2: Difference in the scope of the TAR NC Chapters** Respondents: DEPA, Esso Nederland, OGP, Sedigas, SSE, Statoil, Vattenfall, Wingas Describe theme: Within this theme, the following issues were raised: (1) formulation of the difference in the scope of different Chapters: the general rule is application to all entry and exit points and then some Chapters apply to IPs only (2) link between the CAM NC and the TAR NC: • Chapters with the scope limited to IPs can be applied only at non-IPs regarding which the NRA has taken the decision to apply the CAM NC • unclear which NC applies at which point (3) more rules for non-IPs: • more precision is needed regarding the application at non-IPs • it is unclear why the application of the TAR NC at non-IPs is left at the discretion of NRA (4) less rules for non-IPs: the scope of the whole TAR NC should be limited to IPs only (5) other concerns for non-IPs: • it is unclear what a non-IP is, a list of such points is needed • if the Chapters with the scope limited to IPs are to be applied at non-IPs then the prior consultation is needed Rationale for arguments: The rationale provided for the respective issues above: (2) inconsistency between CAM NC and TAR NC **Theme 3**: **Specific nature of interconnectors** Respondents: DEPA, eni, Esso Nederland, OGP, Statoil, Wingas Describe theme: Within this theme, the following issues were raised:		

	(1) include interconnectors within the TAR NC scope: the interconnectors are 'somehow not fully in scope' (2) additional detail is needed in general regarding such application (3) additional detail is needed with regard to: • the specific nature of interconnectors (absence of captive demand, non-meshed networks) • non-discrimination in favour or against interconnectors • under-recovery of the interconnectors, namely first 2 of the 3 options: (i) revenue recovery over a period longer than 1 year; (ii) setting aside part of the revenue; (iii) integration with adjacent e/e system Rationale for arguments: The rationale provided for the respective issues above: (2) the mere mention of an effective revenue reconciliation mechanism does not provide clarity as to how the application of the TAR NC to interconnectors works in practice **Theme 4**: **Application of the TAR NC to points with third countries** Respondents: Esso Nederland, OGP, Sedigas, Statoil Describe theme: Within this theme, the following issues were raised: (1) limit potential application of the TAR NC at such points to Chapters IV, VI and VII (2) it is unclear why the application of the TAR NC at points with third countries is left at the discretion of NRA
Other remarks / comments / suggestions	• add contents page • reference to Chapter VIII is missing in Article 2(1) • add a clarification that the total allowed revenue for TSO/DSO is determined by the NRA

Question 2

Do you agree with the scope of the initial draft TAR NC?			
Number of respondents: 37	**Yes** **27**	**No** **10**	**Unclear** **n/a**
Positions and rationale	**Theme 1**: **Charges within the scope of the TAR NC** Respondents: Esso Nederland, GM&T, OGP Describe theme: Within the theme, the following issues were raised: (1) TAR NC is to cover all the charges of the TSO to network users (2) all the elements of the final tariffs are to be made transparent Rationale for arguments: The rationale provided for the respective issues above: (1) consistency with Article 13 of the Gas Regulation		

Theme 2: **Difference in the scope of TAR NC Chapters**

Respondents: DEPA, EDF Trading, EDP, Energie-Nederland, Esso Nederland, Gasterra, OGP, Statoil

Describe theme: Within the theme, the following issues were raised:

(1) formulation of the difference in the scope of different Chapters: the general rule is application to all entry and exit points

(2) more rules for IPs: the same rules ('conditions' and methodology) to be applied at both sides of the border

(3) more rules for non-IPs: precision is needed regarding the application at non-IPs, in particular Chapters IV and VII are to be applied there

(4) less rules for non-IPs:

- Chapters IV, VI and VII are to be applied at IPs only, without the possibility of the NRA to extend the scope of their application to non-IP
- Chapters IV and VII are to be applied at IPs only: pricing of entries from production, entries from/exits to LNG terminals, exits for consumption are to be priced per national rules
- Chapter IV to apply to IPs only

Theme 3: **Specific nature of interconnectors**

Respondents: GDF Suez, Energy UK, E.ON, Esso Nederland, OGP

Describe theme: Within this theme, the following issues were raised:

(1) include interconnectors within the TAR NC scope: not to exclude interconnectors from the application of the TAR NC, the maximum what should be allowed is not to apply for a certain time period specific rules of the TAR NC identified by the NRA

(2) change the place of Article 2(4):

- move Article 2(4) to the recitals
- delete the whole paragraph

(3) additional detail is needed with regard to:

- additional detail re the specific nature of interconnectors: some principles (like for storage) are to be developed, and any specific arrangements are to be consulted
- additional detail re 'effective revenue recovery mechanisms' – the solution is to merge interconnectors with areas with significant domestic demand

Rationale for arguments: The rationale provided for the respective issues above:

(2) consistency with CAM to be kept

(3) unclear how special rules may be agreed, what an impact for other points would be

Theme 4: **Application of the TAR NC to the points with third countries**

Respondents: Esso Nederland, OGP, Statoil

Describe theme: Within this theme, the following issues were raised:

	(1) only Chapters IV, VI and VII can be applied at points with third counties (subject to the NRA decision), and not any other Chapter of the TAR NC (2) delete the whole paragraph **Theme 5**: **Pricing of bundled capacity products** Respondents: Eurogas, Gasterra Describe theme: A solution for the tariff aspects of bundled capacity products is needed Rationale for arguments: It is unclear how the price for bundled products is to be ascertained if a 'fixed option' is allowed only by 1 TSO at one side of the border, shippers should be given the right to fix their tariffs
Other remarks / comments / suggestions	• move Article 2(3) to the recitals to maintain consistency with the CAM NC • add cost-reflectiveness in the scope – the TAR NC does not talk about the efficiency of the costs • add clarity re relationship between the complementary revenue recovery charge and the reconciliation of the regulatory account • there has been insufficient analysis of how the TAR NC meets the criteria of Article 13 of the Gas Regulation and how it improves the existing approaches; discrimination between long-term and short-term users because of the floating tariffs regime

Question 3

Do you agree with ENTSOG's proposal for amendments to the definitions foreseen by the TAR FG, as set out in Article 3 of the initial draft TAR NC?			
Number of respondents: 38	**Yes** **21**	**No** **17**	**Unclear** **n/a**
Positions and rationale	**Theme 1**: **In agreement with Code proposal** Respondents: Energie-Nederland, ESB, EDF SA, IFIEC, CER, VNG Energie Czech, Gasterra, Gas Natural Fenosa, Hungarian Gas Tranzit, HANDEN, EDF Energy, VNG Slovakia, GIE, RWE Gas Storage, Energy UK, Gas Storage Netherlands, VNG, SSE, Centrica Storage, DEPA Describe theme: stakeholders indicated their support of the approach foreseen by the initial draft TAR NC Rationale for arguments: fully aligned with the initial draft TAR NC except for the following suggested amendments by some respondents. Many of the definitions from the FGs have been omitted from the Draft NC. However, the definition of Entry Point and Exit Point should remain. A definition of both should be included as it aids clarity on the scope of the Network Code. This will ensure that NRAs apply a uniform Entry/Exit regime across all Member States. Need a better definition of transmission services. To reinsert the definitions of Costs (OPEX; Depreciation; CAPEX, in terms of equity and debt) and of Revenue cap regime (instead of non-price cap).		

	Theme 2: Disagreement with relation to specific definition items Respondents: 1. EFET, EDF Trading, eni, GDF Suez, Esso Nederland, E.ON, Statoil, OGP, Respondent A: 'transmission services' 2. EFET: 'Costs'; 'dedicated services' 3. Esso Nederland, Statoil, OGP: 'locational signal'; 'tariff period' 4. Esso Nederland: 'price cap regime'; 'non-price cap regime' 5. Eurogas: not endorsed the entire package, details on single definitions provided according to specific points 6. Statoil, OGP: 'Target revenue'; 'Regulatory period'; BDEW, VKU, Eurelectric: 'allowed revenues' 7. EDP, GDF Suez Infrastructures: general preference to keep all FGs definitions, with particular reference from EDP to the following items: 'Allowed revenues'; 'Reference price'; Regulated price'; 'Tariff period' 8. Vattenfall: 'seasonal factor' 9. Sedigas: 'locational signal' Describe theme: the change or omission of some definitions by ENTSOG compared to the FGs which have been evaluated as inappropriate with related amendments suggested. Rationale for arguments: (1) In case of correction - proposed definitions are not clear or provide too much room for local/national variations, against harmonisation requirements which are a basis for the European NCs; (2) In case of omission - inclusion of definitions provided by FGs judged as appropriate for the sake of clarity/completeness of the TAR NC Evidence provided: yes, in terms of justification for the proposed corrections or the reinstatement of the items at stake. **Theme 3**: **Establish a common pool of definitions within the Regulation (EC) 715/2009** Respondents: GM&T Describe theme: Create a master definition list common to all NCs to be added to Regulation 715/2009 Rationale for arguments: The network codes that augment Regulation (EC) 715/2009 are technical codes. It is essential that a comprehensive and robust foundation is provided by the definitions to ensure clear understanding. Evidence provided: yes, in terms of illustrative examples
Other remarks / comments / suggestions	• Definition of transmission service / dedicated services: to refer to 'transmission services' as the activities to be provided on behalf of all network users of a transmission system and to 'dedicated services' as services other than transmission services, which are provided by transmission system operators in relation to activities provided on behalf of specific network users. Refer also to Q5.

	• Many disagreement referred to Q5 (transmission service definition), to which Q3 is partially overlapping.

Question 4

Are there any other definitions that should be included in the TAR NC?			
Number of respondents: 37	**Yes** **20**	**No** **17**	**Unclear** **n/a**
Positions and rationale	**Theme 1**: **Definition of non-transmission services** Respondents: Energie-Nedereland, EFET, EDF Trading, EDF SA, GDF Suez, Eurogas, Energy UK, DEPA Describe theme: The need to define as having the flexibility to include non-transmission costs into the tariff may lead to cross subsidies Rationale for arguments: Provides too much scope for variation; practice consists of subsidising the costs of non-transmission activities through transmission tariffs; makes it difficult to predict tariffs; ultimately reduces cross border trading; Evidence provided: Example of costs of conversion from L-Gas to H-Gas in Germany being charged at IPs; Under-recovery from storage charged at IPs in Italy. **Theme 2**: **Need to clarify definition of congestion** Respondents: EDF Trading, EDF SA, GDF Suez, EDF Energy, Enel, Energy UK Describe theme: Should define within the Code Rationale for arguments: CMP definition has been criticised; the TAR NC would benefit from a clear definition **Theme 3**: **Definition of Complimentary Revenue Recovery Charge, mainly raised by UK based companies** Respondents: EDF Energy, EDF SA, Energy UK, SSE Describe theme: Need to clarify what costs the Complementary Revenue Recovery Charge does and does not cover Rationale for arguments: Clarity **Theme 4**: **Reserve Price** Respondents: Gasterra, GDF Suez Infrastructures, DEPA Describe theme: Link to reference price needs to be clarified.		
Other remarks / comments / suggestions	• Seasonal factors – should be added and it is not clear whether it is seasonal or monthly factors. • Short-haul tariff – benefit in providing a definition. • Additional definitions – including 'regional and local transmission activities', 'flexibility services', 'quality conversion', 'biogas related services', 'system operation		

	services for third parties' among the non-transmission services potentially opens to the need for additional definitions for each of the items listed. • Definition of 'price cap regime' and 'non-price cap regime' would add clarity. • Definition of 'transmission services revenue' in Article 4.1 could be moved to the Definitions section. • Response referenced from Q4, but contained in response to Q3: Need a consistent definition of costs throughout the Code • Responses not directly associated with the Question: - Amendment to the definition of 'tariff period' in Article 3, Number 10. 'A tariff period is the period defined by the national regulatory authority.' If a Europe-wide harmonisation is intended, we would prefer a tariff period from 1st of January to 31st of December. Thus, in this case, Article 3, number 10 should be amended as follows: 'A tariff period starts at the 1st of January and ends at the 31st of December, if the national regulatory agency does not define other start and end dates.' - The following definition should be clarified; 'Cost allocation approach: application of a capacity-commodity split to the transmission services revenue and then the cost allocation methodology is applied to the capacity portion of the revenue; Cost allocation methodology = the primary cost allocation methodology plus the application of secondary adjustments, if any.' - Tariff Period - NRA/TSOs should publish a tariffs forward curve for the regulatory period, based on estimations, that is updated periodically. - Agents should have ex ante information about the update calendar of each parameter used in the tariffs calculation.

Question 5

Do you agree with ENTSOG's proposal for the definition of transmission services as set out in Article 3.11 of the initial draft TAR NC?			
Number of respondents: 38	**Yes** **9**	**No** **28**	**Unclear** **1**
Positions and rationale	**Theme 1: In agreement with Code proposal** Respondents: CER, Gas Natural Fenosa, Hungarian Gas Tranzit, Gasterra, GIE, GDF Suez Infrastructures, RWE Gas Storage, SSE, Centrica Storage, DEPA Describe theme: Clarity provided to the definition of Transmission Services Rationale for arguments: The definition gives NRAs discretion where the service is local or regional. Therefore, the CER is of the view that the definition is adequate. From a shipper perspective the CER is of the view that where services are outside the scope of transmission services then these should be clearly established at a national level to aid transparency.		

	'Any other dedicated services or infrastructure' is rather vague therefore a cap, approved by the NRA, should be introduced on the part of the total allowed revenues that can be attributed to these 'dedicated services'. The scheme on page 26 of the supporting document is not coherent with the suppression of the 5% revenue limit for dedicated services. In addition, it is not clear why there are two separate boxes for 'other charges for dedicated services ' and 'other TSO provided services revenue' The inclusion into the definition of reference to 'the activities defined under the applicable national rules' is seen as problematic. **Theme 2**: **Definition of 'transmission services' to be amended** Respondents: Energie-Nederland, EFET, ESB, EDF Trading, EDF SA, eni, GDF Suez, Esso Nederland, E.ON, IFIEC, Eurogas, Statoil, OGP, VNG Energie Czech, BDEW, EDP, HANDEN, EDF Energy, VNG Slovakia, VKU, Respondent A, Edison, Enel, Energy UK, Gas Storage Netherlands, VNG, Eurelectric, GM&T Describe theme: the proposed definition is not clear and / or provides too much room for national interpretation, potential cross-subsidies and consequent distortions of cross-border flows and trading. This is particularly true with regard to the wording 'excluding the activities defined under the applicable national rules, such as…'. Exclusion of services from transmission activities should be properly justified and supervised by ACER. A cap on the non-transmission services, other than balancing charges, would help to limit the risks described. There is general support only for the exclusion of balancing and short-haul as clearly dedicated services (the latter lacks a definition, which should be added to NC). Rationale for arguments: an unclear or too broad definition may cause distortions with regard to cross-border flows and trading and is in contradiction to the proper harmonisation purposes of the European NCs. The definition leaves space for different national interpretations which could lead to an inefficient implementation of the TAR NC.
Other remarks / comments / suggestions	• Definition of transmission service / dedicated services: to refer to 'transmission services' as 'the activities to be provided on behalf of all network users of a transmission system' or 'the services relating to transmission which a TSO can provide to all of the network users connected to its transmission system'. Symmetrically, 'dedicated services' can be defined as 'those services other than transmission services, which are provided by transmission system operators in relation to activities provided on behalf of specific network users'. • Question to be read linked to Q3.

CHAPTER II. COST ALLOCATION APPROACH

Question 6

Is it clear which portion of the allowed or target revenue is used as an input to the cost allocation approach as set out in Article 5.1 of the initial draft TAR NC?			
Number of respondents: 37	**Yes** **19**	**No** **18**	**Unclear** **n/a**
Positions and rationale	**Theme 1: Complementary revenue recovery charge** Respondents: ESB, Eurelectric, Statoil, EFET, eni, GDF Suez, Gasterra, DEPA Describe theme: Some respondents express their concerns about the complementary revenue recovery charge. From their point of view it is not clear how the respective costs to be recovered are allocated. Furthermore, the unilateral decision on the application made by the NRA may be distortionary. One respondent emphasizes that commodity based charges shall only be applied to recover costs mainly driven by the volume actually flowed. One other respondent sees a risk that TSOs gain additional revenues on top by invoicing a commodity based charge and passing risk on network users. Rationale for arguments: One respondent mentions possible distortional impacts on competition and hence choice of routes. One respondent says that limiting commodity charges facilitates short term gas trading and flows between hubs and flexibility also in terms of the use of gas in the electricity sector. **Theme 2: Broadness and complexity** Respondents: Statoil, IFIEC, GDF Suez, GM&T Describe theme: The respondents are concerned about too many exemptions, additional complexity and a shift of costs between services and provide some examples to illustrate the issue. Rationale for arguments: According to one respondent, Article 4 and especially Article 5 may make the cost allocation mechanism rules irrelevant or marginal as costs can be moved to non-transmission revenue. **Theme 3: Dedicated service revenues and transparency** Respondents: Statoil, Energy UK, eni, Eurelectric, Gasterra, Edison, EDF SA, Respondent A, Eurogas, EDF Energy Describe theme: Respondents mention that there needs to be full transparency regarding dedicated service revenues. They highlight that the draft TAR NC does not include the 5% cap on it as stated in the TAR FG. Although, they agree that a 5% cap is arbitrary, they propose to consult with stakeholders in a transparent way about the cost of dedicated services in case the respective TSO exceeds the threshold. The costs of dedicated services should be fully transparent. One respondent is in favour of any changes to the charges		

being be published and explained at least 30 days in advance. Two other respondents highlight the importance to know the charges before the yearly capacity auction in march. One respondent sees an oversight of ACER may be appropriate if the cap is exceeded.
Rationale for arguments: The respondents are of the opinion that without a cap it could lead the cost allocation methodology applying only to a small fraction of total transmission allowed revenue. Additionally, TSO may have an incentive to shift costs to dedicated services.

Theme 4: Definition of transmission services
Respondents: Energie-Nederland, Esso Nederland, OGP, EDF Energy, Energy UK
Describe theme: Some respondents mentioned that the definition of transmission services is unclear. It is therefore also unclear what is considered as the revenue input to the cost allocation methodology. Furthermore, it seems unclear how over- and under-recoveries are managed. One respondent suggested that the NRA should decide what 'transmission services' are included / excluded.

Theme 5: Article 4.4 (c) stating 'in kind'
Respondents: EDF Trading, GDF Suez, EFET
Describe theme: The respondents are concerned about Art 4. 4 (c) giving the opportunity for a commodity-based charge expressed in monetary terms or in kind. They are in favour of deleting 'in kind'
Rationale for arguments: If on side of the border 'monetary terms' is applied and 'in kind' on the other side, the respondents see a risk of small allocation mismatches and imbalances they can do nothing about.

Theme 6: Tariff forecasting model
Respondents: eni, GDF Suez, Eurogas
Describe theme: To make customers able to forecast transmission tariffs, three respondents see a need that TSO publish a model of the applied cost allocation methodology that customers can use, in order to simulate future tariffs.
Rationale for arguments: Respondents see too much complexity so they feel not being able to calculate tariffs without a model.

Theme 7: Clear definition
Respondents: ESB, CER, Eurogas, Statoil, Hungarian Gas Tranzit, VNG Energie Czech, VNG Slovakia, VNG, Gas Natural Fenosa, BDEW, Handen, GIE, GDF Suez Infrastructures, VKU, RWE Gas Storage, Energy UK, Gas Storage Netherlands, SSE, Centrica Storage, Eurelectic, OGP
Describe theme: Respondents stated yes, with those providing additional Comments highlighted concerns with the approach. Some respondents stated no, but in their

	response they stated that the text was clear but it was unclear what charges were covered in the various elements e.g. transmission services definition.
Other remarks / comments / suggestions	• Two respondents' are in favour of greater transparency in terms of dedicated services and therefore propose to replace Art 4.6 with the following: 1. A part of the allowed revenue of the transmission system operator which is not related to the provision of transmission services shall be referred to as dedicated services revenue 2. Dedicated services revenue shall be outside of the application of the cost allocation approach set out in Article 5.1 3. The dedicated services revenue shall be recovered by charges applied to the beneficiary of the service at question in accordance with the 'user pays' principle and avoiding cross-subsidies between domestic and cross-border users. These charges can be either capacity-based or commodity-based. 4. Any over- or under- recovery related to a specific dedicated service shall be dealt with by means of the same charge in the following gas years. TSOs can deviate from this principle under exceptional circumstances with the approval of the competent NRA and the Agency. The Agency shall monitor the recovery of dedicated services charges and prevent that the conditions laid out in paragraphs 3 and 4 are contravened. • One respondent underlines that the level of allowed revenues should be aligned with the risk associated to the specific business • 'Separate charges for non-transmission services should be made public with all the reserve prices, multipliers and seasonal factors before the auction of yearly capacity held in March. It is of paramount importance for shippers when making their bidding strategies.' • 'The impact of revenue reconciliation with a single regulatory account is not clear. Over time, if over or under recovery is significant, will it reduce locational signals? Could it trigger cross-subsidisation?' • 'The draft NC does not deliver the expected harmonisation of tariff setting methodologies when it allows for capacity based and commodity based revenue recovery. We urge ENTSOG to use the concept of the TAR FG which very clearly limits the use of commodity based charges 'to cover costs that are mainly driven by the volume actually flowed by networks users (such as compressor fuel cost).' We believe that this will facilitate the flow of gas between hubs within-day and thus contribute to not only the most efficient allocation of flexibility within a wider geographical region but also to the successful transformation of Europe's gas balancing regimes to enable the use of volatile gas-to-power installations and thereby guaranteeing security of supply in both power and gas markets.' • 'Article 5.2 adds no value and could easily be eliminated in that it anticipates the results implicit in applying one of the alternative cost allocation methodologies.'

	• 'Article 5.5 adds a further degree of complexity compared to the framework guidelines by allowing the application of the cost allocation methodology to the assets of the individual TSOs within the same entry/exit zone.' • 'Article 5.7 opens to a number of unpredictable outcomes and pushes further away the goal of harmonising tariffs methodologies in the internal market.' • In our view, some services considered 'revenue from other regulated activities' (exclusions from transmission services), explained in the supporting document, are currently included in the Transmission services revenue (odorisation, system operation, etc.). So, they should not suppose an additional charge.

Question 7

Is the difference between cost allocation approach and cost allocation methodology as set out in Article 5 of the initial draft TAR NC clear and understandable?			
Number of respondents: 37	**Yes** **26**	**No** **10**	**Unclear** **1**
Positions and rationale	**Theme 1: Mix of primary cost allocation methodologies** Respondents: Gasterra Describe theme: One respondent proposes to include in the TAR NC the possibility of a mix of the different cost allocation methodologies subject to NRA approval. Rationale for arguments: The respondent sees an added value applying a mix as this could improve cost reflectivity of the tariff structures. **Theme 2: Difference between cost allocation methodology and cost allocation approach is confusing** Respondents: Esso Nederland, Statoil, OGP, GDF Suez Infrastructures, GM&T, IFIEC, EDP, DEPA Describe theme: Three respondents are of the opinion that the additional definition of cost allocation approach brings only confusion in the NC and make it less understandable. Two respondents propose to use the same definition as in the FG TAR which is the usage of cost allocation methodology for all non-discretionary TSO charges. Some respondents propose to use the definition on page 29 of the SD and include them in the TAR NC. **Theme 3: Not clear why all entry and exit points must use the same primary methodology** Respondents: E.ON Describe theme: The respondent asks why the draft TAR NC only allows one primary cost allocation methodology for all points of the entry-exit zone. Rationale for arguments: The respondent argues that the wording of the draft TAR NC		

	limits the TSO's flexibility so that the most efficient cost allocation methodology for a group of points may not be applied.
Other remarks / comments / suggestions	• 'The difference is clear, although use of the word 'either' in 5.2 is unclear.' • 'It would make more sense to use the term cost allocation methodology to cover all non-discretionary TSO charges consistent with the Framework Guidelines.' • 'Even if the wording is clear, it is not clear how the tariffs will evolve, especially when considerations mentioned under related points are factored in.' • 'The composition of transmission service revenue. First step transmission service revenue splits capacity and commodity revenue. The capacity-based revenue will be the one of the input parameter of the cost allocation methodology. The result of the cost allocation methodology is the reference price which is the price for firm yearly capacity product.' • Believe that it could be more clear, especially the references that complement the primary cost allocation methodology with secondary adjustments.

Question 8

Are you satisfied with the two approaches for calculating distance as outlined in Article 7.6 of the initial draft TAR NC?			
Number of respondents: 37	**Yes** **21**	**No** **14**	**Unclear** **2**
Positions and rationale	**Theme 1: Delete airline approach for the calculation of the distance** Respondents: EFET, EDF Trading, Eurogas, Gasterra, Gas Natural Fenosa, INES, EDF Energy, Edison, EDF SA Describe theme: The above listed respondents consider that the airline approach should be deleted (distance shall be equal to the shortest straight line distance between the geographical locations of two points). Rationale for arguments: - The airline approach is artificial, less or not cost reflective and has little benefits. The calculation of the distance must be logically based on physically network. As gas travels through actual pipes not over the shortest geographic distance regardless of topography, distances should logically be based on the physical network or on the representation of this network by the model. - The adoption of the same approach in all MSs to calculate distance would be positive, with a preference for an approach based on the network model (i.e. path approach) in purpose of harmonization. (*) Two of the above listed respondents show a clear preference for the path distance, but see however the airline approach valid for really meshed networks with changing flows or for simpler matrix-type cost allocation methodologies.		

	Theme 2: Unclear current description, more clarification is needed Respondents: Esso Nederland, OGP, Gasterra, Statoil, DEPA Describe theme: Some respondents consider unclear the wording for article 7.6. The following issues arise: (1) Unclear when to use the airline approach and when the path approach. (2) Unclear when to use the shortest distance and when to use the average distance. (3) Unclear whether the path approach allows taking into account economies of scale such as pipeline diameters. (4) The path approach ought to be further explained to distinguish between the shortest economic path (least cost) and the shortest physical path (least distance) and at least outline the method for each. Rationale for arguments: Further clarity is needed, in particular due to/regarding the following: - Unclear when to use the shortest distance and when to use the average distance. - The path approach needs further elaboration. - A phrase to rank these definitions in order of diminishing degree of detail/definition may also be useful to practitioners in deciding their approach. **Theme 3: Necessity to consider economies of scale for the calculation of distance** Respondents: Eurogas, Gasterra, INES Describe theme: Distance must be determine on basis of transmission costs and must reflect economies of scale. Path distance must be further clarified following this aspect. Rationale for arguments: Taking economies of scale into account will contribute to adequate cost-reflectiveness of the overall cost allocation methodology. **Theme 4: Further details needed for Article 7 in general** Respondents: GM&T Describe theme: (1) All inputs to tariff calculations should be justified, the rationale and justification for the approaches used and the numeric projections should be provided. (2) TSOs should include in the consultation on their choice of the methodology information about flow patterns and supply demand scenarios used. Rational for arguments: - Whichever approach is used sufficient data should be available to enable replication of calculations. Actual bookings are likely to be based upon a network users' commercial response to the relative prices of capacity for different durations which in turn will be dependent upon multipliers, seasonal factors and the expected flow profile of individual network users. Within some methodologies, particularly distance to the virtual point (variant A) and matrix approaches the supply/demand scenario will be critical to the final prices. Therefore the justification of the supply-demand scenario to be used must be articulated clearly so that sensitivities can be understood. Where there is considerable

	uncertainty about flow patterns and supply demand scenarios within a system, use of methodologies that are dependent on such inputs may be inappropriate.
Other remarks / comments / suggestions	• Two respondents have asked for working models for each TSO to evaluate the consequences and cost reflectivity of the different approaches. • General impression of poor simplification, no harmonisation and partial contribution to transparency. • Distance may not be the only driver of costs. • There are too many possibilities to take distance into account in the allocation method. • Whatever distance approach is taken for the Cost Allocation Methodology should also be applied uniformly to the complementary revenue recovery charge. • The two approaches for calculating distances are correct, but the respondent prefers the postage stamp methodology. • The approach seems to conclude implicitly that for any given pair of an entry and exit point, the TSO bears costs for pipeline capacity from the entry to a virtual point and then capacity from the virtual point to the exit. For an entry/exit point connected to a storage facility, this is not the case. • One respondent does not agree to determine the average distance between entry and exit points based on the simple average approach as outlined in Article 7.7 (a) of the initial draft TAR NC. With regard to cost reflectivity, the capacity weighted average approach given in Article 7.7 (b) shall exclusively be applied to determine the average distance between entry and exit points.

Question 9

If you are not satisfied with the two approaches, could you suggest other approaches for calculating distance?	
Number of respondents: 14 **(Note: the question was open-ended and hence, the themes below are identified within those responses that suggested other approaches)**	
Positions and rationale	**Theme 1: Distance as parameter in primary cost allocation methodologies has no place in an Entry/Exit model** Respondents: Respondent A, IFIEC Describe theme: Distance as parameter in primary cost allocation methodologies has no place in an Entry/Exit model. The entry/exit model is kind of contradictory with the distance approach. Rationale for arguments: -Distance as an allocation cost driver is inconsistent with a decoupled entry-exit system with virtual trading points. - Reference to Article 13 of Regulation 715/2009.

	Theme 2: Apply airline approach as a default distance approach Respondents: OGP, Statoil, Esso Nederland Describe theme: the airline approach should always be used unless it is demonstrated that this would lead to a substantial distortion of the cost allocation. **Theme 3: No suggestion but a method based on dimensions of pipelines distance** Respondents: Eurogas, Gasterra Describe theme: Suggestion that there should be a methodology based on pipeline network dimensions. Rationale for arguments: At the very least pipeline network dimensions need to be considered. **Theme 4: Publication of working models for each TSO** Respondents: GDF Suez Describe theme: Publication of working models for each TSO is needed. Rationale for arguments: Any approach can only be appreciated while having working models for each TSO in order to clearly evaluate the consequences.
Other remarks / comments / suggestions	• One respondent indicated that it is not a matter of methodology but of merit order and of circumstances criteria. This applies also to 7.5 and 7.7**.**

Question 10

Do you agree with the criteria for choosing the components of a primary cost allocation methodology as outlined in Article 8 of the initial draft TAR NC?			
Number of respondents: 35	**Yes** **25**	**No** **10**	**Unclear** **n/a**
Positions and rationale	**Theme 1: Publication of a working model** Respondents: GDF Suez, eni, Eurogas, EDP Describe theme: TSOs should provide a clear model upfront of tariff evolution, with adequate transparency to help shippers improve their foresight. Rationale for arguments: Harmonization could be achieved through setting objective and comprehensive criteria for choosing the components of a primary cost allocation approach, without leaving too much discretion to the TSOs. Discretion leads to an unclear view of tariff evolution by the shippers. Shippers therefore will not be able to have foresight of likely tariff evolution. As the criteria are not fixed, the TSOs should issue, for comment, scenarios and underlying hypotheses and discuss the principles they intend to apply. Furthermore, regarding incremental costs, shippers' involvement should be ensured to take into account shippers comments in the final decision. During this time, shippers		

should have available the proposed cost allocation methodology and all needed inputs to analyse its impact. All the information should be provided in a user friendly manner to allow adequate analysis.

Theme 2: Clarity on costs

Respondents: EDF SA, IFIEC, Esso Nederland, OGP, Energy UK, DEPA, GM&T

Describe theme: The article inserts a number of cost types that need further clarification

Rationale for arguments: It is not clear how the use of observed (current) or incremental (expansion costs) costs fit with the cost allocation methodologies. The cost allocation methodologies are concerned with attribution of revenue to different entry and exit points, rather than the allocation costs (e.g. Postage stamp and capacity weighted distance make no references to costs at all).

The criteria for choosing the parameters of the primary cost allocation methodology as outlined in Article 8 remain vague and provide insufficient guidance.

The Code should specify objective criteria for using either observed costs or incremental costs. Observed costs should be based only on historical costs using commercial accounting rules. Maybe definitions should be included (e.g. for standardized costs etc.).

There are many references to observed and total incremental costs leaving space for too many options.

Article 8.3 gives two options; however this may render the use of such methodologies unsuitable in some networks. This should be explained and justified by the TSOs in the consultation foreseen in Article 20.

Evidence for more clarity in para.3 of Article 8: Article 8.3 recognises a situation that if gas flow patterns are unstable then technical or contracted capacity shall be used as a proxy. The distance to the virtual point (variant A) or matrix methodologies are both highly dependent on assumptions about gas flow patterns. Small variations in gas flow assumptions may give rise to substantial variations in prices.

Evidence provided for inconsistent cost references: Article 6.3 refers to total observed costs and total incremental costs as cost drivers; Article 8.2 (a) and (b) says observed costs should be either historical costs or replacement costs with incremental costs being long run average (not total as Article 6) incremental costs, unit price for building new assets or investment plan costs. Article 12.1 d which describes GB methodology again mentions long run average incremental costs. Then Article 12. 3 c says identify the long run average incremental costs as the marginal costs related to the change in… but average and marginal are not the same thing.

Theme 3: Merit order on the use of the three types of incremental costs outlined in the TAR NC

Respondents: Statoil, Esso Nederland

Describe theme: According to para. 3(b) of Article 8, incremental costs shall be based on three alternatives (i.e. long run average incremental costs, standardised costs, and

	investment plan based costs). However, no preference or merit order has been expressed concerning the use of these three different alternatives of incremental costs. Rationale for arguments: Without any merit order, the code risks leaving too much discretion among systems. Statoil prefers to base incremental costs on long-run average costs followed by standardised cost and finally by investment plan based costs only when the previous two cannot apply. **Theme 4: Criteria and principles** Respondents: Gasterra, Eurogas, Vattenfall, GDF Suez Describe theme: Should the principles be limited or not? Further criteria proposed Rationale for argument**:** Two respondents agree on the Article but state that the criteria should not be limited as more cost effective principles/considerations might emerge in the future. It would be preferable to clarify the selection criteria in such a way that they provide more transparency for network users, with regards to the most likely choice in a certain market. Predictability and stability is important for market parties and this also goes for capacity tariffs. Any major change in cost allocation mechanism is likely to lead to significant changes in tariffs. These should be prevented as much as possible, unless there are very good reasons for the change (such as significant discrimination). Two respondents pointed also out that if no investment is planned, then incremental costs need not be an input.
Other remarks / comments / suggestions	• One respondent proposed to delete the whole article due to complete lack of harmonisation. • One respondent answered n/a • Two respondents did not clearly reply with a yes or no so they are included in 'unclear' numbers. From their argumentation, it seems that one respondent is not in favour while one respondent is neutral (expressed no strong opposition). • One respondent agrees in principle but wants to state clearly that the NRA will finally decide on the costs used. • One respondent proposes to include in paragraph (3) of Article 8 'forecast contracted capacity' instead of only 'contracted capacity.' • One respondent believes that paragraph 5 of Article 7 is not in line with the normal text and style of a piece of regulation. It offers a suggestion that is completely voluntary and non-prescriptive and should be deleted or moved to a supporting document. • Regarding article 12.3.a and 13.2.a, one respondent believes the text lacks the method on how to select a node to function as a reference node. As this is a vital decision in the cost allocation process, clear rules should be set out on how to select it. Further to that, the same respondent made a general comment about the Code; namely they stated that although the Code provides TSOs and NRAs with a

substantial amount of freedom, with regards to the choice in cost allocation methodology, the text does not provide much guidance and predictability for network users. From SJWSs it stemmed that the main concern for Europe is not to realise a single cost allocation method, but to standardise the 6 or 7 models that are currently used. To confirm this assumption, it would be very helpful if the TAR NC would oblige or encourage TSOs and/or NRAs to select the cost allocation model that is closest to their current one.

- One respondent proposed that taking into account the relevance of the cost in the final reference price, transmission revenues should be always approved by NRA considering efficiency criteria. Related to the above, the NRA and TSO should publish every year their outlook about new investments (i.e. for a 5-10 year period), explaining the final cost and the estimated impact in the tariff structure/final value. This information is very important for shippers who have to take decision on their capacity bookings portfolio (short / long term bookings). As far as incremental costs are concerned, it is relevant to analyse correctly the gas flows because depending on the hypothesis, the weight of a point could be changed, modifying the last result of the methodology. This is relevant in those countries where there are many entry-exit points such as Spain.
- One respondent made a comment about entry-exit split. Namely, taking into account the possible impact that the revenue split between entry-exit could have, for example, on cross border flows; the discretional range should be shorter.
- One respondent commented on Article 6, 9, 10, 11, 12, 13 and 14 as these also relate to the cost allocation methodologies. Some of the comments are outlined below:

  Article 6

  It is essential that all inputs for the different tariff calculations are properly defined and made available so that stakeholders can use them for the purpose of replication of the tariffs. It is not clear why the notion of parameters is used in Article 6 rather than inputs; nor why reference is made to direct and indirect parameters. Article 6 should document all inputs that are required by each of the methodologies and furthermore which are mandatory, and which optional. A tabular representation would improve the readability of Article 6 once this is completed.

  Article 9

  This provides for an entry/exit split as an input. To ensure appropriate cost reflectivity, any split, (even the default 50/50) should be justified in a transparent way and subject to consultation.

  Article 10, 11, 12, 13 and 14

  There has been no substantive analysis of the correlation between existing charging methodologies and those defined in the draft code. ACER has explained that TSOs have indicated in approximate terms which methodology matches their current practice, but no detailed analysis has been published. Furthermore, the proposed methodologies are not very detailed. It is therefore difficult to comment on the

appropriateness of the proposed methodologies and their application to the different networks in the EU.

Articles 10 and 11: Postage Stamp and Capacity Weighted Distance Methodologies

It is not clear how the forecasted contracted capacities will be converted into an annual equivalent for the purposes of defining (initial or final) reference prices. It is essential that ENTSOG provide examples of how profiled bookings of firm capacity, and the impact of interruptible sales, will be taken into account. Different users are likely to have different patterns of booking to satisfy their demand profiles. To set prices, TSOs/NRAs will need to forecast bookings; TSOs need to explain clearly how they will do this.

It is not clear why a representation of the transmission network is needed in Article 11.1 (c) since no intermediate points on the network have any relevance to the methodology.

Article 12: Variant A of Virtual Point Based Methodology

We believe this methodology is designed to reflect that used in Great Britain. However we do not believe this is an accurate reflection of the GB approach as defined in Section Y of the GB Uniform Network Code. It is therefore not clear whether the current GB approach will be acceptable under the draft code.

Article 13: Variant B of Virtual Point Based Methodology

We do not know where this methodology or its sub variants are applied. It is not clear under what circumstances a dominant node can be defined, nor how the different options affect tariff outcomes. The logic associated with the dominant node option makes it similar to the matrix approach whereas the virtual point approach seems little different to the capacity weighted distance approach. Comprehensive examples should be provided so that the variant B approach (and its two sub-options) can be understood and compared with the matrix and capacity weighted distance approaches.

Article 14: Matrix Methodology

For the approach to be acceptable, it is essential that there is full transparency about all parameters to derive the relevant charges, including the approach to network representation, flow scenario selection and relevant equalisation and scaling.

The cost allocation methodologies in Articles 10 - 14 are currently inadequately specified to enable a full understanding of their potential implications. They cannot be used to derive a model to calculate tariffs based on the relevant inputs. ENTSOG should supply stakeholders with comprehensive examples of their application to ensure a sound and common understanding of how the primary cost allocation methodologies fit within the full process of tariff derivation. Required information includes:

- Allowed revenue stream determination, including sub-division into excluded services and transmission services revenue;

	- Commodity/capacity split of transmission services revenue and how this is derived; - Application of entry/exit split and how this is derived; - All inputs, and an understanding of how they are derived and used in the primary allocation methodology; - The model, any algorithms and optimisation tools used to produce outputs for the primary methodologies; - The application of any secondary adjustments, including any data, models, calculation or optimisation tools; - The approach used to convert reference prices into reserve prices and how multipliers and scaling factors have been set, including how the network users' commercial response to the relativities in capacity price (that result from the multiplier/seasonal factor application) have influenced assumed booking levels throughout the relevant year and the anticipated split by annual, quarterly, monthly and daily; - All necessary models, algorithms and optimisation tools to enable shippers to calculate tariffs based on their own assumptions for input values.

Question 11

Do you agree with the inclusion of the asset allocation methodology as set out in Article 15 of the initial draft of TAR NC?			
Number of respondents: 35	**Yes** **24**	**No** **11**	**Unclear** **n/a**
Positions and rationale	**Theme 1: Compliance with third energy package and with the notions of harmonisation and non-discrimination** Respondents: E.ON, Gas Natural Fenosa, VNG Energie Czech, VNG Slovakia, Respondent A, VNG Describe theme: Is the asset allocation methodology compliant with the third energy package and does it respect harmonization and non-discrimination? Rationale for arguments: This methodology transfers the concept of different pricing for 'transit' vs. 'domestic' system use, in opposition with both the spirit and the letter of the third package. The asset allocation methodology distinguishes between different network categories which could be discriminatory. The proposed methodology will hinder market harmonization as there are already many other allocation methodologies. An asset-based approach creates the potential to cross subsidise certain individual shippers, or in the other direction to have shippers pay for assets in the system which they technically do not need for their booked services. More methodologies will make it harder for Users to compare, resulting in less transparency. It is important that the methodology should be		

	applied to all transit and domestic Users otherwise the methodology will be misappropriated. **Theme 2: Criteria for the 'homogeneous group of network users'** Respondents: Esso Nederland, Statoil, OGP, Respondent A, DEPA Describe theme: There is no clear description of the 'homogeneous group of network Users' Rationale for arguments: The proposed text is too broad as it fails to set criteria for 'the homogenous groups of network users'. The methodology could be acceptable when the system uses specific assets for domestic use and other assets for export use, but this should be based on objective criteria and limited to domestic versus export use. One respondent stated that if ENTSOG decides to leave the asset allocation methodology in as a separate case then they are under the impression that the current formulation would allow for arbitrary definition of group of users opening to potentially discriminatory situations. One respondent raised the question of how can 'homogenous categories' be categorised as every shipper holds totally different types of capacity contracts (border point, LNG, storage, domestic exit, etc.), with regard to possible combinations of those as well to the quantities booked. One respondent believes that this methodology is particularly attractive where homogeneous network user groups can be identified according to criteria that is not prescribed but left to the TSO to determine. It will help to define 'homogeneity' as a feature of network user groups to any extent practicable within the TAR NC either through an essence definition and/or an extensive set of examples; such definition will also help in applying equalization equitably. **Theme 3: Asset allocation methodology should be part of matrix approach** Respondents: Statoil, Sedigas Describe theme: Asset allocation methodology is clearly a sub case of matrix methodology
Other remarks / comments / suggestions	• One respondent did not state a clear yes or no; from the response, it suggests that they are not in favour of the asset allocation approach. Namely, it is stated that this methodology addresses the question of some TSOs unable to charge their expenses because their own customer basis has narrowed too much, and unitary tariffs have become exceedingly high. This is a real issue that will have to be faced when long term engagements diminish. Whether to charge to a larger set of customers is a key issue that should not be tackled as a sub point of one of five allocation methodologies, but should be a central item of the tariff network code discussion. • One respondent replied n/a. • Two respondents who were not in favour of the asset allocation methodology

	support that in case the methodology remains in the TAR NC, more clarity is needed (e.g. under which criteria will it be applied etc). One respondent commented that primary and supporting assets should be described at a high level, for the distinction between them to be made clear. • ARGUMENTS IN FAVOUR OF ASSET ALLOCATION METHODOLOGY: Three respondents are clearly in favour of keeping the methodology. They base their agreement on the following: - ACER's main point is that this methodology has little added value compared to the matrix approach. However, one could argue that the distance to virtual point variant A provides little added value compared to variant B (or vice versa). Yet ACER has accepted both these methodologies as valid. - The asset allocation methodology is simpler to understand and appears more obviously cost reflective (market-oriented approach) than some of the other more obscure methodologies ACER has deemed acceptable. - The suggestion that by allocating assets to transit and domestic points separately, it somehow contradicts the requirements of the 3rd package not to calculate tariffs specifically on the basis of point to point transit routes appears wrong, as distance is not an input into the methodology. - The ACER Justification Document did not demonstrate why the number of primary methodologies should be limited to those chosen in the FG and there has been no substantive analysis comparing the proposed methodologies. - The asset allocation method should be applied to tackle effectively cross subsidization between different homogeneous user groups (e.g. domestic vs. cross border, north vs south, etc.). - The features, mentioned here in principle, should be included in Article 19 which sets the selection criteria of primary cost allocation methods (Question 13-14). • One respondent states general principles for the choice of a given methodology (i.e. efficiency of the system, incentivise the use of infrastructure, shippers' involvement). To avoid distortion and unnecessary uncertainties they further state that the following should be taken into account: - Contracted capacity vs. Technical capacity: The decision on using contracted or technical capacity as reference should be sufficiently justified as in some cases it could be source of differences affecting the final result of the methodology's application. - Flow scenarios: The determination of this parameter should be very clear, a criteria should be set, update timescales as depending on the system as the context could be very different.

Question 12

Do you agree with the secondary adjustments as described in Articles 16 - 18 of the initial draft TAR NC?			
Number of respondents: 35	**Yes** **18**	**No** **16**	**Unclear** **1**
Positions and rationale	**Theme 1: Benchmarking** Respondents: Energie-Nederland, eni, GDF Suez, Esso Nederland, E.ON, Eurogas, OGP, Gasterra, Gas Natural Fenosa, EDP, GIE, Respondent A, Edison, Enel, Energy UK, Gas Storage Netherlands, Eurelectric, INES, GM&T, DEPA, Statoil Describe theme: The main concern from respondents was the use of benchmarking as a secondary adjustment. The following issues arise: (1) To increase tariffs at other points in the grid because of benchmarking in one point should be avoided. (1') To increase tariffs at other points in the grid because of benchmarking in one point should be avoided unless a good reason exists to deviate from this rule, e.g. at an entry point from a production field some degree of cross-subsidization may well and easily be justified on the basis of security of supply considerations. (2) The circumstances for the use of benchmarking should be clearly defined. (3) The use of benchmarking should be reviewed annually or periodically. (4) All proposals with regards to benchmarking from TSOs/ NRAs should be referred to ACER for an opinion first. (5) Benchmarking should be limited to shorthaul situations, where due to very short distance between two pints, building a private pipe could be less costly that the tariff. Any wider approach would lead to significant cross-subsidies and distortion. (6) It is better to establish a single reference price for all the competing pipelines together with a compensation mechanism among TSOs that guarantees the allowed revenue. (7) The following text should be added to Article 18 of initial draft TAR NC: 'In an entry-exit system where more than one transmission system operator is active, benchmarking shall be carried out by decreasing transmission tariffs at entry and exit points to storage facilities so that the resulting value meets the competitive level of transmission tariffs.' Rationale for arguments: - There were concerns that the use of benchmarking would create unjustified cross-subsidies between users of competitive points and users of other points. Lowering the tariffs at certain points would mean that tariffs would have to increase elsewhere to ensure the TSO recovered their allowed revenue. - Although some respondents were clearly against the use of benchmarking there were others who recognised it has a place but only if its use is restricted and that it is consulted upon with the market, subject to NRA approval and ACER opinion and subject		

to periodic review. Some argued that if tariffs are lowered to allow TSOs to remain competitive where there are alternative flows routes then there should be no increases at other points but the lowering of tariffs at a benchmarked point should be justified by the anticipated increase in revenues due to higher capacity sales due to the lower tariffs.
- One respondent argued that it was not compliant with Regulation 715/2009 as it would lead to price increases to network points where no competitive alternative is available and that the term 'benchmark' as described in EC 715/2009 was concerned with defining the allowed revenues of a TSO and not as a tool to reduce tariffs to match alternative points of an adjacent TSO.
- Those more sympathetic to the use of benchmarking for dealing with pipeline-to-pipeline competition between TSOs argues that the TAR NC should also take into consideration the tariffs of other upstream TSOs (including non-EU members) in order to mitigate any discrimination in supply chain costs before an entry point – this would promote cross-border trading and security of supply. Another proposed for the extension of benchmarking in situations where several TSOs are active in a given market area – in this case, benchmarking could be applied to entry and exit points of storage facilities to allow TSOs to compete with their peers.
- One concern included that the risk of non-cost reflective charges at both benchmarked and other points could conflict with the cost allocation test or at least the test must act as a constraint to benchmarking unless the TSO/NRA is able to justify its application in a consultation.
Evidence provided: EC 715/2009 (recitals 7 & 8)

Theme 2: Requirement for inclusion of secondary adjustments in the consultation
Respondents: eni, Esso Nederland, Eurogas, Statoil, OGP, Gasterra, EDP, Eurelectric, GM&T, EFET
Describe theme: Make clear if the use of secondary adjustments would form part of the consultation carried out under Article 20, explaining the choices of secondary measures.
Rationale for arguments:
- It was felt by some that secondary adjustments are a fundamental part of the overall cost allocation approach and therefore must be consulted upon, including NRA approval and even ACER opinion.
- One respondent suggested that the selection of the secondary adjustment should be part of a dedicated consultation and always subject to the approval of the regulator with the principle of non-discrimination remaining the leading one in the justification and selection process.

Theme 3: Rescaling
Respondents: eni, Esso Nederland, Eurogas, Gasterra, Gas Natural Fenosa, Edison, Energy UK, SSE, Eurelectric, GM&T, DEPA, INES, OGP
Describe theme: General concerns over applicability of rescaling and coherence of draft

code text. The following issues arise:
(1) There was greater support of rescaling using the multiplication of a constant as this better respect locational signals that achieved by adding a constant.
(2) If the addition of a constant is maintained in the TAR NC, it should be based on a digressive approach for exit points, i.e. the largest is the consumption of the point, and the lowest should be the unitary cost of capacity.
(3) Unclear on the drafting of Art 16 .3. This seems to suggest that rescaling cannot be used to achieve transmission services revenue where a capacity based charge is used for revenue recovery. However we would envisage that rescaling would be appropriate to minimise the mismatch between transmission services revenue and revenue recovered in the current regulatory period whilst also applying a capacity charge to ensure revenue is recovered from an earlier regulatory period. This article should be better explained and a numerical example provided to illustrate the constraint being introduced in Article 16.3.
(4) Rescaling should not be a step of the primary cost allocation methodology as outlined in Article 16 (2) of the initial draft TAR NC.
Rationale for arguments:
- There was also the view that rescaling should not allow for different treatments amongst points. There were some concerns that rescaling is not suitable for the matrix methodology and may actually breach Article 19(2)(a)(i) of the draft Code concerning the criteria for choosing the secondary adjustment to be applied. One respondent felt that it should not be part of the primary methodology.
- One respondent argued that if rescaling results in significant changes to tariffs then the original methodology should be questioned or the target entry and exit split of revenues may not be appropriate.

Theme 4: Equalisation
Respondents: CER, Gasterra, Hungarian Gas Tranzit, INES, DEPA
Describe theme: General concerns over the applicability of equalisation and the definition of homogeneous groups. The following issues arise:
(1) Homogeneous groups of points should be clearly defined.
Rationale for arguments:
- A number of respondents stated that homogeneous groups should be clearly defined with one respondent highlighted that this was particularly relevant especially as the Asset Allocation Methodology was now included in the draft text.
- It was felt that equalisation would not lead to cost-reflectivity nor contribute to security of supply nor foster competition as it removes locational signals.
- One respondent argued that its application should be limited to regional entry and exit points to prevent it undermining any locational signals generated by the primary methodology and should not be used to contradict the criteria for the application of the postage stamp methodology as outlined in Article 19 (1) of the initial draft TAR NC.

	Theme 5: Drafting changes needed for secondary adjustments Respondents: EDF Energy, EDF SA, Energy UK Describe theme: (1) For more clarity, Articles 16.2, 17.2 and 18.2 should come before respectively articles 16.1, 17.1 and 18.1 as it is a description which sets the scene. (2) Deletion of Article 16.3, it is not needed. (3) It is unclear if Article 16.3 and 16.1c are consistent if rescaling were to be the preferred option for avoiding negative charges. Rationale for arguments: To add clarity. **Theme 6: Include in secondary adjustments the mitigation of considerable tariff increases as described in Article 47.2** Respondents: Gasterra Describe theme: Include in secondary adjustments the mitigation of considerable tariff increases as described in Article 47.2. Rationale for arguments: Mitigating severe tariff changes should not only be considered at the entry into force of the TAR NC, but also afterwards, for example if tariff increases occur as a consequence of changing the cost methodology, changing assumptions (on costs, flows and capacities), reconciliation of the regulatory account, and/or incremental investments.
Other remarks / comments / suggestions	• General comments on the text being too vague, lacking objective criteria and gives too much flexibility to the member states to set the allocation principles. • Secondary adjustments should be carefully handled by NRAs to avoid too huge deviation from primary cost based allocation. • Any approach can only be appreciated while having working models for each TSO in order to clearly evaluate the consequences. • Although secondary adjustments can help to increase tariff stability a proper option for network users to fix their payable prices is the best way to serve this objective. • ACER should monitor the implementation of secondary adjustments and possible effects. • Secondary adjustments, specifically benchmarking may be a way of harmonising specific transmission tariffs for gas storages across the EU. • In some cases, without secondary adjustments, the tariff models could undermine some principles that are fundamental for EU (security of supply, diversification of sources, wholesale competition). For instance primary methodology can result in very high entry tariffs only on specific entry points (compared to others entry points); this, in turn, could have negative impacts on security and diversification of supply (because network users could renounce to import from that entry point/source) and on competition in terms of numbers of operators able to participate in a market (as the operators that face higher import costs could go out of business). The impact

	could be negative for EU in particular with reference to border European countries (e.g. Italy), that are fundamental to guarantee gas imports from abroad. We think that ENTSOG should go further in the application of the secondary adjustments proposing, for instance, that if the ratio between the entry tariffs after the primary methodology is higher than a given value (in Italy, for instance the ratio between entry tariffs from South and North is particularly high), the secondary adjustments should be applied. One respondent believes that the cost allocation test should be sufficient to demonstrate the correctness of the adjustments. In this perspective the clause in paragraph 19.2.a.i, 'the chosen secondary adjustment does not contradict the primary cost allocation methodology.' should be deleted since it could lead to a not unequivocal interpretation.

Question 13

Is it necessary to specify further criteria other than those outlined in Article 19 of the initial draft TAR NC?			
Number of respondents: 36	**Yes** **10**	**No** **25**	**Unclear** **1**
Positions and rationale	**Theme 1: Overall criteria in Article 19** Respondents: Esso Nederland, OGP, IFIEC, GDF Suez, Gasterra, Hungarian Gas Tranzit, GM&T Describe theme: Within this theme, the following issues were raised: (1) criteria in Article 19 need to be clarified so that they are more prescriptive and the result of their application is predictable (2) criteria for choosing the c/a/m are to be: favour of cross-border trade, avoidance of further discrimination of long-term network users, avoidance of cross-subsidies (in particular, between cross-border and domestic network users), enhancing cost-reflectivity (3) NRAs should be involved: NRA is to set the criteria; criteria in Article 19 must be considered as non-exhaustive, need to allow properly motivated additional criteria (4) criteria for choosing the primary methodology are 'less relevant' since the use of the same methodology can lead to very different tariffs for shippers Rationale for arguments: The rationale provided for the respective issues above: (1) criteria in Article 19 are vague/arbitrary; if the mentioned targets are not achievable then the added value of Article 19 is questionable (2) the mentioned criteria are the key ones (3) leave up to the NRA judgement (4) primary cost allocation methodologies and various adjustment factors allow for considerable variation in how tariffs will be calculated by each TSO; the analysis of appropriateness of different methodologies, or how they relate to existing tariffs is needed.		

	Theme 2: Criteria for primary cost allocation methodologies in general Respondents: Hungarian Gas Tranzit, EFET Describe theme: Within this theme, the following issues were raised: (1) not in agreement with the criteria for choosing the primary cost allocation methodology (2) no added value of Article 19(1)(b) (criteria for application of primary cost allocation methodology other than the postage stamp) **Theme 3: Criteria for specific primary cost allocation methodologies** Respondents: Hungarian Gas Tranzit, INES, GM&T Describe theme: Within this theme, the following issues were raised: (1) postage stamp: not in agreement with the proposed criteria for its application (2) threshold for using the postage stamp: the proposed 50% needs to be further examined, the threshold of 33% may be more appropriate (3) VPB methodology: Article 19(1)(b)(i) refers to VPB methodology although the TAR NC sets out its 3 types Rationale for arguments: The rationale provided for the respective issues above: (1) in this case the criteria should be set by NRAs (2) the threshold of 33% corresponds to the criterion of 2/3 of capacity dedicated to either domestic or cross-border as indicated TAR FG (3) VPB methodology has 2 Variants (Variant B having 2 sub-variants) **Theme 4: Criteria for secondary adjustments in general** Respondents: EDP, DEPA, INES, GM&T Describe theme: Within this theme, the following issues were raised: (1) choice of secondary adjustment: to be sufficiently justified ex-ante and to undergo consultation procedure described in Article 20 (2) secondary adjustment as a step of primary cost allocation methodology: application of rescaling and/or equalisation as a step of any primary cost allocation methodology is to be prohibited – proposal to delete Article 19(2)(a)(iii) (3) Article 19(2)(a)(i) (secondary adjustment must not be in contradiction with primary cost allocation methodology) is unclear Rationale for arguments: The rationale provided for the respective issues above: (1) secondary adjustments limited to rescaling, equalisation and benchmarking and their respective conditions for application are deemed to be sufficient, on condition that the TSOs' choice and its justification follow the consultation procedure (2) not in agreement with mixing secondary adjustments and primary cost allocation methodologies (3) lack of clarity; examples of where a chosen secondary adjustment contradicts a primary cost allocation methodology are needed

	Theme 5: Criteria for specific secondary adjustments – rescaling Respondents: EFET, GDF Suez Describe theme: if rescaling is applied, it should be only on a percentage basis – otherwise, equalisation should be applied Rationale for arguments: this avoids the risk of undermining locational signals altogether when adjusting expected revenue to allowed transmission services revenue.
Other remarks / comments / suggestions	• neighbouring NRAs should also be involved in the consultation on the proposed cost allocation methodology • Article 19(1)(b)(i) mentions 'reference node' or 'single dominant node' where the majority of the gas flow converges: if this condition applies to the reference node it may limit the VPB approach as it is not always the case that the majority of gas flow goes via the virtual point, for example in GB; if not then the choice of reference node (which may have a significant influence on the relativity of locational prices) is unspecified and therefore the tariffs might be very dependent upon the choice of reference node • drafting proposals: Article 19 needs to be clarified; Article 19 should be split between specific Articles referring to either primary cost allocation methodologies or secondary adjustments

Question 14

If it is necessary, could you suggest additional criteria to those outlined in Article 19 of the initial draft TAR NC?	
Number of respondents: 12 **(Note: the question was open-ended and hence, the themes below are identified within those responses that suggested additional criteria)**	
Positions and rationale	**Theme 1: additional criteria to those outlined in Article 19** Respondents: Eurelectric, IFIEC, VKU Describe theme: Within this theme, the following issues were raised: (1) additional criterion of tariff stability, 'further' tariff stability (2) additional criterion of taking into account the liquidity of the market connected to VTP Rationale for arguments: The rationale provided for the respective issues above: (1) it is a general criterion that is to be taken into account when choosing the primary cost allocation methodology (2) the physical situation might not be the only criterion **Theme 2: no simplification of network is needed** Respondents: Sedigas Describe theme: network simplification mentioned in Article 19(1)(b)(ii) is not necessary

	Rationale for arguments: All the methodologies are simple to calculate with computer applications without the necessity of any simplification of the network. Therefore, the possibility of simplification should not be considered in the TAR NC since this kind of simplification could distort the result of the cost allocation methodologies, tariffs and reserve prices. Evidence provided: yes (see the illustration and its explanation in the response).
Other remarks / comments / suggestions	• it is necessary to have all the data to apply the methodology

Question 15

Is the content of the four year review and the requirement for a justification document or consultation (depending on the outcome of the review) clear, as set out in Article 20 of the initial draft TAR NC?			
Number of respondents: 38	**Yes** **19**	**No** **18**	**Unclear** **1**
Positions and rationale	**Theme 1**: **Postage stamp as counterfactual (alternative methodology)** Respondents: EFET, E.ON, IFIEC, Statoil, Gas Natural Fenosa, GM&T Describe theme: There would be considerable merit in requiring the postage stamp to be used as a harmonised cost allocation methodology counterfactual throughout the EU. Rationale for arguments: The rationale provided for the respective issues above: (1) To provide stakeholders with a single holistic view of how EU transmission tariffs could be determined consistently across the EU. (2) To demonstrate the trade-offs between cost reflectivity and simplification in Member States not using the postage stamp methodology. (3) To provide stakeholders with a high level comparative view of relative TSO efficiency across the EU. Evidence provided: yes The respondents experience ongoing discrimination of new market entries by TSOs, particularly those using the 'distance to the virtual point' methodology. Here, the virtual point is often identified as being located in the vicinity of the biggest import point. This is usually the entry point where the (ex-) incumbent has historically booked the bulk of its capacity. The close distance to the geographically identifiable virtual point leads to comparatively low tariffs at this big entry point and thus tends to benefit the incumbent. The use of the postal stamp methodology would make such discrimination transparent and should justify an appropriate secondary adjustment. **Theme 2**: **There should not be an exemption for TSOs using postage stamp from the obligation of providing a methodology counterfactual**		

	Respondents: EFET, Eurogas, Statoil, Gasterra Describe theme: The respondents do not agree that TSOs currently using the postage stamp methodology should be exempt from applying one of the other cost allocation methodologies as a counterfactual. Rationale for arguments: This would highlight the benefits which may arise from using a more cost reflective methodology which generates locational signals. Bearing in mind that TSOs will have simplified versions of their network models along with details of technical or booked capacity at each entry exit point to hand, we do not see this being a major administrative burden, as has been claimed. **Theme 3**: **Review should consist of a full consultation in line with Article 20** Respondents: EFET, EDF Trading, GDF Suez, Energie-Nederland, Esso Nederland, EDF Energy, Energy UK, OGP, eni, EDP, Eurogas, GM&T Describe theme: Rather than simply reviewing and justifying the cost allocation approach every four years, TSOs should undertake a full consultation in line with Article 20, regardless of whether they intend to maintain the status quo. The review process could be strengthened through the implementation of a 'feedback mechanism' where the stakeholders could verify and comment on the cost allocation methodology and the secondary adjustment calculations. Rationale for arguments: The rationale provided for the respective issues above: (1) To enable stakeholders to provide observations about the existing cost allocation approach and whether it is suitable for another four year period. (2) To give stakeholders a chance to comment and propose any changes they deem necessary. **Theme 4**: **Regular publication of the relevant tariff parameters** Respondents: EFET, EDF Trading, EDF SA, E.ON, Statoil, EDP, Respondent A, Edison, Enel, Eurelectric, DEPA Describe theme: Any parameters relevant to tariff setting and tariff evolution should be published at regular intervals during the regulatory period, not just at least every 4 years when the cost allocation approach is reviewed under Article 21. We also consider that the updated criterions etc. for each parameter (structural, variable...) should be clear and well known ex ante. criterions Rationale for arguments: If stakeholders are not able to see how these parameters change throughout the regulatory period, they have no chance of achieving a reasonable degree of tariff predictability, as required by the Framework Guidelines. **Theme 5**: **More transparency** Respondents: E.ON, Statoil, EDP, EDF Energy, Energy UK, Energie-Nederland, Eurogas, GM&T, ESB

	Describe theme: (1) Publish a (simplified) working tariff model (Excel) We also believe the Working tariff model should accompany the consultation to allow Network users. Information should be published in a friendly manner what allows a rapid and easy treatment of the information (i.e. excel). (2) Additional Information needed Some examples of additional information that in our view is needed: • Transmission revenues, current value and estimated evolution for the next 5-10 years. • Parameters, criterion for their calculation, source of the information, update cadence of each parameter. • Secondary adjustments considered justification of their use, and the way that they would be used. Rationale for arguments: To understand tariff derivation and how tariffs will evolve in the future. **Theme 6**: **No harmonisation/default of the review consultation point** Respondents: GIE, CER Describe theme: The review should be allowed to be based on the NRA Price Control cycle, e.g. every 5 years Rationale for arguments: (1) We do not see the benefit for cross-border trade in having the consultation review timing harmonised. Basing it on the NRA Price Control cycle has no detrimental effect that we can see on the overall purpose of the Network Code. (2) A binding review at latest every four years is not really necessary as the fundamentals of a given network should not change every four years. There is the risk of a permanent reconciliation of chosen methods which will lead to uncertainty and unpredictability. Furthermore, the benefits for the market should outweigh the costs of such obligation of TSO, shippers and regulators.
Other remarks / comments / suggestions	• A review by the NRA of the cap on dedicated services should also be part of the review as outlined in Article 21.2. • In order to avoid any type of distortion, ACER should also periodically analyse the impact of applying different methodologies in adjacent systems. • The terms cost allocation approach and cost allocation methodology are not adequately defined in the code. There is confusion within the consultation document as to whether cost allocation includes all elements affecting tariffs, or simply how the capacity commodity split is applied. • Any assessment of a cost allocation approach and methodology should assess sensitivities to changes in the key parameters and not just be based on single point values.

	• It would be better if Art 20.2(e) required consideration of two alternative approaches, one of which may be the postage stamp. We have some reservations over a consultation to determine the cost allocation approach only containing one option, which would make the principle of consultation redundant. This could arise if the postage stamp methodology is chosen as an alternative but cannot be applied due to the network configuration and flows.

Question 16

Are there any other means of distinguishing between domestic and cross border entry capacity, other than using cross-border exit capacity as a proxy for cross-border entry capacity when carrying out the cost allocation test as set out in Article 22 of the initial draft TAR NC?			
Number of respondents: 30	**Yes** **5**	**No** **25**	**Unclear** **n/a**
Positions and rationale	**Theme 1: Comments and suggestions** Respondents: GDF Suez, Esso Nederland, Eurogas, Statoil, OGP, Energy UK, GM&T, DEPA, EFET Describe theme: General comments and suggestions. The following issues arise (rationale identified for the respective issues): (1) TSOs/NRAs should make clear the basis on which the cost drivers for domestic and cross border network users have been determined when publishing the results of the cost allocation test and justify these to stakeholders and ACER. (1') All the necessary data with regards to cost drives for domestic and cross border needs to be published to be able to replicate the ratios calculated for use in the test. (2) NRAs should be allowed to take account of domestic storages to set the share of entry capacities linked to domestic capacity. (3) The draft TAR NC uses the words 'equal or proportionate' which introduces ambiguity and should be clarified. (4) The use of seasonal factors and multipliers has the potential to move away from the result of the cost allocation test. For this reason the cost allocation test should also be reviewed using actual tariff revenue received. And they should be subject to scrutiny and consultations, probably separately from the one on the selected cost methodology, to be performed at least every two years. (5)There has to be a possibility for NRAs after consultation with shippers to adjust the approach if a better way is identified and that ACER can validate the tests to give more confidence to users on the way in which the 'value of the relevant cost driver(s) for [domestic/cross-border] network users' has been calculated. (6) The impact on this test of tariff benchmarking and any special arrangements arising from the specific nature of interconnectors should be considered explicitly. (7) Consideration should be given as to the applicability in countries of heavy indigenous		

	production whose exports exceed imports. (8) Careful consideration also needs to be given to which other charges and revenues should be considered to be part of the cost allocation test. (9) ENTSOG has to provide examples of how the test would work and specifically what account is taken of: • Revenue reconciliation charges. • Excluded services. • Other levies or charges. (10) Which items to include in the test should be defined as part of the consultation used to define the tariff derivation process. (11) It should be explicit that the cost allocation test will be performed each time the tariff is amended. (12) The test will normally be performed on an ex-ante basis as part of the tariff setting process. However bookings and flows will not necessarily match predictions; therefore an ex-post assessment is required to check if the way tariffs are calculated is still appropriate. The results of this assessment should be published. Rationale for arguments: The rationale provided for the respective issues above: (1') TSOs should provide all the relevant information to shippers. (2) Using cross-border exit capacity as a proxy could be discriminatory against domestic users as they are the principal domestic storage users and therefore book less entry capacity than their peak capacity. (8) It is not clear why the test description references in Article 22.4 are limited to references to the capacity component of the transmission services revenue. Given that transmission services revenue can be recovered via a series of commodity charges, (e.g. flow-based charges in transmission services revenue and complementary revenue recovery charges) it is clear that the derivation of the transmission services revenue split to each of domestic and cross-border requires an apportionment method to address any charges made at entry. (9) Any cost allocation test must take account of all the elements of tariffs payable by shippers, otherwise it will result in an incomplete analysis of the true costs faced by domestic network users and cross border shippers. (10) The decision about which charge items to include in the cost allocation test can only be made once the methodology and its detailed implementation have been established.
Other remarks / comments / suggestions	• The cost allocation needs to define linkages between capacities at entry and exit as well as between allocations/flows at entry/exit in order determine the ratios defined in Article 22.3. Where aggregate capacity bookings on a day at each of entry and exit are different ENTSOG should indicate whether an equal allocation of entry capacity based upon cross-border exit capacity can be justified over an approach based on domestic. Additionally ENTSOG should indicate whether the order of booking should be taken into account as different capacity products will have different prices, for

	example as a result of multipliers and seasonal factors). • The cost allocation test seems to adopt a more sophisticated approach to cost attribution than the primary cost allocation methodologies. If better cost drivers can be derived for the purpose of the tariff setting process than those indicated in the primary methodologies then the relevant TSO/NRA should be able to use these to set tariffs. For example it is often assumed that the capacity weighted distance approach (the product of capacity * distance) will be the best cost driver. However other derivatives of capacity and distance may be better. For example higher diameters of pipelines offer economies of scale and so perhaps a composite driver of the form distance * capacity where p<1 might be better reflective of real costs. The code would prohibit this. Thus the quest for more appropriate tariff methodologies also supports that the code should not insist on a limited number of approaches. • The weakness of the cost allocation test is that it relies on assumptions to allocate cost-drivers to either domestic or cross-border use. Against this background, using cross-border exit capacity as a proxy for cross-border entry capacity is probably a fair assumption.

Question 17

Do you think the considerations outlined in Article 23 of the initial draft TAR NC with regard to tariff setting for storage are sufficient?			
Number of respondents: 40	**Yes** **15**	**No** **23**	**Unclear** **2**
Positions and rationale	**Theme 1**: **Exemption of storage facilities from entry and exit transmission capacity charges at TSO-SSO interconnections** Respondents: EFET, EDF Trading, EDF SA, eni, GDF Suez, SSE Hornsea Ltd, Esso Nederland, EUA – GSOG, OGP, Statoil, EDF Energy, Centrica Storage Describe theme: set to zero the entry/exit transmission tariff to/from storages as a default rule, unless NRAs or an economic model would prove that net costs for the transmission system have originated from storage connections. Rationale for arguments: to avoid double payment of transmission capacity charges and to recognise the benefits storage has typically made towards reduced transmission system investment. Evidence provided: yes, qualitatively (already paid/to be paid entry/exit fees in/from the transmission network; not quantified benefit in terms of avoided infrastructure investments). **Theme 2**: **In agreement with Code proposal** Respondents: ESB, E.ON, CER, Eurogas, VNG Energie Czech, Gasterra, Gas Natural Fenosa, BDEW, HANDEN, VNG Slovakia, Respondent A, Energy UK, VNG, Eurelectric, GM&T		

	Rationale for arguments: NRAs are best placed to assess the benefits that Storage brings to the system. **Theme 3**: **No different treatment for storage-related transmission tariff** Respondents: IFIEC Describe theme: no need for specific tariff setting provision for storages, since if there is a benefit to the transmission system the TSO should be able to control the storage for the related part. Rationale for arguments: only if there is a clear relationship to transport benefits (efficiency), a different transport tariff may be considered. **Theme 4: More details for storage related transmission tariffs depending on specific facilities functions or the national context** Respondents: Hungarian Gas Tranzit, VKU, Edison Describe theme: more detailed storage tariff setting should be part of the TAR NC. Rationale for arguments: Storage tariffs can be very different in the member states which don't enhance the market integration in EU. It will also be crucial to establish a precise distinction between those storage activities which have positive effects on the transmission system (e.g. filling storages in summer with positive effects on the network) and those activities which do not. NRAs should take features like the benefits provided to their specific system into account when fixing tariffs for TSO-SSO connection points, following a public consultation. **Theme 5**: **Discount for storage related transmission tariff in case of public service obligations** Respondents: EDP Describe theme: discount to other entry and exit points on the TSO-SSO connection points Rationale for arguments: lower tariff level justifiable especially in case of regulatory obligations that impose the use of storages to avoid double charging effects, not driven by the pure commercial interests of shippers **Theme 6**: **More detailed references to storage benefits to be taken into consideration when setting TSO-SSO interconnection tariffs** Respondents: GIE, GDF Suez Infrastructures, RWE Gas Storage, E.ON Gas Storage, Gas Storage Netherlands, SSE, DEPA, INES Describe theme: requested more specific wording with regard to the methodology for setting transmission tariffs at storage connection points. Article 23 should be reworded taking into account the principles of efficient investments, cost reflectivity and discrimination between network users, making it possible to base transmission tariff at TSO-SSO interconnections on substantiated costs and benefits arising from storages

	connections. Benefits of gas storage to take into account are contribution to security of supply, reduced investments regarding peak capacity of the transmission system and reduced OPEX. Two respondents specifically requested the same rationales as above plus, for the sake of simplicity, demand that a tariff is charged only once either when gas enters / leaves the storage facility. Rationale for arguments: gas storage is not a net source of supply or demand and users have already paid entry and exit tariffs at import / production and at end consumption. The tariff at these points shall cover incremental costs if not compensated for by the benefits of gas storages contributing to the network. Benefits in terms of avoided infrastructure investments should be quantified. Evidence provided: Reference to the report by Pöyry* (2012) and the report by Waters & Wye Associates (2014)**, which contain quantitative information on benefits of gas storages and setting specific transmission tariffs for gas storages. *http://www.acer.europa.eu/Official_documents/Public_consultations/PC_2012_G_14_responses/Annexes%20to%20some%20responses/Gas%20Storage%20Netherlands%20-%20600_VGN_Transportation_tariff_report%20v2_0.pdf **http://www.waterswye.co.uk/resources/wwa%20gas%20transmission%20benefits%20of%20gb%20gas%20storage%20reportfinal230414v4.pdf
Other remarks / comments / suggestions	• Exemption of storage facilities from entry and exit transmission capacity charges: proposed as a default rule, unless a different decision is made by the NRAs. • Provided various alternative wording to integrate into the current Article 23 text, many of them were mostly overlapping and trying to capture the rationale listed under theme 1 and 6.

CHAPTER III. PUBLICATION REQUIREMENTS

Question 18

Is the relationship between the regulatory period and tariff period, as defined in Article 3.7 and 3.10 clear to you?			
Number of respondents: 37	**Yes** **29**	**No** **8**	**Unclear** **n/a**
Positions and rationale	**Theme 1: Link with 'allowed revenue' / 'target revenue'** Respondents: Esso Nederland, OGP, GM&T Describe theme: Within this theme, the following issues were raised: (1) the definition of 'tariff period' is to mention that allowed/target revenue is set for its duration (2) the definition of 'regulatory period' is to mention that allowed/target revenue is set for its duration Rationale for arguments: The rationale provided for the respective issues above:		

	(1) 'given time period' within the definitions of 'allowed revenue' and 'target revenue' is undefined (2) 'regulatory period' is expected to be the time for which allowed/target revenue is determined **Theme 2: Clarity of definitions 'tariff period' and 'regulatory period'** Respondents: Esso Nederland, OGP, GM&T, Statoil Describe theme: Within this theme, the following issues were raised: (1) duration of tariff period: it must last at least one year but the TAR NC allows for amending seasonal factors within the year (2) 'tariff period' vs. 'reference price' / 'transmission tariffs': it is unclear what is fixed within the tariff period – transmission tariffs or only reference prices (3) 'regulatory period' vs. 'multipliers' / 'seasonal factors': it is unclear that the multipliers and seasonal factors are defined not for the duration of the regulatory period but for the tariff period Rationale for arguments: The rationale provided for the respective issues above: (1) see Article 31(5) (2) lack of clarity of the definition of 'tariff period' (3) lack of clarity of the definition of 'regulatory period' **Theme 3: Regulatory period and cost allocation approach review** Respondents: Esso Nederland, OGP, Statoil Describe theme: cost allocation approach review should cover at least 2 tariff periods – it is to be completed at least before the end of last but one tariff year within a given regulatory period Rationale for arguments: this timing of cost allocation approach review would be based on actual realisations covering at least 2 tariff periods and would ensure visibility of not less than two tariff years **Theme 4: Link with 'capacity period'** Respondents: EDP Describe theme: 'capacity period' between October of Year-1 and September of Year-2 should be taken into account: ideally, tariff period, regulatory period and capacity period should coincide; otherwise, the relationship of tariff period and capacity period should be given better consideration Rationale for arguments: tariffs are associated to transmission cost and capacity product price at the same time
Other remarks / comments / suggestions	• concerns about the timing of the tariff setting period • alternative definition of 'tariff period': 'a tariff period is the period defined by the national regulatory authority'

	• when to publish: before yearly auctions; before (i) regular consultation on cost allocation approach; and (ii) yearly auctions • what to publish: working tariff model with the 'comprehensive set of information relevant for tariff calculation'; 'any piece of information useful to update the forecast of tariff evolution'; 'the information on the price for the next capacity year and a forward curve for the following years is important'

Question 19

Do you agree with the standardised format as set out in Article 26.1 of the initial draft TAR NC?			
Number of respondents: 37	**Yes** **13**	**No** **24**	**Unclear** **n/a**
Positions and rationale	**Theme 1: Tariff model** Respondents: Energie Nederland, EFET, ESB, EDF Trading, EDF, eni, GDF Suez, Esso Nederland, OGP, E.ON, Statoil, Gas Natural Fenosa, EDF Energy, Edison, Energy UK, SSE, Eurelectric, GM&T Describe theme: the publication of a working tariff model formatted in the following way: • makes it clear how reference price applicable at specific entry and exit points are determined / defined • includes the assumptions used and the elements which impact the final tariffs (e.g. multipliers, seasonal factors) • allows for adjustment of the relevant parameters / input variables (e.g. allowed revenue, e/e split, projected capacity bookings and flows) • allows for forecast / estimation / assessment of how tariffs will evolve in future depending on the change of such parameters / input variables • is published for the remainder of the regulatory period and, once the information becomes available, for the start of the next regulatory period • is structured so that it represents a user-friendly tool Rationale for arguments: (1) based on limited description of cost allocation methodologies in the TAR NC, network users would not be able to make tariff models themselves in order to replicate the TSO's calculation of the reference prices (2) publication of tariff model network users / market participants would be able to reasonably project how reference prices may change in future thus improving tariff predictability; absence of such tool results in missing the TAR NC goal of making the tariff level predictable to the extent possible (3) it corresponds to the intention expressed in the TAR FG and the EC Letter of 15 March 2013 (4) TSOs are regulated monopoly entities and network users have no scope to negotiate		

	the charges they pay for transmission services (5) network users would be more inclined to book long-term capacity which would ensure the revenue stability for TSOs; lack of transparency hampers long-term cross-border trade (6) it will ensure the same understanding of all TSOs and network users of what is published Note: some respondents indicated the preference for less transparency: (i) the benefits of publication requirements for the market should outweigh the cost of TSOs, network users and NRAs; (ii) to resign at detailed prescriptions, transparency should not be far in excess **Theme 2: Explanatory and supporting documentation** Respondents: EFET, EDF Trading, E.ON, Statoil, Eurelectric, GM&T Describe theme: Within this theme, the following issues were raised: the tariff model is to be accompanied by the following document (in the language of MS and in English): (1) with explanatory and supporting information on tariff changes, namely the reasons for such changes and related financial information (2) representing the explanatory guide on the chosen cost allocation approach (3) representing the correlated explanatory manual / the user guide Rationale for arguments: The rationale provided for the respective issues above: (3) to ensure that the publication requirements are not 'muted'; to explain the approaches used for all the different elements of final tariffs **Theme 3: Information on how tariffs did change and how they will change** Respondents: Energie Nederland, EDF, E.ON, EDF Energy, Edison, Energy UK, VNG, Eurelectric Describe theme: Within this theme, the following issues were raised: (1) to provide an explanation of the reasons why the tariffs changed as compared to the past and 'the revenue changes underpinning them' (2) to provide an indication of how the tariffs will change in future ('forward looking view') being the best estimation based on the available data: • for the remainder of the regulatory period – at least for the next 3 / 2 years • including all the elements that would enable network users 'to replicate these projections' • in addition, the forecast of charges for non-transmission services is needed **Theme 4: Parameters for setting the allowed / target revenue** Respondents: EFET, EDF Trading, EDF, eni, Esso Nederland, OGP Describe theme: transparency regarding the parameters of a TSO's price control formula which determine allowed / target revenues (RAB, WACC, escalator, depreciation period)

	is needed; such information is to be published using the standardised table as well Rationale for arguments: (1) parameters of primary cost allocation methodologies are not sufficient (2) the intention of publishing such information is implied in the TAR FG and the EC Letter of 15 March 2013 (3) it may already be in public domain in 'most countries' and hence, should not be 'much of a challenge' to TSOs (4) it would help network users to understand how the tariffs were set and to assess tariff evolution and predictability (5) it would help network users to be sure about the fairness of tariffs and thus, enhance their trust and the trust of end users with respect to TSOs Note: a respondent indicated the preference for not publishing this information: the factors determining the overall allowed revenues of TSOs shall remain out of scope of publication **Theme 5: Information on charges other than for transmission services** Respondents: E.ON, CER, VNG Energie Czech, Handen, EDF Energy, VNG Slovakia, Energy UK, VNG, GM&T Describe theme: Within this theme, the following issues were raised: (1) to publish the allowed revenue in total, not only its fraction related to the transmission services (2) the charges for non-transmission services; the costs for non-transmission services (3) to publish the commodity charges and complementary revenue recovery charge Rationale for arguments: The rationale provided for the respective issues above: (1) to enable network users to estimate to a reasonable extent the exposure to future transport costs; to ensure the transparency regarding non-transmissions services revenue (2) lack of transparency regarding these charges due to the current definition of transmissions services; to enable assessment of how such charges contribute to the total charges at a particular point (3) it is beneficial information **Theme 6: Other specific additional information to publish** Respondents: EFET, GDF Suez, EDF, E.ON, Eurelectric, IFIEC Describe theme: Within this theme, the following issues were raised: (1) information related to the regulatory account: (i) the estimation of under-/over-recovery for 3-4 years ahead / several years ahead; (ii) on a yearly basis (2) information on 'cost and price control data' (3) all information from Article 6 (parameters of the primary cost allocation methodologies) (4) all revenue differences as a result of short-term bookings

	Rationale for arguments: The rationale provided for the respective issues above: (2) since TSOs are to be able to demonstrate that tariffs are based on the costs that are efficiently incurred thus enabling network users to 'objectively compare' TSOs' capital and operational costs (3) no information from Article 6 can be 'not applicable' **Theme 7: Comments on the proposed standardised table** Respondents: GDF Suez, IFIEC, EDP, Edison Describe theme: Within this theme, the following issues were raised: (1) the proposed template is only appropriate for a basic, simplified transmission network (2) too many standardised formats (3) to split the information in 2 types: (i) parameters that are fixed for the regulatory period; (ii) parameters that are revised/updated annually/periodically; for both types, to publish cases, criteria, hypothesis, used inputs, frequency of updates, source (4) needs to be published in a 'friendly manner' (5) needs to be published 'in a downloadable format' Rationale for arguments: The rationale provided for the respective issues above: (1) the proposed template does not: • suit for illustration of non-transmissions services and commodity charges • justify benchmarking: which points are concerned by the recovery of lacking revenues, whether the e/e split is applied before/after and why • indicate: (i) the share of revenue from long-term, mid-term and short-term bookings; (ii) the expected flows at each point; (iii) how the revenue recovery is charged (2) undermining of harmonisation (4) in order to allow for a rapid analysis or treatment of information
Other remarks / comments / suggestions	• where more than one TSO is active, information should be published: (i) both at TSO and at e/e system levels; (ii) following the initial draft TAR NC, in case of applying the cost allocation methodology separately and publication of information by each TSO – proposal to add 'but jointly on a central shared website' • the availability of the necessary information is a major concern; in practice, the standardised template will be of limited use; standardised formats 'may not fit to the respective NRA conditions' • the timely decision of NRA on tariffs is more important to forecast tariffs than transparency about cost allocation • concern about the meaning of 'to a reasonable extent' in Article 24(1)(a) since it is open to interpretation

Question 20

Do you agree with the separation of the information into two different parts as set out in Article 26.1(a) of the initial draft TAR NC?			
Number of respondents: 36	**Yes** **33**	**No** **2**	**Unclear** **1**
Positions and rationale	**Theme 1: Too many standardised formats** Respondents: IFIEC Describe theme: concern regarding too many different standardised formats Rationale for arguments: undermining of harmonisation **Theme 2: Unclear reason for two separate parts** Respondents: GM&T Describe theme: the necessity to separate the information to be published into two different parts is unclear Rationale for arguments: lack of clarity		

Question 21

Are you concerned by the fact that tariffs are set / applied at different times of the year?			
Number of respondents: 33	**Yes** **31**	**No** **1**	**Unclear** **1**
Positions and rationale	**Theme 1: Shippers not expressed concern** Respondents: CER Describe theme: The responding NRA mentioned that this has never been an issue for stakeholders in its country. The respondent itself is not concerned. **Theme 2: CAM-Alignment** Respondents: Energie-Nederland, EFET, EDF Trading, EDF SA, eni, GDF Suez, Esso Nederland, E.ON, Statoil, OGP, Gasterra, EDP, EDF Energy, Vattenfall, BDEW, Edison, ESB, Energy UK, SSE, Eurelectirc, GM&T, DEPA, Respondent A Describe theme: Most of the respondents are in favour of the TSOs publishing all tariffs, multipliers and seasonal factors before the yearly capacity auction, held in March according to CAM NC. Furthermore, respondents are in favour of setting the tariff year to the capacity year, October to September. In the opinion of the respondents, tariffs published before March must be stable until October the following year. One respondent is concerned about tariff increases because of harmonising the gas tariff setting year. Rationale for arguments: Respondents highlight that the concept of bundled capacities creates a need to have a harmonised tariff year. A lack of information creates risks for network users. Some respondents see that		

	frequent and inconsistent timings of tariff changes undermine the efficiency of the capacity booking process and distort energy trading. Evidence provided: One respondent is concerned about the TAR NC's publication notice period of 30 days before the application of the new tariffs. Having auctions for annual capacity in March and the tariff setting year aligned with the calendar year, 10 out of 12 months of a yearly standard capacity product would be subject to potential price hikes that are known to the network user only 9 months after their acquisition. **Theme 3: Dependencies of TSO's and DSO's tariffs and between the different NCs** Respondents: BDEW, VKU Describe theme: The respondents mention the importance to consider the relation of TSOs and DSOs that may be different within the different Member States. Rationale for arguments: The respondents highlight that there are Member States where DSOs are customers of the TSOs and need the TSOs tariffs to calculate the own tariffs. Respecting the different timings that the different TSO customers have, the tariffs may be published at different times of the year, depending on *who* needs *what* and *when*. It is also highlighted the link to accounting periods since tariff are based on accounting parameters. Furthermore, interdependencies between the CAM NC, BAL NC and TAR NC have to be further discussed in terms of the harmonisation of the respective periods. Evidence provided: The respondents draw an example of a Member State where DSOs need the TSOs tariffs for the upcoming calendar year to calculate their own tariff. According to national rules, DSOs have to publish the preliminary tariffs 12 weeks before the end of the year to be applied as of the 1st of January. Therefore, independently from other tariffs, DSOs need the TSO tariff in advance of their own calculation.
Other remarks / comments / suggestions	One respondent highlighted that network users were best placed to respond to the question.

Question 22

If you are concerned, then do you think that the tariffs should be set / applied at the same time of the year by all TSOs?			
Number of respondents: 35	**Yes** **31**	**No** **2**	**Unclear** **2**
Positions and rationale	**Theme 1: Interdependencies with national regulations** Respondents: VKU Describe theme: The respondent is of the opinion, that NRAs should be able to define tariff publication dates that are harmonised with already existing national regulation. **Theme 2: CAM-Alignment**		

	Respondents: Energie Nederland, EFET, ESB, EDF Trading, EDF SA, eni, GDF Suez, Esso Nederland, E.ON, Eurogas, Statoil, OGP, BDEW, VNG Energie Czech, Gasterra, Hungarian Gas Tranzit, EDP, HANDEN, EDF Energy, VNG Slovakia, Respondent A, Edison, Enel, Energy UK, VNG, SSE, Eurelectric, GM&T, DEPA Describe theme: 1. Most of the respondents are in favour of a tariff setting year that equals the annual capacity product in accordance with CAM NC, auctioned in March. Therefore, they favour a tariff setting year from October till September the next calendar year. They believe that the tariffs, multipliers and seasonal factors should be published in advance of the auction in March and should not vary until the end September the following year. One respondent proposed a further impact assessment about the date. 2. One other respondent points out a conflict of interests as network users are in favour of getting tariffs as early as possible, network operators however, can calculate the tariff best right before their application 3. Two respondents mention that harmonising the tariff year is consistent with the approach taken in the CAM NC and BAL NC. The same two see administrative and regulatory burdens associated with harmonising the tariff year across the EU but deem such burdens as of a one-off nature. 4. One highlights the necessity for harmonised tariff setting year at border points where alternative routes exist. 5. One other respondent points at the need for coincidence of the TSOs and DSOs tariff setting year. One other respondent proposes a tariff setting year starting 1st January. Rationale for arguments: The concept of bundling as stated in the CAM NC requires a harmonised tariff setting year, respondents say. Some respondents see that harmonisation could ease back-office work, reduce complexity and it is consistent with the long-term capacity auctions. Furthermore, positive impacts on the market and lower risks are expected. Regarding coincidence of TSO's and DSO's tariff setting year, the respondent highlights that in a Member State this would lead to a harmonised tariff year as of January and expect changes won't be approved by the respective network operators. **Theme 3: Tariff setting year for non-IPs** Respondents: EFET, Esso Nederland, OGP, Eurelectric, E.ON, Gasterra Describe theme: The respondents have the opinion, that at least the tariff setting year for IPs should be harmonised. The tariff setting year for points other than IPs, could have a different tariff setting year, three of them say. One respondent mentions that having a different tariff setting year for points other than IPs is possible but a full harmonisation might be easier. Two other respondents are in favour of setting the tariff setting year equal for all products.

Other remarks / comments / suggestions	• One respondent suggested that the question should be answered by the network users. • One respondent stated that they are only concerned about a tariff setting time that provides them and the rest of the market with a tariff with sufficient time for internal analysis before being presented with the opportunity to book the product.

Question 23

Could you identify the benefits of the harmonisation of the tariff setting year, if any, for your business and could you quantify them?			
Number of respondents: 30	**Yes** **21**	**No** **5**	**Unclear** **4**
Positions and rationale	**Theme 1: Benefits** Respondents: Energie-Nederland, EFET, ESB, EDF Trading, EDF SA, GDF Suez, EUA - GSOG, E.ON, IFIEC, CER, Statoil, VNG Energie Czech, Gasterra, Hungarian Gas Tranzit, BDEW, EDP, HANDEN, EDF Energy, VNG Slovakia, VKU, Vattenfall, Respondent A, Edison, Energy UK, Gas Storage Netherlands, VNG, SSE, Eurelectric, GM&T, DEPA Describe theme: 1. One respondent mentions that the benefits will depend on the associated risk premium and transaction costs of network users that depend on tariff transparency and volatility. 2. Some respondents see benefits in harmonising the tariff setting year in a reduction of complexity and the associated reduction in internal resources. 3. It offers possibilities to make business decisions across Member States. 4. Some respondents pointed out that the harmonisation of the tariff setting year will increase price certainty, be more transparent and support bundled capacity products. 5. As a consequence of harmonising the tariff setting year, respondents expect more efficient cross-border trades, easier market integration and increased competition. One respondent underlines that this benefits could be even higher in case also the products will be harmonised. 6. Some respondents highlighted that besides the harmonisation of the tariff setting year, tariffs have to be known in advance of the yearly capacity auction in March. 7. One respondent refers to gas storage facilities suffering from different tariff setting years as this creates inefficiencies using the storages in Member State A to supply customers in Member State B. 8. One other respondent is concerned about the TAR NC's publication notice period of 30 days before the application of the new tariffs. Having auctions for annual capacity in March and the tariff setting year set the calendar year, 10 out of 12 months of a yearly standard product would be subject to potential price hikes which		

	are known to the network user only 9 months after their acquisition. Rationale for arguments: 1/2/3/4 Respondents mentioned that harmonisation would make it easier to compare the different markets. Operating in different Member States makes it necessary to get transparent tariff information and to forecast on either side of the border. Therefore, transaction costs decrease. 4/6 Two respondents deem it consistent with long-term capacity auctions and supply contracts to harmonise the tariff setting year starting at the 1st of October. 6. One stated that there may be forecasting errors in case they are published earlier. However, no problem is seen as this errors goes to the regulatory account and may result in higher bookings because of a better predictability 6. Regarding reconciling the regulatory account, the respondent deems transparency coupled with a working tariff model as very important. **Theme 2: Costs** Respondents: Energie-Nederland, EFET, ESB, EDF Trading, EDF SA, GDF Suez, EUA - GSOG, E.ON, IFIEC, CER, Statoil, VNG Energie Czech, Gasterra, Hungarian Gas Tranzit, BDEW, EDP, HANDEN, EDF Energy, VNG Slovakia, VKU, Vattenfall, Respondent A, Edison, Energy UK, Gas Storage Netherlands, VNG, SSE, Eurelectric, GM&T, DEPA Describe theme: One respondent expects little costs as well as disturbances in case there will be a change of the tariff setting year due to harmonisation. All other respondents do not identify or quantify costs. One other respondent asks ENTSOG to carefully analyse the impact on costs and evolution of IT systems for both TSOs and network users. Rationale for arguments: One respondent mostly has contracts based on calendar year that need to be changed if tariff setting year changes.

Question 24

Could you identify the costs of harmonisation of the tariff setting year, if any, for your business and could you quantify them?			
Number of respondents: 29	**Yes** **3**	**No** **25**	**Unclear** **1**
Positions and rationale	**Theme 1: Minimal costs, depending on changes to tariff setting timescales** Respondents: GDF Suez, EDF Energy, Energy UK, ESB Describe theme: Respondents felt that there would not be any significant costs associated with harmonisation. Rationale for arguments: This would particularly be the case, it was felt, should it be harmonised to an October gas year (assuming that charges are set every October). It was also suggested by one respondent that the gas year would be the most logical choice for harmonisation given that this aligns with the capacity year.		

	Theme 2: Costs cannot be quantified but presumably will be outweighed by the benefits in the long run Respondents: EFET, EDF Trading, EDF SA, GDF Suez, BDEW, VNG Describe theme: Some respondents felt that while the costs could not be quantified (or that it was difficult to do so), it was expected that in the long run the benefits would outweigh the costs. **Theme 3: Costs would be mainly of an IT and/or procedural & operational nature** Respondents: EFET, EDF Trading, CER, Edison, EDF SA Rationale for arguments**:** Some respondents expected that the costs would be primarily of an IT and/or operational nature and felt that they would be a one-off cost. One respondent however felt that investment by the TSO would be required in the forthcoming 3 years to facilitate the Network Codes. The cost of this IT Capex in 2014 alone would add significant costs to the required revenues of the TSO and ultimately they would be concerned that further additional costs that are unnecessary would arise out of gas year harmonisation. Another respondent felt that it was important that the TAR NC should foresee clear rules for the management of this transition.
Other remarks / comments / suggestions	• Of the yes replies, there was no quantification. • 'TSOs claim that a strong harmonisation push would come with costs and we would be happy to see them quantified and compared to the market benefits.' • 'For the mass market, harmonised European tariff dates would probably hinder competition, if the national regulatory agency does not get the opportunity to consider already existing national regulation on publication dates.' • 'We do not believe that a harmonisation of tariff setting times as well as tariff years would require that many additional costs. If TSOs are able to publish costs for a calendar year, they should accordingly be able to publish costs for a gas year.' • 'Cost may occur if changes to existing related commercial contracts are required.'

Question 25

If applicable, do you think the benefits outweigh the costs?			
Number of respondents: 26	**Yes** **20**	**No** **2**	**Unclear** **4**
Positions and rationale	**Theme 1: Unable/Difficult to quantify** Respondents: Energie-Netherland, Eurelectric, ESB, VKU, GM&T Describe theme: Some respondents felt that it was either difficult or not possible to quantify whether the benefits outweighed the costs. Rationale for arguments: Cost / benefit was not totally clear as the costs potentially include a decrease in the efficiency and cost-reflectivity of the tariff setting itself, e.g. you may make a saving on process and admin costs, but tariffs may be higher/lower for the		

	period than they otherwise would have been under the current regime as the TSO is forced to set tariffs without the current level of cost information available to it. **Theme 2: Improved efficiency of shippers operating in multiple EU markets and/or improved functioning of the internal market** Respondents: EFET, EDF Trading, Statoil Describe theme: Harmonisation will lead to improved efficiency for those shippers operating in multiple EU markets in addition to improved functioning of the internal market. Rationale for arguments: One respondent stated that greater consistency in tariff setting at IPs improves the business efficiency of shippers operating in multiple EU markets and improves the functioning of the internal market, whilst another respondent felt that harmonisation would contribute to making markets closer and easier to compare when strategic marketing choices are made. **Theme 3: Costs are one-off but benefits are long term** Respondents: E.ON, IFIEC, BDEW, VKU, Energy UK, SSE, Hungarian Gas Tranzit, DEPA Describe theme: The perceived long term benefits would outweigh the one-off costs Rationale for arguments**:** Costs are secondary to the benefit transparency and harmonization will deliver in market development. It's the basis for market confidence. The one off costs of implement would need to be assessed against enduring benefits.
Other remarks / comments / suggestions	• 'These benefits will be further enhanced if a harmonised tariff setting year is accompanied by a proper notice period allowing shippers to know the tariffs for all products in the incoming gas year (including multipliers and seasonal factors) prior to the CAM yearly capacity auction in March' • 'The fact that tariffs are set before the yearly auctions clearly increases global welfare.' • 'The harmonisation of the gas year is not a legislative requirement and we would urge that the current plethora of Network Codes are finalised and implemented first. This adds unnecessary complexity at a time of significant change.' • 'If shippers do not know the relative costs of different capacity products they cannot reveal their willingness to pay, thus undermining the value of the auctions. Without knowing the costs of the different capacity products (annual, quarterly, monthly, daily) before the March capacity auctions, shippers will not be able to optimise their capacity costs over the October - September capacity year.'

Question 26

Is the issue of knowing the tariffs for the relevant gas year before the auctions start very important to you?			
Number of	**Yes**	**No**	**Unclear**

respondents: 34	**32**	**2** **(indicated that the question was not applicable to them)**	**n/a**
Positions and rationale	**Theme 1: Knowledge of reserve prices, multipliers and seasonal factors before the CAM NC yearly capacity auction in March** Respondents: EFET, ESB, EDF Trading, EDF SA, Bord Gais Energy, EDF Energy, Eurogas, Statoil, Gasterra, Gas Natural Fenosa, EDP, HANDEN, VNG Slovakia, GDF Suez Infrastructures, Edison, Energy UK, GM&T, DEPA, Energie-Nederland, Esso Nederland, E.ON, OGP, Vattenfall, Eurelectric Describe theme: 1. Knowing with certainty what the reserve prices, multipliers and seasonal factors are for the first capacity year before the CAM NC yearly capacity auction in March, is essential to enable shippers to develop commercial booking strategies. 2. The option to fix the payable price knowing all reference prices before yearly auctions start in March is also indispensable. Rationale for arguments: Knowing tariffs before the purchase of capacity is critical. If shippers do not have certainty of each of these elements, they will essentially be bidding blind. So they will be far more inclined to leave their capacity bookings to monthly, daily or within day products, as these are the only products for which there will be price certainty. Shippers need to understand how to buy capacity in the most cost effective manner across the year, and this involves purchasing a portfolio of products. They should not be expected to bid for products that do not yet have a reserve price or indication of price level. One of the purposes of the auctions is to reveal shippers willingness to pay for capacity products. However, it is not possible to do this if the reserve price for the auction is not known. **Theme 2: Knowledge of reserve prices for subsequent years** Respondents: EFET, EDF Trading, EDF SA, eni, IFIEC, Statoil, Gasterra, EDP, Edison, GM&T, DEPA, Energie-Nederland, Vattenfall Describe theme: Providing forecasts of reserve prices for subsequent capacity years. Rationale for arguments: Providing a forecast of reserve prices for future capacity years, based on the best information available to the TSO at the time, will help shippers assess the implications of longer term capacity bookings, particularly if TSOs do not publish working tariff models of their cost allocation approaches. **Theme 3: Amending prices mid-year** Respondents: EFET, EDF Trading, GM&T Describe theme: Changing the reserve prices, multipliers and seasonal factors that apply in the first capacity year after the CAM NC yearly capacity auction has closed. Rationale for arguments: Changing the reserve prices, multipliers and seasonal factors that apply in the first capacity year after the CAM NC yearly capacity auction has closed		

	risks undermining shipper's booking strategies, as the assumptions made about the relative prices of annual capacity compared to quarterly, monthly, daily or within-day capacity would change. **Theme 4: Adopting a harmonised October – September tariff year** Respondents: EFET, EDF Trading, Energie-Nederland, Esso Nederland, OGP, Eurelectric Describe theme: Adopting a harmonised October – September tariff year for all capacity that falls within the scope of CAM will make it easier for TSOs and NRAs to consistently set the reserve prices, seasonal factors and multipliers applicable throughout the first capacity year Rationale for arguments: TSOs already assess actual and forecast revenue continually throughout the year and will not lose revenue as a result of a one-off shift to bring forward the tariff setting process. Whilst it is true that this will require TSOs to set tariffs based on a less complete picture of actual revenues received, we are not convinced this will result in any material inaccuracy or volatility in tariffs, bearing in mind tariffs will already be heavily influenced by forecasted capacity bookings, as opposed to actual capacity bookings. **Theme 5: Move the auction from March to September** Respondents: Bord Gais Energy Describe theme**:** Move the capacity auction timeline to September Rationale for arguments**:** The annual auction should be moved from March to September. **Theme 6: Flight to short-term products** Respondents: HANDEN, EFET, EDF Trading, Respondent A Describe theme: Without knowledge of prices in advance of auctions, shippers will be more inclined to rely on short-term products Rationale for arguments: It is absolutely necessary to know what the cost of a transport contract will be. If there is uncertainty about future tariff developments, it is a clear disincentive for any shipper to book longer term capacity, which is again a disadvantage for TSOs and their planning procedures. If shippers do not have certainty of each of these elements, they will essentially be bidding blind. So they will be far more inclined to leave their capacity bookings to monthly, daily or within day products, as these are the only products for which there will be price certainty in advance of their respective CAM NC auction dates.
Other remarks / comments / suggestions	• 'Shippers may find it hard to pass on unexpected tariff changes to downstream users. For profitable traders/shippers, such a situation can easily create losses as a result of changes in capacity costs.' • 'The price is a factor in determining portfolio mix, as fuel purchasing strategy considers LNG imports, NBP trading, production and IP imports. The price then needs

	to be known to determine bidding tactics.' • 'For trading companies it would be very useful to know TSO tariffs for the relevant gas year before the auctions start. However, at this early stage, many factors necessary for the tariff calculation are not yet available. The tariffs would have to be calculated on the basis of forecast values and estimations, making both TSO and DSO tariffs more volatile. Besides, TSOs and DSOs would have to buffer the over- or underestimation during the tariff period. If better information for market actors on network tariffs at the beginning of the auctions is intended, both tariff periods and auction periods should be subject to comprehensive consideration. The topic is not exclusively addressed in the Tariff NC but also in the CAM NC and the Balancing NC.' • 'We would like to see charges published at least 60 days in advance of the auctions. A 60 day notification period is already included in the draft Tariff NC when there is expected to be an increase in tariffs of more than 20%. It is not entirely clear whether the 60 day publication time frame applies to a tariff at an individual point or the average of all charges. If the former, the TSO would need to calculate all charges before the 60 day time limit in order to check if any breached the 20% threshold.' • 'Furthermore the code drafting, which indicates that 60 days' notice is required for large tariff charges, whereas otherwise only 30 days' notice is needed, seems perverse. To satisfy the former, tariff prices would have to be calculated at least 60 days in advance. If the large change threshold is not triggered at this point in time then the tariff derivation process could be rerun later, perhaps in the light of new data or information. However, if the changes breeched the 20% threshold then it would still be enacted despite the fact that network users would not have received 60 days' notice. If the intent was that network users would have at least 60 days' notice of price changes greater than 20% then the drafting requires amendment.'

Question 27

Are there any other issues or aspects that are more important than the issue specified in Question 26?			
Number of respondents: 29	**Yes** **10**	**No** **19**	**Unclear** **n/a**
Positions and rationale	**Theme 1: Fixed tariffs** Respondents: Energie-Nederland, Eurogas, Gasterra Describe theme: Fixed tariffs should be permissible in addition to floating tariffs Rationale for arguments: In addition to floating tariffs, it should be possible to have fixed tariffs. The different ways mentioned by ENTSOG to introduce this possibility are all worth exploring further, stakeholders may express different preferences, but the important objective should be that shippers with different booking strategies should be able to reduce their exposure to tariff fluctuations due to under or over-recovery or changes in the allowed TSO revenue. If floating tariffs are the only option, network users'		

	opportunities to conclude long-term commodity contracts could be undermined, since they might not be able to manage their margin risk due to changing transmission tariffs. The current draft TAR NC does not make it mandatory for TSO's to offer such an option to network users. Article 41 of the draft TAR NC should explicitly provide this obligation to TSO's. **Theme 2: Consistency regarding the periods set by auction and the publication date of tariffs** Respondents: BDEW, Vattenfall Describe theme: Consistent rules concerning the periods set by the auction calendar, the tariff periods and the date for the publication of final tariffs should be established taking into account the interests of the different parties concerned. Rationale for arguments: Concerning the date for setting the network tariffs, network users would favour a publication of final tariffs in due time before their application. Network operators, however, have to take into consideration many factors when calculating the tariffs, some of which are only known shortly before the start of the tariff period. This is why consistent rules concerning the periods set by the auction calendar, the tariff periods and the date for the publication of final tariffs have to be established, taking into account the interests of the different parties concerned. **Theme 3: Step out clause** Respondents: Respondent A Describe theme: With the NC TAR coming into effect, shippers should be allowed to step out of long term contracts Rationale for arguments: Shippers holding long term contracts will be disadvantaged under any new regime, as they might have to cover a majority of the allowed revenues to be achieved by the TSOs. This is especially the case should TSOs create such an unattractive capacity market regarding short term products, that the booking structure which is already in place (long term contract holders) will have to burden the extra cost that cannot be recouped by short term bookings. **Theme 4: Publication of tariffs in advance of auction** Respondents: SSE, DEPA Describe theme: The tariffs need to be published sufficiently well in advance to allow transparency before the auction. Rationale for arguments: Charges should be published at least 60 days in advance of the auctions as used in GB. A 60 day notification period is already included in the draft Code when there is expected to be an increase in tariffs of more than 20%. Sufficient time is more important that alignment of the tariff year across EU. The provision of tariffs for the year ahead and following years is of paramount importance and could be possibly subject to some sort of consensus by primary movers of the relevant market, including the NRA.

	Evidence provided: Yes – currently the case in GB market (regarding 60 day advance publication).
Other remarks / comments / suggestions	• 'A Website showing all tariffs together with a route calculator showing all possibilities to get from A to B.' • 'Other important aspects are to publish the available capacities (firm, interruptible, backhaul) before the auctions start.' • Some definitions require amendment, including Allowed Revenue, Costs, Cost Allocation Methodology, Cost Driver, Multiplier, Regulatory Period, Revenue Reconciliation, Tariff Period, Tariff Structure, Transmission Service and Transmission Tariff

CHAPTER IV. RESERVE PRICES

Question 28

Do you agree with ENTSOG's proposal for the conditions for determining the allowed multiplier ranges, as set out in article 29 of the initial draft TAR NC?			
Number of respondents: 37	**Yes** **16**	**No** **21**	**Unclear** **n/a**
Positions and rationale	**Theme 1**: **Not in favour of multipliers above 1.5** Respondents: Edison, EDF SA, EDF Trading, EDF Energy, Vattenfall, Gas Storage Netherlands, Respondent A Describe theme: Against Article 29(5). Rationale for arguments: - Won't allow subscription optimization, nullifying the significant efforts made to promote a competitive internal energy market and introduce more flexible capacity allocation procedures with auction and short-term products. - At congested points, the market will decide the clearing price, which will probably be higher than the regulated tariff in any case - Leaves too much discretion to national approaches and does not go into the direction of defining a harmonized tariff framework across the EU, which should be the ultimate aim of the NC TAR. **Theme 2**: **In favour of the possibility having multipliers above 1,5.** Respondents: ESB, IFIEC, Eurogas, Statoil, GDF Suez, Esso Nederland, OGP, Hungarian Gas Tranzit, BDEW, EDP, GIE, GDF Suez Infrastructure, VKU, RWE Gas Storage, Energy UK, Gas Storage Netherlands, SSE, Centrica Storage, Eurelectric, GM&T, DEPA, Gasterra Describe theme: In favour of the Article 29(5). The following issues arise: (1) In favour of the Article 29(5). (2) In favour of the Article 29(5), but ensuring shippers involvement during the decision		

	making process. Rationale for arguments: - Avoid adjustment of yearly reference price, referring to the marginal cost approach, stability of revenue and longer term vision. - The revenue equivalence principle should be the reference for multipliers. Any multiplier below this level is discriminating long term users to the benefit of short term users. - Instead of a multiplier range (and seasonal factors) a cap for the average multiplier should be sufficient. We support this cap to be included in the code but could consider a number higher than 1.5. - One of the above listed respondents considers that multipliers higher than 1.5 should be very exceptional and justified, there should be shippers' involvement during the decision making process to ensure that the consequences in the allocation process are considered. **Theme 3a**: **Not in favour of multipliers lower than 1** Respondents: Gas Natural Fenosa, Esso Nederland, OGP, Handen, VNG Energie Czech, VNG Slovakia, Statoil, GIE Describe theme: Against the possibility to price short term products cheaper than yearly products. Rationale for arguments: - Cross-subsidiaries between long term and short term users. - A multiplier < 1 means that short-term capacity gets a discount and this should be avoided, this would introduce cross-subsidisation, discrimination and undermine the investment climate. - Any multiplier below 1 is an invitation to free riders behaviour to the expense of other network users. - Only in the short term is correct to say that multipliers <1 would promote and facilitate short term trading while in the long-term this would not happen: network users with annual capacity can use this every day of the year with a marginal cost of zero, whereas if users would only buy capacity day-ahead the marginal costs would be much higher and act as a barrier to cross-border trade. - Setting multipliers <1 does not take into account the following aspects: long-term capacity contracts ensure stable revenues (and a return on investment) for TSOs (or the system) over a long period of time and long-term capacity contracts entail substantial risks for network users, connected to unfavourable and unforeseeable market developments. **Theme 3b**: **Not in favour of multipliers lower than 1 for non-congested networks.** Respondents: GDF Suez Infrastructures, VNG Describe theme: Against the possibility to price short term products cheaper than yearly

products for non-congested networks.
Rationale for arguments:
- Long term bookings contribute to ensure the TSO's revenue by giving more visibility. Moreover, they avoid creating cross subsidies between network users. It is not fair that a network user purchasing short term capacity contributes much less to the costs than the actual costs induced by his use of the network.
- Invitation to free riders behaviour to the expense of other network users.

Theme 4: In favour of multipliers of 0 at congested points
Respondents: E.ON
Describe theme: The level of multipliers should allow a zero multiplier at congested points.
Rationale for arguments: Auction premium will guarantee a sufficient cost recovery.

Theme 5: **Transparency**
Respondents: GM&T, EDP, Hungarian Gas Tranzit, Vattenfall
Describe theme: The establishment of the multipliers should be transparent and non-discriminatory.
(1) TSOs should justify their choices of multipliers during the consultation envisaged in Article 20.
(2) more clarity and transparency in the choices and in the decision process needed.
Rationale for arguments:
- In favour of what is written in the NC but respondents want to be implied in the discussions and respondents want more clarity and transparency in the choices that will be taken. Make sure the consequences that it could have in the allocation process are taking into account.
- TSOs should be able to show how their proposed use of multipliers enables a fair distribution of revenue recovery between shippers who book long term capacity products, and those who book shorter term products. On the one hand those shippers who flow large volumes of flat gas should not bear an unfair share of the costs of the network when they book annual capacity products; at the same time relatively high prices for short term capacity products may inhibit short term cross border trade. TSOs need to be clear how they have met the requirement for non-discrimination when making the trade-off between these two choices.

Theme 6: **Congestion as a factor taken in consideration in applying the multipliers (linked to question 29)**
Respondents: EFET, Esso Nederland, OGP, eni, Eurogas, GasTerra, Respondent A, DEPA, CER, Statoil, VNG
Describe theme: The range of multiplier applied depends on the fact that a point is congested or not but it shouldn't be the only parameter. The following issues arise:

	(1) Support that congestion shall not be defined as per the ACER congestion report, NRAs are best placed to assess whether congestion is occurring. (2) Any congestion thresholds percentages determining the applicable multiplier level should be decided upon by the NRA. (3) The level of congestion should be a valid input but it should not be the only or the predominant criterion in determining multipliers. (4) Multipliers should be used minimizing the potential revenue shortfall from network users shifting from booking annual capacity to booking short-term products, without linking multipliers to the concept of congestion. (5) Multipliers should be equal to one regardless of the situation of congestion. Rationale for arguments: All arguments are exposed in question 29. **Theme 7**: **Allow a one off reset option for capacity contracts** Respondents: Statoil, VNG Slovakia Describe theme: A one off reset option should be exercised by willing shippers after the new cost allocation methodology has been selected and indicative tariffs scenarios have been provided and within at latest 6 months before the entry into force of the tariff code. Rationale for arguments: - It is fundamental that network users locked in long term transmission capacity contracts are not discriminated by the setting of new multipliers. Should no reset option be introduced they will not have the possibility to adapt their booking strategies to the new rules. If, as a consequence of the implementation of the TAR NC, some capacity products are priced more attractively than before this would entail a competitive disadvantage for them. - long-term capacity holders are disproportionately affected compared to users who are able to profile their capacity bookings therefore the right to opt out for early termination of the agreements or a reduction of contracted volumes should be implemented in the TAR NC. **Theme 8**: **Lower limit of 0.5 for the average over the gas year of the multipliers and seasonal factors unnecessary for daily and within day products** Respondents: GasTerra BV Describe theme: Article 29.4 should refer to the multipliers applied for the quarterly standard capacity products and for the monthly standard capacity products, excluding the multipliers applied for the daily standard capacity products and for the within-day standard capacity products. **Theme 9: Multipliers and seasonal factors to be applied to points other than IPs.** Respondents: Gas Storage Netherlands, Sedigas Describe theme: Multipliers and seasonal factors to be applied to points other than IPs.

	(1) Seasonal factors and multipliers should be taken into account at points connecting the transmission network with storages. (2) Specific section to explain how the multipliers, seasonal factor and discount for interruptible capacity should be applied to these cases that they are not cover by the CAM nor TAR NC to be included. Rationale for arguments: - Storages save costs by lowering peak capacity at import facilities and contribute to security of supply through reducing dependency on potentially interruptible import routes. In order to do so, gas storages should be stimulated to do their work at peak periods and therefore it is questionable whether seasonal factors higher than one should be applied to gas storage entry points in winter months. To the contrary, it should be considered to use seasonal factors lower than one for entry points for gas storages in winter months. - Unclear the application of multipliers and seasonal factors and discounts to non-IPs.
Other remarks / comments / suggestions	• Revenue equivalence, cross-subsidiaries and non-discrimination are justification given both by respondents in favour of what is written in the NC and respondents not in favour of what is written on the NC. • One respondent is concerned that multipliers will be set too low at some IPs leading to a predominantly short-term approach, then there will be a problem with under-recovery and then a solution is required and this could involve a heavy burden on long-term users that with their books ensure a stable revenue-recovery for TSOs. • Considers that there is a lack of clarity on the criteria for allowing different ranges of multipliers. • One respondent agrees with linking the multiplier ranges to the definition of congestion in 2.2.3(1) of Annex 1 to Regulation 715/2009 or including that definition in Article 3. • One respondent supports evaluation of physical congestion as a safeguard and even consider this as a more appropriate yardstick. Meeting both conditions of contractual and physical congestion protects from unnecessary reduction of multiplier range and consequent TSO revenue under-recovery which will inadvertently burden users in later years.

Question 29

Do you agree with Article 29.1(a) linking the applicable ranges of multipliers to the status of congestion according to the definition set out in point 2.2.3(1) of Annex 1 to Regulation (EC) No 715/2009?			
Number of respondents: 37	**Yes** **13**	**No** **24**	**Unclear** **n/a**
Positions and rationale	**Theme 1: Not in favour of mechanistic differentiation just between congested and non-congested points depending on the analysis set out in ACER's Report.**		

	Respondents: Energie-Nederland, EDF SA, EFET, eni, Esso Nederlands, OGP, IFIEC, Eurogas, GDF Suez, Gasterra, BDEW, CER, Statoil, VNG Energie Czech, VNG Slovakia, Energy UK, HANDEN, EDF Energy, VNG Slovakia, GDF Suez Infrastructures, VKU, Vattenfall, Edison, VNG, DEPA Describe theme: (1) Congestion should be taken in consideration but shouldn't be an automatic determinant and shouldn't be the only consideration. (2) The TAR NC should eliminate the ranges and allow multipliers for monthly and quarterly products to be set anywhere between 0.5 and 1.5 and multipliers for daily and within day products to be set anywhere between 0 and 1.5. (3) The competent NRA shall decide the appropriate threshold, according to the criteria of Article 28(5) and after consultation. Rationale for arguments: - It is not the only parameter affecting the choice. - It would be simpler to remove the link between congestion and the range instead of trying to give new definition of congestion, this way other important factors other than congestion could be taken into account (e.g. impact on cross-border trade, price spreads, promoting flexibility, under recovery). - In case of congestion, market is going to set the ratio of long term vs. short term prices through premiums. - Localisation of congestion or market conditions can change in the course of the two years, time lag of publishing the report and the usage of the data. - It should clearly refer to physical congestion - It should be avoided that an increase in short term capacity bookings at entry points increases the amount of cost that has to be earned at the exit points - Doubt about whether the criteria for implementing the day-ahead UIOLI mechanism in CMP are appropriate. - We would welcome a provision in the TAR NC that multipliers are to be used to minimize the potential revenue shortfall from network users shifting from booking annual capacity to booking short-term products, without linking multipliers to the concept of congestion. - The congestion threshold that determines the multiplier to be applied should be decided by the NRA. - The report set out in point 2.2.3(1) of Annex I to Regulation (EC) No 715/2009 is not fully consistent in identifying congested IPs, regulatory and policy decisions should not be based on the finding of this report. **Theme 2: In favour of differentiation between congested and non-congested points.** Respondents: ESB, EDF Trading, EDF SA, E.ON, GIE, EDP, Vattenfall, Edison, Gas Storage Netherlands, Eurelectric, Gas Natural Fenosa, Hungarian Gas Tranzit, GIE, RWE Gas Storage, Respondent A, SSE, Eurelectric, BDEW

	Describe theme: (1) Congestion can be an automatic determinant to consider the range applicable but most of those respondents are questioning the definition of congestion and the conclusions of ACER's report (cf. Theme 3). (2) The alternative proposed in the Supporting Document based on the percentage of booked capacity for product of longer duration seems better. **Theme 3: In favour of redefining the congestion definition proposed in CMP.** Respondents: Gas Natural Fenosa, BDEW, Handen, VNG Describe theme: The definition of congestion in CMPs needs to be further discussed. Rational for arguments: - The analysis carried out by ACER in the monitoring report raises concerns about the quality and conclusion with regards to congestion for several IPs across the EU. - The current definition of congestion is too narrow and restrictive. - The analysis carried out by ACER in the monitoring report specified that the current definition of contractual congestion in article 2.2.3(1) of the CMP Guidelines might be subject to review in the future. **Theme 4: Drafting proposals** Respondents: EDP, EDF Energy, EDF SA, GDF Suez Infrastructures, Edison, Eurelectric Describe theme: Drafting proposals (1) Regarding the point 2.b, we understand that it should be written in the following way: '(b) in the absence of the decision referred to in paragraph 1(a) or/and where the condition referred to in paragraph 1 (b) is not met...' (2) Disagree the way Article 29(1)(a) is phrased, as it seems that the link is not directly on whether one of the criteria is met but rather firm day-ahead UIOLI is applied. Change from 'a decision taken' to 'conditions met'. (3) Article29(1)(b) should clearly refer to physical congestion. **Theme 5: No support for Article 29(1)(b), referring to physical congestion** Respondents: Energy UK Describe theme: We do not consider that Art 29.1 b is necessary. Rational for arguments: It could add more complexity and confusion.
Other remarks / comments / suggestions	• A solution identified by one respondent is to allow the market to give a good ratio between long term and short term booking, is the reset clause. • The TAR NC should specify the definition of congestion directly rather than referring to the CMP annex. • The ranges should be at a level that discrimination and cross subsidization between different types of network users is prevented. One respondent mentioned that they are not in a position to give an absolute figure.

	• DSOs prefer a system of multipliers that helps to guarantee the objective of tariff stability. It should be avoided that an increase in short term capacity bookings at entry points increases the amount of cost that has to be earned at the exit points. • One could argue that multipliers higher than 1 result in overbooking, as network users then will book transport products with a longer time horizon than they need. • We accept that low booking levels, which could indicate TSO investments that were too large for the current market situation, may warrant a short term contract price that is not lower than 1, to avoid a shift to only short term bookings and a subsequent under-recovery. However, we also believe that a multiplier >1 in this situation does not solve the problem of under-recovery. It merely drives market parties away from this point even further, increasing the under-recovery issue. High booking levels could benefit from a more exact book-as-used situation, where no capacity goes unused. In this case, a multiplier lower than 1 can ensure high levels of utilisation and still maintaining a balance between long and short term products.

Question 30

Do you agree with ENTSOG's alternative proposal (not yet included in the initial draft TAR NC) to set the multiplier ranges on the basis of the percentage of technical capacity that was booked as outlined in Section 4.1(a) of the Supporting Document?			
Number of respondents: 35	**Yes** **11**	**No** **23**	**Unclear** **1**
Positions and rationale	**Theme 1: Delay of knowing the multipliers** Respondents: Energie-Nederland, EFET, ESB, EDF Trading, EDF SA, eni, Esso Nederland, Eurogas, Statoil, OGP, Gasterra, Gas Natural Fenosa, EDP, EDF Energy, Edison, Energy UK, Eurelectric Describe theme: Users won't have any knowledge of the short-term multipliers and seasonal factors before the short-term capacity auctions take place. Rationale for arguments: Ex-post assessment of congestion not acceptable, shippers need visibility and predictability regarding prices, and with this proposal the multipliers wouldn't be known at the time of the annual CAM auction (March). **Theme 2: Predefined ranges of multipliers are not necessary** Respondents: GDF Suez Describe theme: Predefined ranges of multipliers are not necessary Rationale for arguments: - Multipliers have just to be defined to avoid discrimination and cross-subsidies. - This alternative may result in significant application of multipliers equal or below 1, which would result in massive cross-subsidies.		

	Theme 3: Consistency in the definition of congestion Respondents: E.ON Describe theme: The TAR NC must use the same criteria for congestion used in other parts of Regulation 715/2009, may it be subject to future review or not. If they are reviewed in future than certainly it must be safeguarded that the eventually new definition is applied to the relevant NC TAR provisions as well. Rationale for arguments: The criteria for allowing different ranges of multipliers need to be clear and consistent. **Theme 4: Transparency** Respondents: GM&T, DEPA Describe theme: Choices will have to be justified.
Other remarks / comments / suggestions	• Notice has been taken of the concerns of some stakeholders to link multipliers with congestion, but it seems that these stakeholders have concerns with the reference chosen by ACER in the FG. This may be reasoned or not. The alternative proposal by ENTSOG might have its merits, but it is so far not properly consulted. • The proposal inserted in the supporting document, but not in the draft TAR NC, should not put a cap on multipliers. • Limiting rules on the use of a multiplier lower than one could have its merit. However, we strongly believe this should be linked to an evenly strict limitation on the use of multipliers higher than 1. • 'When all available capacity at an IP for next year is sold out at the March auction, the multiplier(s) for short term products for this year are set at 1. If annual capacity is not sold out, the multiplier(s) may be higher, up to 1.5 (or an agreed higher number).' • 'The probability of peak day occurring is also an appropriate basis. This ensures that summer multipliers can reflect the low probability of the 1-in-20 peak day occurring in summer.' • 'A booking of long term products of more than 80% should warrant a multiplier lower than 1, a booking level of 40-60%, could be grounds to apply a multiplier of 1 and only booking levels lower than 40% could possible, after thorough consideration, be grounds to consider a multiplier higher than 1.'

Question 31

Do you agree with ENTSOG's proposal for the possibility to set higher multipliers than those within the ranges set out in Article 29.2 of the initial draft TAR NC, as a safeguard, when it can be justified that the resulting levels better meet the requirements of Article 28.5?			
Number of respondents: 38	**Yes** **18**	**No** **20**	**Unclear** **n/a**

Positions and rationale	**Theme 1: Circumstances for higher multipliers** Respondents: Eurogas, Gasterra, BDEW, DEPA, Energy UK Describe theme: The aforementioned respondents are in favour of higher multipliers but under certain circumstances. Rationale for arguments: The respondents believe that higher multipliers are acceptable if the process is transparent, NRAs agree and they are adopted after a consultation process with the market. Higher multipliers should be set only after NRA's approval and ACER's scrutiny. **Theme 2: The cap should not be higher than that of FG** Respondents: EDF Energy, Edison, Energy UK, Gas Storage Netherlands, VNG, Eurelectric, EDF Trading, Vattenfall, E.ON, EDF SA, ESB, EFET, Vattenfall Describe theme: The respondents do not agree with the deviation and prefer the approach within the Tariff FG. Rationale for arguments: At best, higher multipliers may result in more profiled bookings according to, for example, a seasonal demand pattern, which would be then covered by quarterly or monthly capacity products and lead to lower revenues for the TSO. But an incentive for such booking behaviour would contravene the spirit of the CMP guidelines who intended to incentivise network users to book according to their needs. Any higher multiplier approach could: - lead to an increase in short term prices (prohibitively high within day capacity, short term product will be uneconomical, IPs even less profitable); - inhibit cross border trade; - restrict market liquidity; - put at risk the ability of efficient market response to gas system flexibility requirements (e.g. flexibility needs of the power market due to provision of back up to cover intermittency of renewables); - nullify the efforts for more competitive gas markets; - hamper the development of short-term trading and the optimization of flows cross the balancing zone. The flexibility provided in the FG will allow TSOs to prevent under-recovery on short-term products, avoiding a potential increase of the annual reference price. Furthermore, the proposed deviation risks to further reduce the level of tariff harmonization among the various national gas systems. It should be kept in mind that TSO's revenue is guaranteed and in a non-price cap regime they will not be financially disadvantaged. Evidence provided: ENTSOG's supporting document (P51) gives a theoretical example of a situation where, based on the maximum combination of multipliers and seasonal factors allowed in the Framework Guideline, a TSO may still only recover 86% of its allowed revenue. However, the TAR NC also proposes allowing seasonal factors to be set up to the power of 2. If you apply this enhancement to ENTSOG's theoretical example, the level of revenue recovered increases to just below 100%.

	Theme 3: Cap/Limit of the multipliers Respondents: Statoil, OGP, Esso Nederland Describe theme: Some respondents, although they replied with a no, they stated that if there was a deviation, the Code should state clearly the new cap or the limit of the multipliers. Rationale for arguments: Article 28.5 is very vague to be used as a safeguard.
Other remarks / comments / suggestions	• Two respondents, although stated no in their reply, stated that any deviation from 1.5 should be exceptional and justified and to avoid market distortions, discretion on the extensions of multipliers should not be left at national level. • One respondent although stated no in their reply, the justification was that they do not agree with setting short term multipliers arbitrarily under certain conditions. • One respondent stated that if TSOs are able to provide evidence of where they have not been able to recover their allowed revenues due to an overly restrictive application of multipliers, they may be more sympathetic to their arguments. • One respondent stated that to use multipliers less than one is inappropriate especially when there is no congestion. • Another respondent believes that tariffs will undergo a change, when booking is allowed to meet actual flow requirements. However, this is no reason for concern, as it will allow the capacity bookings to reach the actual physical need for capacity. This, in turn, will decrease capacity under-utilisation and shows the actual required capacity. Understanding that this provides a risk for TSOs, the respondent proposes to solve it in a different way than by discriminating between short and long term tariffs. For instance an increase in risk premium in the WACC, to compensate for the increased volume risk, as has been extensively discussed in the method decisions of the ACM, could be considered.

Question 32

For those cases where it can be justified that higher levels better meet the requirements of Article 28.5, do you support ENTSOG's proposal to leave it up to the NRA to determine a higher level of multipliers (1st option), or do you support the inclusion of a cap higher than 1.5 in the refined draft TAR NC (2nd option)				
Number of respondents: 35	**Option 1** **10**	**Option 2** **6**	**Neither option** **17**	**Unclear** **n/a**
	2 support both			
Positions and rationale	**Theme 1: Preference to option 1** Respondents: IFIEC, CER, Eurogas, Gasterra, Gas Natural Fenosa, BDEW, GIE, VKU, DEPA S.A., GM&T Describe theme: Higher level of short term multipliers should be left up to the NRAs' decision. Rationale for arguments: NRAs should be responsible as the NRAs also ensure the TSOs			

	Required Revenue. Any cap may be as arbitrary as the 1.5 cap proposed by ACER. Further to that each system has its own specificities so there is no metric for a limit. **Theme 2: Preference to option 2** Respondents: VNG Energie Czech, Hungarian Gas Tranzit, HANDEN, VNG Slovakia, VNG, SSE Describe theme: The cap higher than 1.5 should be included in the refined draft TAR NC. Rationale for arguments: Option 2 may provide more effective harmonisation across Europe, removing the discretion from NRAs.
Other remarks / comments / suggestions	• Three respondents, who answered no, proposed that in the case where higher multipliers were allowed, then ACER should have oversight of any proposal for higher multipliers. • One respondent, who answered no, thinks that any multiplier higher than 1.5 should be exceptional and justified and proposed to establish a common maximum multiplier with the aim to avoid very different situations between adjacent entry-exit zones regarding the short/long term prices.

Question 33

Do you agree with ENTSOG's proposal for the criteria to be taken into account for setting the level of multipliers, as set out in Article 28.5 of the initial draft TAR NC?			
Number of respondents: 38	**Yes** **31**	**No** **7**	**Unclear** **n/a**
Positions and rationale	**Theme 1: Disagreement with 28.5 and proposition of new criteria** Respondents: EFET, Esso Nederland, E.ON, Statoil, CER Describe theme: Respondents are not in favour of the criteria set in article 28 paragraph 5, based on which the NRA shall approve or set the short term multipliers. Rationale for arguments: Respondents suggested a number of points that need to be taking in account when determining multipliers: - The extent of any congestion - The need to avoid any cross subsidisation between network users - The impact of multipliers on trade and flexibility between market areas - The impact on under/over recovery of transmission services revenue; need of effective revenue recovery - The impact on the efficient use of and investment in transmission systems; need for long term signals for efficient investment - Multipliers are to be used to minimize the potential revenue shortfall from network users shifting from booking annual capacity to short-term products - The need to facilitate short term gas trading - Multipliers intentionally attempt to encourage demand at certain times of year		

	and also ensure that TSOs recover required revenues by increasing multipliers at periods of higher demand. Therefore, they are supply and demand mechanisms that cannot be perfectly cost-reflective. **Theme 2: Agreement with 28.5 and some further proposals to be included** Respondents: DEPA S.A., GM&T, SSE, Centrica Storage, Eurelectric, Gas Storage Netherlands, VNG, Energy UK, Edison, Vattenfall, VKU, GDF Suez Infrastructures, VNG Slovakia, EDF Energy, HANDEN, EDP, BDEW, Hungarian Gas Tranzit, Gas Natural Fenosa, Gasterra BV, VNG Energie Czech, Eurogas, GDF Suez, Bord Gais Energy, IFIEC, eni, EDF SA, ESB, Energie Nederland, EDF Trading Describe theme**:** The criteria as presented in article 28 para. 5 is acceptable. Further criteria that could be included. Rationale for arguments: Criteria are compatible with 715/2009 and stand to reason. Further inclusions are proposed: - the need to guarantee tariff stability compared to previous tariff periods - the framework should give adequate incentives through long/short term prices to the shippers with the aim of shippers procuring efficient levels of capacity and avoid over bookings. Avoiding those shippers allocated more capacity that they need in long term products, because the short term products multipliers are very high. **Theme 3: Merit order among criteria** Respondents: Energy UK, GM&T, Vattenfall Describe theme: The issues in Article 28.5 could be considered by a particular NRA to have different importance and weighting Rationale for arguments: The criteria issued in Article 28.5 could be considered by a particular NRA to have different importance and weighting and could lead to a situation where any reform could be justified. TSOs and NRAs need to justify how they have made the trade-offs between the different criteria when setting the multipliers. Article 28.5 could be drastically improved if it would indicate how these elements should be taken into account to improve the chances that each European market will interpret these rules in the same manner.
Other remarks / comments / suggestions	• One respondent proposes that in order to ensure multipliers reflect the current market conditions; they should be reviewed annually and consulted upon every 2 years. Multipliers should also not be adjusted mid tariff period. • One respondent suggests an amendment to Art 28 (6), including the words: '(c) and do not hamper cross border trading' as this is a goal in its own right in light of the target of an integrated European gas market. • One respondent stated that while in an auction based environment, congestions are managed and solved via auction premiums; the efficient use of the network should

	be steered by the use of seasonal factors. The cost allocation methodology and the secondary adjustment will take care of remaining considerations such as cross-subsidization, competitiveness, security of supply. • One respondent stated that any change to the multiplier should result in a consultation to understand the possible impact on shippers (such as a possible change of behaviour). • Two respondents made a general comment that the current draft TAR NC and the position expressed by ENTSOG in the stakeholder joint working sessions has been biased towards the need to ensure cost recovery expressed in Article 28.5b. Whilst avoiding under-recovery is a legitimate concern for TSOs, predictability and stability of charges should be the focus when setting multipliers. The final TAR NC should therefore adopt a more balanced approach. • Two respondents proposed that this process should contribute to the availability of multiplier tariffs before the annual auction.

Question 34

Do you agree with ENTSOG's proposal for the formulas to calculate reserve prices for quarterly, monthly and daily standard capacity products in absence of seasonal factors as set out in Article 30.1(a) of the initial draft TAR NC?			
Number of respondents: 34	**Yes** **31**	**No** **3**	**Unclear** **n/a**
Positions and rationale	**Theme 1: seasonal factors should be applied in all cases** Respondents: Hungarian Gas Tranzit Describe theme: seasonal factors should always be applied **Theme 2: unclear integration with the primary cost allocation methodologies** Respondents: GM&T Describe theme: the integration with the various articles defining the primary methodologies is unclear; ENTSOG should: (i) define a range of examples of the full process of tariff derivation for all of the methodologies based on realistic networks; and (ii) make these examples available for stakeholder consideration before the next version of the TAR NC is published for stakeholder views Rationale for arguments: it is not clear whether similar approaches and constraints as defined in Articles 30 and 31 would be employed within the processes of deriving the reference price		
Other remarks / comments / suggestions	• no justification for multipliers below 1 • multipliers for tariffs are to be made available before the annual auction underline the relevance of the 'M' parameter because depending on its value the relationship between long and short term would be different		

	• agree with a granularity of days in pricing standard short term products (i.e. quarterly, monthly, daily) instead of lower ones (say week, month)

Question 35

Do you agree with ENTSOG's proposal for the two options for calculating reserve prices for within-day standard capacity products in absence of seasonal factors?			
Number of respondents: 34	**Yes** **21**	**No** **13**	**Unclear** **n/a**
Positions and rationale	**Theme 1: To keep only the option of pricing within day at the same level as daily** Respondents: SSE, GDF Suez Infrastructures, CER, Bord Gais Energy, Hungarian Gas Tranzit, IFIEC Describe theme: pricing of within-day products in the same way as pricing of daily products (Article 30(1)(b)(i) of the TAR NC) Rationale for arguments: (1) it will be overly complex to calculate usage on an hourly basis (2) it is more convenient to implement (3) for harmonisation and non-cross-subsidisation purposes (flat vs. profiled) (4) balancing requirements are daily rather than hourly **Theme 2: To keep only the option of pricing within day taking account of the hours in duration of the product** Respondents: Respondent A, DEPA, E.ON, Gasterra, Eurogas, VNG Describe theme: pricing of within-day products taking into account the exact duration of the product (Article 30(1)(b)(ii) of the TAR NC) Rationale for arguments: (1) a within-day product offers less than a daily product and should therefore be priced accordingly (2) it is more cost-reflective as compared to the other option (3) it reflects the economic reality of the service thus it is a 'fair' charge for the shippers since corresponds to the actual duration of the service received at a granularity level of hours (4) concerning the arguments that this option may not be consistent for systems offering capacity at kWh/d (Article 10 of the CAM NC), it is noted that since TSOs will deliver gas at flat hourly flow rate and the duration of booked capacity is less than 24 hours the daily rate (kWh/d) will not be delivered in full. **Theme 3: Further specification is needed** Respondents: GDF Suez, OGP, Esso Nederland, Statoil, Gas Natural Fenosa Describe theme: further criteria are needed on when to use the different options for the pricing		

	Rationale for arguments: (1) to specify that within day capacities sold in kWh/d can only apply Option (i) and capacities sold in kWh/h can only apply Option (ii) (2) pricing should reflect the usability of the product to the extent possible (3) a system where the capacity would be treated as a swap of gas would simplify things
Other remarks / comments / suggestions	• the formula in Option (i) should take into account the hours of duration of within day products • at a later stage, intra-day congestion considerations ought to also be entered in full analogy with longer products, in order for off-peak hours to be favoured price-wise against peak hours • the relationship between daily and hourly products at IPs needs to be clearly articulated and communicated to market participants; TSOs should strive for consistency either side of an IP • ideally there should be one harmonised method for calculating within day reserve prices; but whilst capacity continues to be allocated both on a kWh/h and kWh/d basis, it seems appropriate to retain both options

Question 36

Do you agree with ENTSOG's proposal for the methodology to calculate seasonal factors, as set out in Article 31 of the initial draft TAR NC?			
Number of respondents: 34	**Yes** **16**	**No** **18**	**Unclear** **n/a**
Positions and rationale	**Theme 1: Power factor for the calculation of the seasonal factors (Article 31(2)(e) of the TAR NC)** Respondents: Eurelectric, ESB, EDF Trading, EFET, DEPA, Energy UK, EDF Energy, GM&T Describe theme: Within this theme, the following issues were raised: (1) to delete the power factor (2) if maintained, to subject the power factor to further requirements: • the inclusion of a power factor would only be acceptable if multipliers higher than 1.5 are not allowed • the decision of choosing the power factor should be adequately justified if not equal to 1 • there should be a consultation with stakeholders about the power factor and it should be subject to NRA approval • ENTSOG should provide examples of how the power factor should be determined; it should not be an arbitrary, unjustified selection (for each TSO/NRA) when the code is implemented Rationale for arguments: The rationale provided for the respective issues above: (1) for deletion:		

- it could excessively accentuate the differences in capacity prices throughout the year
- seasonal modulation of gas flows should be governed by market signals rather than TSO incentives
- setting seasonal factors up to the power of 2, to incentivise or penalise more clearly months which deviate most from flat usage, appears not to take account of: (i) actual gas requirements; (ii) consumption patterns in some markets, where extremes exist; (iii) ultimately, the end user across markets. For the generation sector in particular, facing increasingly intermittent and unpredictable operations due to provision of back up for renewables, this provides increased risk.

Theme 2: Change of seasonal factors during the tariff period

Respondents: Energie-Nederland, Eurogas, GDF Suez, eni, Gasterra, Statoil, Edison, EFET, EDF Trading, EDF, EDP, ESB, EDF Energy, Energy UK, DEPA, GM&T

Describe theme: Within this theme, the following issues were raised:

(1) change is not admissible

(2) change is only admissible if further requirements are specified

- the phrase 'usage… undergoes significant changes' is completely open to interpretation by the TSO and NRA; there should be some strengthening of the wording in order to provide a basis for the NRA decision or guidance for the NRA, e.g. stressing the fact that seasonal factor changes are only introduced as a last resort to avoid major harm in the market
- the provision of transparent evidence should be required
- there should be a stakeholder consultation as an opportunity for shippers to respond
- it must be explicit that no retrospective changes to prices can be made and that changes must respect the notice period requirements in Article 27(2)

Rationale for arguments: The rationale provided for the respective issues above:

(1) for not allowing for the change:

- this should be avoided to ensure tariff stability within the tariff period; that should also be the case for multipliers
- it may result in commercial difficulties for shippers and end-users, and provide cross border distortion
- it would undermine price certainty and therefore shippers' booking strategy
- shippers should have all information about capacity products offered for the next capacity year before March, including price, multipliers and seasonal factors for all standard capacity products offered in the next gas year

(2) for conditioning:

- it may result in commercial difficulties for shippers and end-users
- it may provide cross border distortion

Theme 3: Removal of the lower limit for the combination of multipliers and seasonal factors for daily and within-day products

Respondents: EFET, EDF Trading, Eurelectric

Describe theme: the average must be able to be < 0.5 for daily and within-day products although this will not correspond to the TAR FG

Rationale for arguments:

(1) if the floor is maintained, NRAs will not be able to adopt multipliers for daily and within day products below 0.5, when seasonal factors are applied
(2) this rule in Article 29(4) is inconsistent with Article 29(2)(a)(ii) and (b)(ii)
(3) multipliers less than 0.5 are needed in order to facilitate the efficient use of cross-border flows for balancing purposes, particularly for within-day capacity
(4) zero multipliers will also be necessary for any future application of implicit capacity allocation, which does not contradict the CAM NC

Theme 4: Arithmetic mean of one for seasonal factors over the gas year

Respondents: Eurogas, GDF Suez, eni, Esso Nederland, OGP, Statoil

Describe theme: the arithmetic mean of the seasonal factors over the gas year for the different short-term products should be equal to 1

Rationale for arguments:

(1) the proposed method is overly complicated – it might be simpler to impose an arithmetic mean of 1 for seasonal factors
(2) it will help to avoid that seasonal factors play the role of an additional multiplier

Theme 5: Use of seasonal factors

Respondents: Respondent A, EFET, EDF, DEPA

Describe theme: Within this theme, the following issues were raised:

(1) seasonal factors should not be used at all
(2) seasonal factors should not be used if multipliers can be higher than 1.5

Rationale for arguments: The rationale provided for the respective issues above:

(1) it is hard to argue from a cost-reflectivity point of view why transportation should be more expensive/cheaper in a given month
(2) seasonal factors should not be allowed to accentuate peak prices further

Theme 6: Details on the publication requirements for seasonal factors

Respondents: eni, SSE, Edison, EDF, Energy UK, EDF Energy

Describe theme: Within this theme, the following issues were raised:

(1) seasonal factors should be made public 30 days in advance the yearly capacity auction
(2) any change to tariff should have a 60 days' minimum notice period

Theme 7: Drafting issues

Respondents: Gasterra, Statoil, Edison, EFET, EDF Trading, EDF, Eurelectric

Describe theme: Within this theme, the following issues were raised:

(1) it is unclear why Article 31(4) should be clarified with respect to daily and within-day products

(2) seasonal factors should also be subject to NRA approval at all times, which is not entirely clear from Article 28(3)

Rationale for arguments: The rationale provided for the respective issues above:

(1) unless steps (f), (g) and (h) in Article 31(2) were meant to be applied only to monthly seasonal factors, the sequential steps in Article 31(2) are sufficient to keep the arithmetic mean of the product of: (i) the multiplier; and (ii) the relevant seasonal factors within the range of [0; 1.5]. If those 3 steps are to be applied only to monthly seasonal factors, it needs to be clarified.

Theme 8: Further justifications should be made available to the market

Respondents: GM&T, DEPA

Describe theme: Within this theme, the following issues were raised:

(1) the rationale for the forecast seasonal patterns, together with the resulting data inputs, should be provided by the TSO/NRA (as relevant) to justify the resulting relativity of prices in the context of what these are expected to imply in respect of revenue recovery

(2) justification for Option 2 within the final step of quarterly seasonal factors calculation (no less than the lowest and no more than the highest seasonal factor within the respective quarter)

Rationale for arguments: The rationale provided for the respective issues above:

(1) if this information is not made available, the approach could lead to a random set of prices

Theme 9: Flexibility regarding the methodology for seasonal factors

Respondents: CER, Hungarian Gas Tranzit

Describe theme: The current text sets out that seasonal factors should be based on the basis of forecasted flows or forecasted contracted capacity. Further flexibility or the inclusion of the following points would be needed:

(1) Probability of peak day occurring is also an appropriate basis to set seasonal factors. This ensures that summer multipliers can reflect the low probability of the 1-in-20 peak day occurring in summer. In many cases it is the larger stakeholders that have an opportunity to submit consultation responses. We would be seriously concerned that an under represented sector of Europe (agribusiness) which relies on the availability of seasonal multipliers would be negatively impacted.

(2) The calculation should be based on the usage of the transmission system, on the forecasted flows, and on the forecasted contracted capacity usage.

	Rationale for arguments: providing further flexibility would take account of the differing needs of the different Member States gas systems.
Other remarks / comments / suggestions	• seasonal factors are in comparison to the multipliers the right signal for the market; it shows the real correlation between demand and supply of transport capacities • the legal text seems quite complicated • to consider combination of the seasonal factors and multiplier into a single factor that varies during the year and on average does not exceed the cap which is currently set at 1.5

Question 37

Do you agree with ENTSOG's proposal for the calculation of reserve prices for capacity products for interruptible capacity with an ex-ante discount, an ex-post discount or a combination of both approaches as set out in Article 32.1 of the initial draft TAR NC?			
Number of respondents: 39	**Yes** **8**	**No** **31**	**Unclear** **n/a**
Positions and rationale	**Theme 1: Deletion of ex-post discount** Respondents: Energie-Nederland, EFET, ESB, EDF Trading, EDF SA, eni, GDF Suez, E.ON, Eurogas, Statoil, VNG Energie Czech, Gasterra, BDEW, EDP, HANDEN, EDF Energy, VNG Slovakia, VKU, Vattenfall, Edison, Enel, Energy UK, VNG, Eurelectric, Sedigas, GM&T, DEPA, CER Describe theme: The above listed respondents are opposed to the use of ex-post discounts for interruptible capacity products. Rationale for arguments: Most of the respondents are strongly opposing the use of ex-post discounts and introduce the following arguments: - The ex-post discount is in the conflict with the requirement that interruptible capacity shall be priced according to the 'probability of interruption'. If shippers book interruptible capacity, the risk of interruption has to be covered regardless the interruption(s) take place or not. - The ex-post discount transfers the risk of interruption from TSOs to shippers and it does not reflect the shippers' requirement to receive a discount for the interruptible product which will balance the cost of a contingency plan in case of interruption. These costs are ongoing whether or not an interruption occurs. - The price of interruptible capacity products should never be the same as for the firm capacity product. Moreover, the ex-post discount will undermine the incentives on TSOs to use OS&BB as TSOs will have no incentive to over sell firm capacity if they can sell interruptible at the same price. - Ex-post discounts are not any more likely to maintain the current offer of different interruptible products where there is no congestion, and respondents fear they are likely to increase the range and amount of interruptible products at the expense of firm		

	products. If firm capacity is still available, or a point is not congested, TSOs can still offer interruptible capacity with a relatively low ex-ante discount. But in such circumstances they, or NRAs, should assess whether the level of firm technical capacity can be increased. - Nothing in the CAM NC prevents TSOs making interruptible capacity (or conditional capacity as applies extensively in Germany) available for periods longer than a day, regardless of whether firm capacity has sold out or not. But if they do, they should be required to make an ex-ante best estimate of the probability of interruption, not fall back on offering ex-post discounts to reduce their risk and potential revenue loss. - One respondent mentions that the implementation of ex-post discount leads to huge transaction costs for TSOs because their dispatching systems have to be combined with the billing systems. - One respondent (GDF Suez) notes that the way how the occurrence of interruption is calculated is not as transparent as it should be and therefore it cannot be considered as reliable. In many occasions, when your flow is interrupted at 2pm day-ahead with your first nomination, you may renominate a lower quantity in the next cycles of nomination, which will finally not be considered as an interruption whereas it was the case. - One respondent mentions that having both options active may cause misalignment across IPs where one TSO applies one option (say the ex-ante) and another the other (say the ex-post). - Remarks on the argument from Supporting Document that in systems with no congestion shippers will prefer booking interruptible products at lower cost instead of booking firm. One respondent counter argues that, since there is no congestion, the interruption probability will be close to zero, so justifying a value of 1 for factor A, namely a tariff very close to that for firm capacity. Evidence provided: A recent decision by Ofgem on a similar product is relevant. Ofgem determined that such a product, (firm with buy-back) was essentially an interruptible product and pricing it as a firm product was not consistent with EU pricing requirements for interruptible capacity.[9] **Theme 2: Combination of both ex-post and ex-ante discount** Respondents: VNG, Respondent A, HANDEN Describe theme: (1) The possible calculation of the reserve price for interruptible capacities as combination of ex-ante and ex-post discount should be allowed. Rationale for arguments: The ex-ante discount is necessary as the incentive to book interruptible capacity and the ex-post discount is necessary because shippers who are interrupted do not receive the agreed service from the TSO.

([9]) http://www.gasgovernance.co.uk/sites/default/files/Ofgem%20Decision%20Letter%200454.pdf

	(2) The possible calculation of the reserve price for interruptible capacities as combination of ex-ante and ex-post discount should be not allowed Rationale for arguments: A combination of ex ante and ex post is not transparent for shippers as the level of discount is not known until after. **Theme 3: Interruptible capacity should be offered at a zero reserve price when firm capacity has been sold out** Respondents: OGP, Vattenfall, Statoil, EFET, Esso Nederland Describe theme: Interruptible capacity should be offered at a zero reserve price when firm capacity has been sold out. Rationale for arguments: -TSOs should maximise the offer of firm capacity products and minimize the offer of interruptible products. In case of OSBB implementation when all firm capacity is sold out day-ahead, TSOs should offer interruptible capacity at a zero reserve price. -Three respondents note that this would incentivise network users to offer unused capacity on the secondary market, or to release capacity and incentivise TSOs to make firm capacity available under an OSBB mechanism. -One respondent believes that at not contractually congested IPs there should be no offer of interruptible products at all and TSOs shall maximize the offer of firm capacity through the Oversubscription and Buy-Back mechanism provided by CMP. This would be necessary to avoid creating an incentive for TSOs to limit the offer of additional capacity and rather put on the market interruptible capacity. -One respondent points out that the reserve price for firm capacity should already cover the cost of the grid and therefore it is not necessary to have a reserve price for interruptible capacity higher than zero. If the TAR NC allows having the reserve price higher than zero, ENTSOG should clarify why and how this does not increase the risk of over-recovery and thereby price volatility. -This would enhance the efficiency of gas flows between market areas in response to price spreads. - TSOs would not face any greater risk of under recovery from a zero default reserve prices as they would already be maximising their revenue entitlement from having sold out all firm capacity. **Theme 4: Forbid recalculation of the discounts within the tariff period** Respondents: Energie Nederland, Gasterra Describe theme: Forbid recalculation of the discounts within the tariff period as stated in Article 32(4). Rationale for arguments: to ensure tariff stability within a tariff period.

	Theme 5: The ex-ante discount should not be proportional to the level of interruption Respondents: GDF Suez Describe theme: The ex-ante discount should not be proportional to the level of interruption. Rationale for arguments: For shippers, if a capacity could be interrupted even 5% of its time, but possibly during highly valued time, it has to find an alternative to cover its needs during this highly valued time, especially if the shipper manages forward positions (as it is always the case when selling to end customers for instance). And often, interruption occurs when nominated flows are high, which corresponds often to highly valued time. Therefore, the cost of interruption is far higher than the 5% level of interruption.
Other remarks / comments / suggestions	• Three respondents agree with/prefer to have ex-ante discount. • One respondent favours ex-post discount. • One respondent doesn't prefer the combination of ex-ante and ex-post discount. • A respondent noted that it is important that interruptible products pay based on the probability of interruption. Thus, a product which is never interrupted should pay the same as a firm capacity product.

Question 38

Do you agree with ENTSOG's proposal for the information to be included in the report on the probability of interruption and on the timing of its publication as set out in Article 32.3 of the initial draft TAR NC?			
Number of respondents: 37	**Yes** **29**	**No** **8**	**Unclear** **n/a**
Positions and rationale	**Theme 1a: Inclusion of additional information - the flow scenarios and detailed network configurations** Respondents: EFET, Energie-Nederland, eni, GDF Suez, Eurogas Describe theme: The explanation of how the probability of interruption is calculated for each type of interruptible product should include the flow scenarios and detailed network configurations on which the TSO's assumptions are based. Rationale for arguments: This will allow network users to make their own assessment of interruption based on their perceived likelihood of such circumstances occurring. **Theme 1b: Inclusion of additional information – the historical data used in the estimation of the probability of interruption** Respondents: DEPA Describe theme: proposal for Article 32(3)(c) to include the historical data used in the estimation of the probability of interruption: '(c) the explanation of how probability of interruption is calculated for each type of product referred to in point (a), accompanied by historical data used in the estimation'		

	Rationale for arguments: This would allow shippers to understand the risk of interruption they are exposed to. **Theme 2: Offering part of interruptible products as firm** Respondents: Esso Nederland, OGP Describe theme: TSOs should not offer a suite of interruptible products and in doing so transfer the risk of interruption to network users. Rationale for arguments: TSOs can best assess the probability of interruption and they should be able to offer part of this as firm capacity, at least on a day ahead basis. **Theme 3: Timing of publication** Respondents: EDF SA, Statoil, EDP, EDF Energy, Energy UK Describe theme: Shippers should have all information about products offered for the next capacity year (October-September) before the annual products auctions Rationale for arguments: Shippers' booking strategies will in fact depend on the amount and kind of information available in this respect. This is particularly true in a context of floating tariff where the push towards yearly and less than yearly capacity product is evident and material. **Theme 4: Calculation of the discounts using historic information** Respondents: Respondent A, GM&T Describe theme: It may not be reasonable to base discounts for interruptible capacity based on historic interruption. Rationale for arguments: - The current proposal does not reflect the market, because you can never compare one year to the other. No interruptions in year 1 do not means that there will not be interruptions in year 2, or the other way round. - One respondent notes that in some systems interruptible capacity has not been interrupted recently, which would imply a zero ex ante discount. However if capacity is not likely to be interrupted then TSOs should sell the capacity as firm, as otherwise it indicates that TSOs are not maximising the amount of capacity available as they are required to do under the Gas Regulation. **Theme 5: Further clarity on the calculation of the discounts needed** Respondents: GM&T Describe theme: Further clarity on the calculation of the discounts needed. Rationale for arguments: TAR NC leaves doubt as to whether the calculation of probability of interruption is calculated on an annual basis or whether it will consider different within year time periods for quarterly, monthly and daily standard products. For example, it would be inequitable if the discount was applied equally to all quarterly bundles of capacity if the risk of interruption is assessed differently in each quarter.

	Should this be the case the 4 quarter temporal bundles should have different discount factors. This possibility may be missing from the drafting in Article 32 (or at least is not clear) and should be addressed before the code is finalised.
Other remarks / comments / suggestions	• A respondent supports the coherence between tariff period and capacity period; they should be the same period. In its view the discounts applied to the interruptible capacity should be constant during the tariff period. • One respondent suggests adding of the requirement in the NC that if the discounts are changed after the first publication of the discounts (note this is broader than within the tariff period) then a justification for the change, including its quantification, must be provided. • One respondent mentioned that the definition of interruption needs to be consistently applied. Some TSOs do not class gas as being interrupted if the shipper has re-nominated its flows, having being informed that it will be interrupted if it tries to flow against its full capacity booking. This would enable TSOs to charge the full price for capacity even if shippers could not be sure that they could always use their full capacity.

Question 39

Do you agree with ENTSOG's proposal for the application of the same methodology for the calculation of reserve prices for all interruptible products offered by a TSO, including non-physical backhaul capacity products, as set out in Article 32.2 of the initial draft TAR NC?			
Number of respondents: 36	**Yes** **18**	**No** **18**	**Unclear** **n/a**
Positions and rationale	**Theme 1a: Non-physical backhaul should be charged on the same principles as interruptible capacity** Respondents: GIE, Energy UK, Hungarian Gas Tranzit, DEPA, Vattenfall, GM&T Describe theme: Backhaul is an interruptible product and therefore it should be priced on the same principles as interruptible capacity. Rationale for arguments: - The use of a different approach for non-physical backhaul appears to treat cross border users of capacity and users of capacity within a system differently. - ACER has tried to justify how non-physical backhaul creates new contract paths and is therefore different from other interruptible capacity. However the same argument applies to use of non-physical backhaul within an entry exit system. - One respondent pointed out that it is irrelevant if the reverse flow is physical or not, the only criteria to determine the price should be the probability to be interrupted. - One respondent notes that the primary investment in a pipeline serves both forward and backhaul flow (no backhaul flow would be possible without the pipeline!). Pricing the backhaul capacity at marginal cost, as per the FGs, all of the CAPEX burdens forward flow		

shippers, who thus subsidize backward flow shippers. This is discriminatory and against the specific objectives of the Gas Regulation.
- One respondent believes that in the (near) future, changing use of gas will lead to a European system in which all points are bidirectional. To allow for this change to take place efficiently and to provide a transparent, harmonised product, a single approach is desirable.
- it was noted that ACER has tried to justify how non-physical backhaul creates new contract paths and is therefore different from other interruptible capacity. However the same argument applies to use of non-physical backhaul within an entry exit system.

Theme 1b: The specific ex-ante discount should be applied on non-physical backhaul
Respondents: Energie-Nederland, eni, Gasterra, Statoil, VNG
Describe theme: The reserve price of backhaul capacity should be set at an ex-ante discount with respect to forward capacity. This discount should reflect (i) the risk of interruption and (ii) the fact that reverse flow does not originate fuel gas costs.
Rationale for arguments: Three respondents note that the ex-post discount should not be applied for the same reasons explained in question 37. One respondent notes that it is important to avoid that network users using forward flow capacity cross-subsidises the backhaul flows. The corresponding forward flow should instead benefit from actual savings in fuel gas costs by having a reduction of their payable price. Moreover, over-recoveries derived from the offer of backhaul capacity could be redistributed back to the reverse and forward flow capacity holders at the specific interconnection point (thus entailing a further 'discount' for backhaul). An exceptional case may be represented by situations where heavier discounts may be justified by the need to support upstream indigenous production on the basis of security of supply considerations.

Theme 1c: Non-physical backhaul should be charged at marginal cost
Respondents: ESB, EDF Trading, EDF SA, GDF Suez, Esso Nederland, E.ON, CER, OGP, Gas Natural Fenosa, EDF Energy, Edison, Eurelectric, EFET, Eurogas
Describe theme: The non-physical backhaul capacity product should be priced reflecting the actual marginal costs that TSOs incur to provide this service.
Rationale for arguments:
- This approach set also in TAR FG appears to be the most cost-reflective as well as the one maximizing opportunities for cross-border trade and market integration. Non-physical backhaul is dependent on physical flows and therefore subject to enhanced risk of interruption.
- One respondent notes that the marginal cost of non-physical backhaul capacity products is close to zero, as there are negative variable costs (less compression energy is used) and all capital costs should be covered by the network user flowing physically forward. And this allocation of costs is legitimate as the interest in reverse flow activities suggest that the forward flowing network user is flowing against a price differential – a

	strategy that makes no sense in a hub-to-hub transport scenario and should be an extreme exceptional case. - One respondent points out that the marginal cost methodology may be more appropriate because unlike at bi-directional IPs where day-ahead interruptible capacity is only required to be made available day-ahead if firm capacity is sold out, day-ahead interruptible capacity at uni-directional IPs always has to be made available. -This approach is particularly beneficial in countries where limited competition results in situations where gas in the upstream market is priced at a higher level than the neighbouring downstream markets in spite of lower transmission costs. - This approach will encourage shippers to choose the less expensive solution for the market (flow netting). Moreover, it will push TSOs towards simple schemes where dual points on the same IP between 2 EE Zones should disappear. (*)The only possible exception to this principle should be according to two respondents where the level of uni-directional capacity at IPs between Member States exceeds the level of bi-directional capacity, as highlighted in Appendix 5 of ENTSOG's launch documentation. **Theme 2: Issues with recalculation of discounts** Respondents: ESB Describe theme: The recalculation options in Article 32 should be subject to a hurdle for proof, transparent provision of evidence and involvement of stakeholders in defining and recalculating the tariffs.
Other remarks / comments / suggestions	• That marketing non-physical backhaul capacity based on tariffs reflecting only marginal costs will limit the offer of these products across the EU thus eliminating the benefits that they could provide to the market. However the reserve price for non-physical backhaul capacity products should be calculated on the benefits of the beneficial network use as well as on the probability of interruption. • Forward capacity should always have a higher tariff than non-physical backhaul. Non-physical backhaul reduces the need for pipeline capacity, whereas forward capacity increases that need. • The additional legal clarity on the question of marginal pricing of tariffs is needed. • It is not clear from the proposed different methodologies how such non- physical backhaul within an entry exit system will be priced because, the proposed methodologies do not all seek to attribute costs. If costs are not explicitly attributed this means that all shippers are contributing to the costs of the network within an entry exit zone, whereas at a non-physical backhaul IP forward flow shippers are creating the conditions which enable non-physical backhaul, and are paying all the costs, effectively allowing reverse flow shippers to free ride. • Where the probability of interruption differs significantly within a zone TSOs should seek to differentiate the discounts applicable.

	• The keen debate which led ENTSOG to divert from the FG on this point reflects the problems in determining an equitable solution, and as with many issues connected with the code there is no obviously right answer. The principle of cost-reflectivity may be weakened if a zero or marginal cost approach is pursued as these products contribute to network stability. Nonetheless, most members have confirmed they prefer the FG on this point and therefore one respondent has answered in the negative. • The entire issue is rather about fairness among shippers (forward and reverse) than an issue of revenue recovery for the TSO. • The corresponding forward flow should benefit from actual savings in fuel gas costs by having a reduction of their payable price. Over-recoveries derived from the offer of backhaul capacity could be redistributed back to the reverse and forward flow capacity holders at the specific IP (thus entailing a further 'discount' for backhaul). An exceptional case may be represented by situations where heavier discounts may be justified by the need to support upstream indigenous production on the basis of security of supply considerations. • Any additional income from this tariff to be used to facilitate the realisation of more physical bidirectional points.

Question 40

Do you agree with ENTSOG's proposal for the calculation of an ex-ante discount for capacity products for interruptible capacity, as set out in Article 33 of the initial draft TAR NC?			
Number of respondents: 35	**Yes** **30**	**No** **5**	**Unclear** **n/a**
Positions and rationale	**Theme 1: Parameter A strictly superior to one** Respondents: Energie-Nederland, EFET, GDF Suez, DEPA Describe theme: For any interruptible capacity offered for a longer period the formula is appropriate, and the A parameter should be set higher than one in circumstances where the potential cost of interruption far exceeds the interruptible discount based on the expected probability of interruption. Rationale for arguments: To reflect the cost of the risk borne by shippers when they book interruptible capacities. **Theme 2: Clear Criteria for TSOs interruption** Respondents: EDF SA, EDF Energy, EDF Energy Describe theme: There needs to be a control to minimise shipper's risks of being interrupted. Rationale for arguments: In the GB regime interruptible exit capacity (called the offpeak product) has a 100% discount applied and this capacity product can only be interrupted		

	in an extreme case where demand is higher than 85% of peak day demand. There is therefore a case for clear criteria for when TSOs can and can't curtail interruptible capacity as it shouldn't be a free option - it has to be reflective of conditions on the system. For instance TSOs should only be allowed to interrupt if capacity margins are tight and therefore when demand is X% (e.g. 90%) of peak day demand. Evidence provided: yes For example, a shipper - even with a low probability of interruptible capacity product - may end up being interrupted for whatever reason the TSO decides, especially as conditions on the day may be completely different than at the time the discounts were applied. Therefore, apart from clear criteria when TSOs can and cannot interrupt, a limit on the price paid may therefore be beneficial to Shippers and consumers. This can be in the form of a cap such that TSO's cannot charge more than a certain percentage of reserve price for firm capacity.
Other remarks / comments / suggestions	• Implementation of a Buyback-Mechanism: • In some networks, for example Germany, that interruptible capacity is rarely curtailed, (This may be because it is not classed as an interruption because shippers have re-nominated rather than be interrupted. See our response to Q38) and projections of interruption probability are very low, then it is clear that interruptible capacity will be sold at very close to the firm price. Under these circumstances it would be preferable from a market perspective that such capacity was sold (and priced) as firm. A buy-back mechanism could then be implemented to cover the rare circumstance when all firm capacity released could not be honoured. • Banding of discounts for a certain number of days interruption per year: • It may be appropriate to consider simpler approaches such as banding of discounts for a certain number of days interruption per year. In addition it will also be important that shippers understand in advance the network conditions that may give rise to interruption, otherwise there would be a risk that the interruptible capacity product was priced on assumptions that turned out to be at variance with the outturn situation. For example there may be a small discount if there is a low probability of interruption, but if the number of days is not limited and more interruption is called then the TSO effectively has a free option on that 'additional' interruption and the shipper is not compensated for this. • Any interruptible capacity offered at the day-ahead stage should always have a zero default reserve price. • NRAs are best placed alongside TSOs in each Member State to determine what discount approach is appropriate. • ENTSOG have proposed 3 approaches to interruptible- Ex ante, Ex-post and combination discount. The ex post discount does not encourage the use of interruptible but as this discount is only given when an interruption has occurred it has merits with regard to revenue recovery. The appropriateness of the interruptible

	discount and its timing might depend on various factors including congestion. Flexibility should therefore be retained. • How do TSOs or NRA estimate the economic value of the type of standard capacity product? • We do not see the point in using historical data or 'probability' assessments to determine discounts for interruptible capacity. As the volumes booked on an interruptible basis should anyway not be part of the TSOs allowed revenue, the factors should be set in a manner to incentivise shippers to book interruptible capacity (ex-ante discount), while at the same time applying ex-post discounts for factual interruptions. • We would expect the TSOs to publish the likelihood of interruption day-ahead and on the day peak day demand on a daily basis for the gas day and the next 7 days.

Question 41

Do you agree with ENTSOG's proposal for the calculation of the probability of interruption, as set out in Article 33.2 of the initial draft TAR NC?			
Number of respondents: 36	**Yes** **27**	**No** **8**	**Unclear** **1**
Positions and rationale	**Theme 1: High Complexity and Uncertainty** Respondents: EFET, ESB, eni, Esso Nederland, OGP, EDP, Eurelectric, GDF Suez, Energy UK, EDF SA, EDF Energy Describe theme: The probability of interruption formula seems overly complicated. Rationale for arguments: (1) Doubts whether TSOs really will be able to estimate the duration of interruptions and the proportion of capacity that would be interrupted with any degree of certainty. (2) The formula suggests a level of science, objectiveness and standardisation which it is unlikely, as TSOs will be taking views on forecast interruptions and interruption durations. (3) The formula described in Article 33 seems to be quite complex, and in particular additional clarification for the calculation of the 'A' parameter would be necessary. (4) While the calculation proposed in article 33.2 might be correct, we seriously question the assumed granularity of the number and duration of the interruptions. Since this information is unlikely to be precise for future interruptions it should not be sanctioned as a good basis for pricing interruptible capacity.		
Other remarks / comments / suggestions	• the calculation of the probability of interruption should accommodate the number of days as well as just the number of hours. • This mode of calculation is simplistic, as it does not distinguish interruption during peak time and interruption during off-peak time. Therefore, this mode of calculation		

	is only acceptable if parameter A is strictly superior to 1. • It would be a travesty, which should not be allowed to occur, if this were to become a convenient excuse to apply ex-post discounts. To this extent, it would be simpler and equally valid to base the probability of interruption solely on the expected number of days of interruption in the year. • More importantly, we appreciate the underlying data, so that we can calculate the probability ourselves. For efficiency sake, we support a calculation by the TSO, as long as it takes place in each market on the basis of the same, transparent, data and methodology. It is important to ensure that a probability (percentage) at one point has the same meaning as the same probability at another point in Europe. • It might be appropriate to include a cap on the level of interruptible charge and clear criteria when TSOs can interrupt based on system conditions so that it is not a free option to interrupt which should minimise costs to consumers. However, we do recognise that setting interruptible charges based on the probability of interruption is a requirement of the Regulation, which is challenging to achieve in a meaningful transparent way. The detailed scope of interruptible products at the national level needs to define when TSOs can interrupt based on system conditions to avoid TSOs having free options to interrupt capacity and an incentive to set low probabilities of interruption.

Question 42

Do you agree with ENTSOG's proposal that data for several interconnection points or all interconnection points could be gathered together to calculate the probability of interruption for an interruptible capacity product, as set out in Article 33.2 of the initial draft TAR NC?			
Number of respondents: 32	**Yes** **21**	**No** **10**	**Unclear** **1**
Positions and rationale	**Theme 1**: **No reliable results (without risk groups)** Respondents: Statoil, VNG Energie Czech, HANDEN, VNG, Eurelectric, BDEW, VNG Slovakia Describe theme: Such approach would in theory improve the quality of the assessment of the risk of interruption; however we doubt the ability to reach reliable results. The calculation of the interruptible capacity product should show the risk of interruption which would not be the case if several or all interconnection points are gathered together. Therefore the interconnection points should be considered in risk groups of interruption. This would only be appropriate if the relevant interconnection points formed part of a virtual interconnection point, as provided for under the CAM Network Code, not as a general provision.		

Other remarks / comments / suggestions	• The question is not clear. Probability of interruption should be computed for each point, of course distinguishing the direction of the flow. • It is also important to have the same methodology either side of a border point. • It is important that the probability of interruption for all interconnection points is derived using the same methodology, and preferably using similar methodologies on both sides of the border. • Should patterns of interruption indicate, over time, that interruption probability varies by location, and then a lower level of granularity should be used in the discount setting process.

Question 43

Do you agree with ENTSOG's proposal for the calculation of the ex-post discount for interruptible capacity products, as set out in Article 34 of the initial draft TAR NC?			
Number of respondents: 34	**Yes** **8**	**No** **23**	**Unclear** **3**
Positions and rationale	**Theme 1: Risk-transfer to shippers without reward** Respondents: GDF Suez, Esso Nederland, Statoil, OGP Describe theme: The ex-post discount is not acceptable for shippers. Rationale for arguments: This would transfer all risk to network users without an appropriate reward. and it will undermine OS&BB. **Theme 2: Circumstances for ex-post discount** Respondents: CER Describe theme: An ex-post discount should be dependent on the level of congestion. Rationale for arguments: An ex-post discount does not encourage the use of interruptible products as the discount is only given when the product is interrupted. This seems sensible given that in a system without congestion, an ex-ante discount may benefit certain network users at the expense of others (such as the domestic sector). However, as the level of discount in a system without congestion is likely to be low and therefore it may not ultimately make much difference.		
Other remarks / comments / suggestions	• A discount should be applied ex-ante to the reserve price on the basis of the (transparently determined) probability of interruption of the capacity product. Moreover, we are in favour of TSOs offering interruptible capacity products only if the corresponding firm capacity product is sold out, in order to avoid speculative behaviour. Therefore, we don't support ENTSOG's reasoning that applying ex-ante discounts could limit the offering of interruptible capacity products in a way that would be detrimental to the proper functioning of the market.		

	• When considering the 'first booked last interrupted rule', an ex-ante discount mechanism can take into account the actual risk of interruption as well as an ex-post discount mechanism would, by simply applying - if necessary - multiple levels of ex-ante discounts reflecting different levels of the expected probability of interruption.

CHAPTER V. REVENUE RECONCILIATION

Question 44

Is the interaction between the one regulatory account, the sub-accounts for tracking and the revenue reconciliation, as set out in Article 37 of the initial draft TAR NC clear to you?			
Number of respondents: 38	**Yes** **19**	**No** **19**	**Unclear** **n/a**
Positions and rationale	**Theme 1: Users need to be able to see if there are any cross-subsidies** Respondents: Edison, Energy UK, Gas Storage Netherlands, SSE, Energie-Nederland, ESB, EDF Trading, EDF SA, Eurogas, GIE, Eurelectric, GM&T Describe theme: The TAR NC should require sub-accounts to be mandatory to provide more transparency on any cross subsidies Rationale for arguments: It is very important for network users to be able to see the extent of any cross-subsidy between classes of network user that results from having a single regulatory account. It is not clear for some respondents how over or under recovery, year after year, will impact tariff structure. The system will create some cross-subsidies, as all users are going to pay for under-utilized points. Some respondents fear that the current system could generate important cross-subsidies between users, for instance between cross-border and domestic users. • The only way to guarantee that the system won't drift is that each TSO provides a simulator of its tariff, showing the possible evolution year after year, on each IP, of the tariff, with a few test cases of over or under recovery. • Instead of a single regulatory account, separate regulatory accounts for cross-border and domestic users should be implemented to avoid such cross subsidies. The regulatory account should not be the tool to manage the fact that some cross-border infrastructures may become underutilized, and therefore may become overly expensive to recover their costs. Another respondent stated that the single account concept must not be used to hide the sources of over and under-recovery. • It is essential that relevant sub-accounts are identified and that transparency of over and under-recovery against each sub-account is published. Evidence provided: For instance, in national systems where entry capacity from LNG terminals and storage sites is not allocated to users, but directly to LSOs and SSOs, users cannot purchase short-term capacity products at these points. Therefore, users active on these points cannot benefit from lower multipliers (associated to short-term capacity)		

	and do not contribute to generate under-recovery for the system (on the contrary, they often have to pay for more capacity than they use). The same for all network points that are not subject to the application of the NC CAM and for which there is no obligation for TSOs to offer short-term products via auction. **Theme 2: Decision regarding treatment of auction premia revenue** Respondents: Energie-Nederland, EDF Trading, Eurogas, Gasterra Describe theme: Article 37.4 of the draft TAR NC states that: 'The national regulatory authority may decide to use this auction premia for reducing physical congestion'. One respondent stated that they felt that network investment decisions should be done by the TSO (and not the NRA), whilst another stated that they do not 'consider the NRA a fit for purpose authority to make network investment decisions.' Rationale for arguments: A rise in auction premia could indicate a demand for capacity higher than supply at a certain IP; this should incentivise the TSO to make investments through the appropriate mechanisms set out in the CAM NC. **Theme 3: Transparency regarding the amount of any under/over recovery & Frequency of Reconciliation** Respondents: EFET, EDF Trading, EDF SA, Eurogas, Statoil, GIE, Gas Storage Netherlands, Sedigas, DEPA, GM&T Describe theme: Details of the amount of any under/over recovery accrued in the regulatory account should be provided regularly. Some respondents mention annually whilst other suggest more frequently (e.g. quarterly). Rationale for arguments: This will allow shippers to anticipate allowed revenue variations in future years, and anticipate how this could affect future tariffs (assuming a tariff model is made available). **Theme 4: Treatment of Revenue excluded from transmission services revenue and/or Complementary Revenue Recovery Charge** Respondents: EFET, EDF Trading, Esso Nederland, CER, Eurogas, Statoil, OGP, GM&T Describe theme: It should be made clear how these revenues will be reconciled Rationale for arguments: To the extent that allowed revenue is excluded from transmission services revenue, for the purposes of providing dedicated services or because of a complementary revenue recovery charge, TSOs should make clear how such revenues will be separately reconciled. They should also provide full transparency over the extent of any revenue reconciliation in relation to these charges. If the whole purpose of the complementary revenue recovery charge is for revenue recovery, then it is somewhat odd that an under/over recovery could/should arise from these charges. **Theme 5: Entry/Exit Split is not addressed** Respondents: IFIEC, Gasterra, SSE

	Describe theme: The TAR NC does not address the initial Entry-Exit split. Rationale for arguments: Article 37 does not address the initial Entry-Exit split. There is no rule included which safeguards that the over- or under recoveries are allocated back respecting the initial Entry-Exit split. One respondent stated that 'It is unclear what 'shall be carried out in accordance with the applied cost allocation methodology' means; in particular how all entry and exit points will contribute to the reconciliation.'
Other remarks / comments / suggestions	• 'As ultimately the sub accounts are all smeared together there is a question of why there is sub account tracking at all' • One respondent stated that shifting tariffs to exits would greatly facilitate transparency. • 'we would appreciate some additional thoughts on the complementary revenue recovery charge and its relationship with the reconciliation of the regulatory account' • 'A link between a possible inter-TSO compensation scheme (also in terms of appropriate cross-border mechanisms) and the regulatory account is not addressed although this could be an important source of cross-subsidies' • 'Sub-accounts should not be used to prioritise specific investments in capacity.' • 'Taking into account that in the regulatory account could be quantities derived from deviation in previous tariff period, in our view article 37.1 should be completed in the following way: '....and quantities (negative or positive) derived from previous tariff periods'. In our view the article 37.1 should be consider structures like those applied in the Spanish gas system where the regulatory account should be unique for all TSOs and it would be managed by the regulator. In this case, the mentioned article would be modified in the following way: 'Each transmission system operator or National Regulatory Authority, depending on the system organization, shall use a .....' • 'Regarding the reconciliation of regulatory account, in our view, network users should know how this account works with the aim to avoid unnecessary uncertainties. We think that thresholds could be established ex ante related to under or over recoveries, to avoid continuous tariff changes and to promote the stability.' • 'In general terms, with respect to the reconciliation of revenues, we believe that the mechanism of return to network users should be defined in more detail. With particular reference to the case of under-recovery, we think that the best way to charge users is through a tariff variable component paid by all users and defined appropriately in advance. This methodology can guarantee the recovery of TSO costs and can limit discriminations and impacts on retail markets for network users.' • 'The approach to revenue reconciliation is not entirely clear from the code. Comprehensive examples would help stakeholders understand how ACER and ENTSOG intend the revenue reconciliation approach to function.' • 'TSOs/NRAs must be required to justify how the regulatory account methodology is to be applied. This needs to be added in as part of the tariff methodology consultation and implementation process.'

CHAPTER VI. PRICING OF BUNDLED CAPACITY AND CAPACITY AT VIRTUAL INTERCONNECTION POINTS

Question 45

Do you agree with ENTSOG's proposal with regard to the way at which a VIP tariff is calculated where the capacity is marketed by one TSO, as set out in article 40.2 of the initial draft TAR NC?			
Number of respondents: 36	**Yes** **27**	**No** **9**	**Unclear** **n/a**
Positions and rationale	**Theme 1: High risk of tariff change when creating a VIP** Respondents: GDF Suez, Esso Nederland, OGP, Statoil, EDP, GM&T Describe theme: (1) The creation of a VIP may affect network users with existing capacity contracts and their interests should be taken into account. (2) In case of pancaking of networks, an analysis about the possible pancaking problem should be included. Rationale for arguments: There is a risk for long term shippers to face a possible important tariff change at the constitution of a VIP. **Theme 2: Contrary to the economic and efficient use of the system** Respondents: Esso Nederland, OGP, Statoil, GM&T Describe theme: NC CAM requires that VIPs are established only if they facilitate the economic and efficient use of the system. (1) A single 'average' tariff works contrary to the economic and efficient use of the system. (2) Impacts if VIP pricing should be considered prior to the creation of a VIP. The approach in the code may render capacity utilisation at a VIP uneconomic from the perspective of a network user if the weighted average price approach prevents access to capacity which, priced as an individual IP, would be competitive against other transportation routes. (3) TSOs/NRAs should be required to provide a rationale for the approach chosen and its potential impact on overall revenue recovery and other tariffs. Rationale for arguments: Unless the costs for the component IP of the VIP are the same, the price for the VIP will not be cost reflective. **Theme 3: Clarification needed** Respondents: GM&T Describe theme: Article 40 requires clarification. (1) Clarity needed on whether unbundled standard capacity product refers to capacity at one side of the VIP.		

	(2) It is not clear if equal to the combination of means a price derived as a function of the minimum price or a weighted average price of those tariffs applicable at the individual IPs that comprise the VIP. Rationale for arguments: It is currently unclear. **Theme 4: Repartition of the auction revenue for bundled capacity** Respondents: EFET, E.ON Describe theme: (1) Auction revenue for bundled capacity products shall be attributed to the TSOs in proportion to the reference prices, instead of the reserve prices. Rationale for arguments: On one VIP, the TSO with high reserve price, in case of important multipliers and seasonal factors, will get disproportionate shares of the revenue of auction premiums from bundled capacity. (2) We support an attribution of revenue originating from the bundled capacity product sales in equal shares, and not in proportion to the reserve prices for the capacities contributing to such product as currently foreseen in Article 39 (2b) The currently drafted provision would delete any incentive to lower reserve prices and thus lead to a competition for the highest reserve price between the respective TSOs. **Theme 5: Reserve prices at a VIP based on reference prices** Respondents: VNG Describe theme: Make clear that reserve prices at a VIP will be based on the reference prices as determined under Article 40.2. Rationale for arguments: Multipliers and seasonal factors should be applied to unbundle VIP products only not to the IP underlying the VIP.
Other remarks / comments / suggestions	• There is an optimisation in the works that TSOs have to do, and these issues should be considered when the tariffs are determined, reducing applied tariffs. • Considering the risk linked to the tariffs changes, GDF Suez argues in favour of the reset clause.

Question 46

Do you agree with ENTSOG's proposal with regard to the way a VIP tariff is calculated where the capacity is marketed by more than one TSO, as set out in article 40.3 of the initial draft TAR NC?			
Number of respondents: 35	**Yes** **26**	**No** **8**	**Unclear** **1**
Positions and rationale	**Theme 1: High risk of tariff change when creating a VIP** Respondents: GDF Suez, Esso Nederland, OGP, Statoil, EDP, GM&T Describe theme: (1) The creation of a VIP may affect network users with existing capacity contracts and		

	their interests should be taken into account. (2) In case of pancaking of networks, an analysis about the possible pancaking problem should be included. Rationale for arguments: -There is a risk for long term shippers to face a possible important tariff change at the constitution of a VIP. -Introducing a VIP will likely come with the need to potentially change delivery points in the sales agreements underpinning the transportation agreements de facto opening the door to much wider negotiations. A big change in the tariff level may put at risk such contracts. **Theme 2: Calculation of VIP's reserve prices** Respondents: Esso Nederland, OGP, Statoil Describe theme: (1) Support that the reserve prices are calculated for the overall entry-exit system in accordance with article 40.3(a) and not by each TSO separately as described in article 30.3(b). (2) Base reference prices used to calculate the weighted average only as referred to overall entry/exit zone and not per individual TSO. **Theme 3: Clarity** Respondents: GM&T, Gas Natural Fenosa Describe theme: More clarity is needed concerning: (1) It is not clear how this approach might interact with benchmarking adjustments. (2) It is not clear what will happen to over and under-recoveries arising from the difference between weighted average price and individual TSO prices. The attribution rules to define which TSO would take which proportion of booked capacity are not explicit. Rationale for arguments: It is not clear which TSO would have their unbundled capacity allocated first. Nor is it clear how income from capacity bookings at VIPs would be redistributed amongst TSOs or shippers, or how revenue reconciliation would work.
Other remarks / comments / suggestions	• Considering the risk linked to the tariffs changes, GDF Suez and Statoil argue in favour of the reset clause. • The bundled capacity premium should be split between TSOs based on where congestion is identified. This should be an input into the decision. Otherwise, the likely outcome is that the split agreed will be 50:50 as both TSOs benefit equally which might not be appropriate. • More discussion is needed with the industry before the code is finalised. • One respondent remarked that they do not understand the calculation.

CHAPTER VII. PAYABLE PRICE

Question 47

Are the mechanisms for fixed capacity prices described clearly enough in Section 7.1 of the Supporting Document?			
Number of respondents: 35	**Yes** **20**	**No** **14**	**Unclear** **1**
Positions and rationale	**Theme 1**: **Clarity of text** Respondents: EDF Trading, GDF Suez, CER, Esso Nederland, Eurogas, Statoil, OGP, Gasterra, EDF Energy, Energy UK, SSE, GM&T, DEPA Describe theme: Clarity of text Rationale for arguments: The explanation was clear for many respondents however some highlighted that clarity and comfort should stem out of the binding text and not from the supporting document. Some respondents refined their answer to this by stating that the principles were clear but the detail was not clear from the draft text and that further discussion and specifications are required on the various options available. The TAR NC should include clear references to various payable price concepts, such as 'fixed + indexation', 'fixed + premium' and 'floating + buffer auction premium'. One respondent stated that the mechanisms would be better explained with examples that may bring evidence that such mechanisms are key for users to commit in long-term capacity. Greater clarity is required concerning the applicability of fixed price options to existing long-term capacity contracts to avoid discrimination issues as well as risk sharing on any premium and how these mechanisms link to revenue recovery. The options containing the variable charge were felt to be particularly unclear unless this charge was restricted to a commodity charge. One respondent felt that there was an inconsistency between the text of the supporting document and the text of the draft code. It was also requested that further thought should be given to these options, in particular regarding the derivation of indexation element and that users be allowed to determine which option they wish rather than the TSO deciding which option to provide. Further detail is required regarding how revenue from the premium would be kept separate from allowed revenue and what indexation options might be allowed. **Theme 2**: **Inclusion of fixed price options** Respondents: EDF SA, Esso Nederland, OGP, Gasterra, Respondent A, Edison, Energy UK, SSE, Eurelectric Describe theme: Comments on the inclusion on fixed price options Rationale for arguments: Respondents took the opportunity in answering this question to support the inclusion of fixed price options (this links to Question 48). Respondents		

	argued that a fixed price mechanism is the way to raise interest of shippers to commit long term since it offers more price stability. It was highlighted that fixed price seems appropriate for incremental capacity where predictability is needed for shippers to bid for sufficient long term capacities and thus pass the economic test. It was also requested that any fixed price should be for the duration of the contract. One respondent did highlight that there should only be a limited set of options and that TSOs/NRAs should collaborate to ensure the same mechanism applies at both sides of an IP for bundled capacity. There was criticism of ACER's Justification Document concerning fixed versus floating tariffs and that those objecting to fixed should recognise that fixed proponents are looking for predictability of the prices to be paid for capacity booked on a forward basis. It was highlighted that prices do not need to be fixed nominally at the point capacity is allocated. Prices could be fixed based on differing forms of indexation: financial inflation measures (e.g. Producer Price Index, Retail Price Index, cost of steel), or directly to an index base related to the calculation of the TSO's allowed revenue. Such approaches could answer ACER's concerns about cross subsidy between different groups of users.

Question 48

Do you agree with ENTSOG's proposal for the inclusion of different mechanisms for fixed capacity prices in the refined draft TAR NC, as outlined in the Supporting Document?			
Number of respondents: 38	**Yes** **24**	**No** **12**	**Unclear** **2**
Positions and rationale	**Theme 1**: **Fixed versus floating** Respondents: Energie-Nederland, ESB, EDF Trading, EDF SA, eni, GDF Suez, Esso Nederland, Bord Gais Energy, CER, Eurogas, Statoil, OGP, VNG Energie Czech, Gasterra, Hungarian Gas Tranzit, EDF Energy, GDF Suez Infrastructures, Edison, Enel, VNG, SSE, GM&T, DEPA Describe theme: The applicability of fixed prices and whether it should be the only option in certain cases. Rationale for arguments: The inclusion of fixed price options at IPs was generally welcomed by most respondents as the concept of fixed price brings certainty to the market though some respondents felt that the options described allowed for too many variations which undermined the certainty of the fixed price concept. Some stated that it should be the only option for bundled capacity at IPs, or is particularly applicable for new or incremental capacity and gave an incentive for investments. One respondent argued that Company Boards will not support booking capacity at an unknown floating price and thus expose themselves to an unknown liability. Respondents felt that the draft text takes into account the importance of a fixed tariff to allow		

	network users to book long-term capacity and underpin new investments. One respondent felt that only fixed or floating should apply to an IP to avoid complications in the back-end settlement processes. It was also stated that fixed price options should also apply to existing bookings to avoid discrimination against existing long term holders of capacity. Some respondents highlighted that it is important to take account of the specifics of the relevant project when deciding on the best tariff option(s) to use. **Theme 2: Fixed price plus indexation** Respondents: Energie-Nederland, ESB, EDP, VNG, GM&T Describe theme: Arguments concerning fixed price plus indexation option. Rationale for arguments: Some respondents argued that this should be preferred option with some stating that it should be the only fixed price option. The advantage of using indexation is that it is a calculable risk. An adaption of the fixed price approach in Section 7.1 but with a wider opportunity to select an appropriate indexation base should deliver a satisfactory outcome on the payable price issue. **Theme 3: Fixed price plus a premium** Respondents: EDF SA, IFIEC, Vattenfall, Edison, GM&T, DEPA Describe theme: Arguments concerning fixed price plus premium option. Rationale for arguments: Several respondents stated their support for the use of a fixed price plus premium. There were two advantages to the buffer principle: (i) this mechanism is compatible with the floating tariff principle and (ii) the buffer could apply to normal action premium or to an additional 'risk premium' (which then becomes a kind of hedging tool). There was some concern of the concept described in the supporting document where the price floats within the risk premium but could revert back to floating price if it breaks through the buffer. It was argued that this would only be reasonable if the auction premium was used as the risk premium. The risk premium should not be set by the NRA but is a risk hedge to be determined by the shipper (or bank). Other respondents stress the need for a transparent mechanism that shows the risk premium that is applied to 'fix' the price of the capacity contract. The TSO should price this product in such a way that it meets the expected tariff changes over the duration of the contract. In addition, it would add a small risk premium, to ensure the risk for the TSO (if any, through regulation) or other market parties with flexible contracts are covered. There was some criticism that article 7.2 on fixed price plus premium was very confused. In particular it is not clear how the risks/benefits associated with this option are to be distributed amongst different network users and TSOs. For example the benefits of the buffering approach are not clear as it appears to provide only limited protection from payable price escalation and one shipper felt that as currently written in the supporting

	document the risk would be solely borne by the shipper. Also TSOs should only be allowed to earn an additional risk premium if there is a genuine risk of a disallowance of part of their allowed revenue. **Theme 4**: **Use of a variable charge** Respondents: ESB, VNG Slovakia, BDEW, HANDEN, Vattenfall Describe theme: Some concerns were raised by a few shippers at the inclusion of a variable charge option as this was seen as a potential barrier to cross-border trade and undermined the concept of the fixed price option. Rationale for arguments: It was argued by one respondent that additional variable charges does not offer sufficient price certainty in which case you are back to a floating price. **Theme 5**: **use of a combination of proposed options** Respondents: Gasterra, Hungarian Gas Tranzit, BDEW, HANDEN, Vattenfall Describe theme: Arguments concerning the use of a combination of proposed options. Rationale for arguments: A few respondents mentioned the combination options. Some were supportive but others felt that it undermined the concept of fixed price.
Other remarks / comments / suggestions	• NRAs/TSOs should collaborate to ensure, wherever possible, that the payable prices applied on either side of an IP are consistent. • One respondent argued that the TAR NC should foresee a mechanism to control and mitigate excessive divergence between the unit tariffs paid by fixed price users and those paid by floating price users. They proposed the following amendments for Article 41: - Article 41 Payable price at interconnection points 1. The payable price for a given standard capacity product at an interconnection point shall be calculated as the sum of its reserve price and, if any, the auction premium, in accordance with the following formula: PP = RP + AP. Where: is the payable price; is the reserve price; is the auction premium. 2. 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. 3. The approach referred to in paragraph 2(b) shall be followed in order to: (a) enhance stability of transmission tariffs while taking account of: (i) the contribution that the revenues originating from capacity sales under such approach provide for revenue recovery; and (ii) the objective of minimising cross-subsidisation between network users; (b) promote long-term contracts; (d) promote financial stability of transmission system operators. In order to avoid excessive divergences between the tariffs paid by

	network users at any given point in time, tariffs calculated according to this approach may be increased by a fixed premium or be adjusted annually according to an predetermined index. 4. Where the approach referred to in paragraph 2(b) is followed, the competent NRAs and the Agency shall monitor the level of unit tariffs paid by users. If the difference between the fixed tariff paid by a given user and the current reserve price is higher than 20%, an effective revenue recovery mechanism shall be implemented, such as via the charge referred to in Article 4(5).

Question 49

Do you have any further suggestions for calculating the fixed price premium referred to in Section 7.1 of the Supporting Document?			
Number of respondents: 29	**Yes** **12**	**No** **14**	**Unclear** **3**
Positions and rationale	**Theme 1: Additional comments/suggestions made** Respondents: EDF Trading, EDF SA, GDF Suez, Esso Nederland, IFIEC, Eurogas, Statoil, OGP, EDP, Respondent A, Edison, SSE Describe theme: Additional comments/suggestions made Rationale for arguments: Some comments were made on how the process should work - the TSOs should be responsible for calculating the premium including the impact of all future expected investment, and the main relevant parameters. The NRAs should then be responsible for reviewing and approving the assumptions made by the TSOs following a public consultation. One respondent considered that the NRA should calculate the premium. Some respondents proposed that using a fixed price for incremental and new capacity offered under an open season procedure may require a case by case approach. For certain large projects it may be desirable to agree on a fixed price with indexation to costs of piping for the capex component during the construction and thereafter indexation to inflation for the opex component. In the case of dedicated investments the possibility of a fixed price might reduce financing costs to the transmission system operators and offset the risk premium. One respondent stated that the 'fixed price + premium' mechanism seems overly complex compared with the 'fixed price + indexation' or 'fixed price + variable' charge which is preferable from an implementation perspective. Some commented that it should be subject to more in depth discussion with one respondent against the concept of a separate risk premium but stated that the auction premium should be used instead.		

CHAPTER VIII. INCREMENTAL AND NEW CAPACITY

Question 50

Do you consider the incremental and new capacity Chapter (Articles 42-46) to be consistent with the other Chapters of the initial draft TAR NC?			
Number of respondents: 29	**Yes** **19**	**No** **7**	**Unclear** **3**
Positions and rationale	**Note: the content issues raised by respondents regarding Chapter VII are analysed within the work on INC PRO** **Theme 1**: **Fixed price approach at IPs** Respondents: DEPA, Edison, EDF, EDF Trading, EFET, E.ON, VNG Energie Czech Describe theme: Within this theme, the following issues were raised: (1) A fixed price approach should be mandatory for incremental and new capacity at IPs (2) support the approach of using the auction premium as a buffer, suggest using other approaches too, such as a fixed price guaranteed by a risk premium (3) introduce the capacity reset clause Rationale for arguments: The rationale provided for the respective issues above: (1) need to encourage long-term commitments by network users, in particular by providing transparency with regard to the payable price (2) network users are required to commit on a long term horizon and need to have certainty regarding the payable price, the floating price approach discourages investments (3) need to not discriminate against long term capacity holders **Theme 2**: **Timing of publication of tariffs** Respondents: EFET, E.ON Describe theme: Based on Article 27 of the initial draft TAR NC, the price for annual auctions for incremental and new capacity may not be known until after those auctions have taken place. Rationale for arguments: Network user commitments and the functioning of the economic test are undermined.		
Other remarks / comments / suggestions	• Chapters of the initial draft TAR NC other than Chapter VIII are 'biased' towards the short-term capacity products		

CHAPTER IX. FINAL AND TRANSITIONAL PROVISIONS

Question 51

Do you agree with ENTSOG's interpretation of the mitigating measures as set out in Article 47 of the initial draft TAR NC and the separation of mitigating measures and transitional provisions?			
Number of respondents: 35	**Yes** **8**	**No** **26**	**Unclear** **1**
Positions and rationale	**Theme 1**: **One-off capacity reset option** Respondents: Energie-Nederland, EFET, EDF Trading, EDF SA, eni, GDF Suez, Esso Nederland, E.ON, OGP, VNG Energie Czech, EDF Energy, VNG Slovakia, Vattenfall, Respondent A, Edison, Energy UK, SSE, GM&T, DEPA Describe theme: Option for shippers to step out from all or part of long term contracts at cross-border IPs as a one-off possibility to be executed in advance or at the entry into force of TAR NC ('in advance of the first tariff change'). Rationale for arguments: (1) Mitigating measures foreseen in the Code are not enough to tackle substantial changes introduced by EU legislative changes (NCs, CMPs, unbundling etc.); (2) the option will just accelerate the 'commoditisation' process of transmission capacity (i.e. bookings adapted to the level of physical flows) which is destined to gradually happen in the medium to long term; (3) re-implement a level playing field between network users. Evidence provided: yes, qualitative (drastic changes in legislative and regulatory framework conditions determining unjustified price advantages for short term capacity products and loss of value of long term contracts). **Theme 2**: **Continuous capacity reset clause** Respondents: GDF Suez Describe theme: Shippers to be allowed to terminate the whole, or parts, of their contracts if the price rise exceeds an NRA fixed threshold. Rationale for arguments: severe and continuous tariff instability, not limited to the entry in force of the TAR NC. Current and future long term shippers cannot be exposed to such risks on an enduring basis. **Theme 3**: **Fixed payable price of capacity bookings** Respondents: Energie-Nederland, Eurogas, Gasterra Describe theme: Shippers provided with the right to fix their current or future tariffs. Obligation for TSOs to provide this option at any time, also for users holding existing long term bookings. Rationale for arguments: to ensure stability of the evolution of tariffs beyond the mitigating period.		

	Theme 4: **No mitigating measures at all** Respondents: IFIEC, Gas Storage Netherlands Describe theme: mitigating measures will disturb the market and resulting extra costs will be transferred to end customers. Rationale for arguments: The goal of the network codes' is to create harmonisation, not fragmentation. **Theme 5**: **Better definition of mitigating measures (scope; application; definition process)** Respondents: Gas Natural Fenosa, BDEW, EDP, VKU Describe theme: (1) Mitigation and transitional provisions should be defined clearly and their scope possibly enlarged. Enough time for their implementation should be provided and a timeframe for their application should be better defined. (2) Involvement of users in their definition is not ensured. Rationale for arguments: (1) To protect the existing gas transmission capacity contracts and to avoid discrimination; to introduce them also beyond the 2 year period, if significant changes are arising from a change of the cost allocation methodology (as per Article 20). (2) Relevant changes in access tariff regimes could have effects in commercial and operational situations for shippers. **Theme 6**: **Full or partial agreement on measures foreseen in the Code** Respondents: ESB, CER, Statoil, Hungarian Gas Tranzit, GDF Suez Infrastructures, HANDEN, VNG, Eurelectric Describe theme: (1) Partial agreement: Interpretation seems correct. However, the mitigating measures proposed in the initial draft TAR NC do not address the key issue of network users with existing long-term capacity contracts being faced with an unexpected and unfair potential tariff increase. (2) Agreement: Users should not be entitled to relinquish their existing IP capacity rights. Rationale for arguments: (1) The TAR NC makes it more likely that network users will shift to short-term capacity bookings; as a consequence TSOs will increase tariffs to offset shorter bookings. (2) Reset options would create unstable tariffing regimes across Europe, especially at a time when tariff regimes will in any case be going through a state of change. Evidence provided: yes (indicated that there are numerous Court of Justice of the European Union cases on legitimate expectations which would support this view).
Other remarks / comments / suggestions	• One-off capacity reset option: Explore possibility, functioning, consequences and advantages/disadvantages of the inclusion in the TAR NC of a 'one-off capacity reset option' (18 months of lead-time to surrender capacity to allow TSO to correctly

	calculate tariffs). • Continuous capacity reset clause: To allow shippers to terminate the whole, or parts, of the contracts if the price rise exceeds an NRA fixed threshold. • Fixed payable price of capacity bookings: (1) Fixed tariffs in real terms - with no risk premiums - for IPs/route excluded from the one-off reset option: in order to limit adverse consequences for shippers concerned by the impossibility to use one-off reset option. (2) As option/right for shippers, as a measure in addition to the one-off reset option (not mentioned if a risk premium should be allowed or not).

Question 52

Do you agree with the inclusion of the mitigating measures as set out in Article 47.2(a) and (b)?			
Number of respondents: 34	**Yes** **12**	**No** **20**	**Unclear** **2**
Positions and rationale	**Theme 1**: **Mitigating measures insufficient, so negative judgement on their design** Respondents: Energie-Nederland, EFET, eni, GDF Suez, Esso Nederland, E.ON, Eurogas, OGP, VNG Energie Czech, Gas Natural Fenosa, BDEW, VKU, Respondent A, GM&T, DEPA Describe theme: see Q51. Rationale for arguments: see Q51. **Theme 2**: **Mitigating measures insufficient, but positive judgement on the design of the ones proposed** Respondents: EDF Trading, EDF SA, EDF Energy, Edison, Gasterra Describe theme: positively accepted the use of the auction premium as a buffer on permanent basis. Rationale for arguments: this mechanism is compatible with the floating tariff principle and the buffer could apply to the normal auction premium or to an additional 'risk premium' (which then becomes a kind of hedging tool). **Theme 3**: **In agreement with proposed design of mitigating measures** Respondents: ESB, CER, Hungarian Gas Tranzit, EDP, GDF Suez Infrastructures, SSE Describe theme: Support the TAR NC proposed design. Rationale for arguments: Seems reasonable. **Theme 4**: **No visibility on mitigating measures effects or rationales behind their introduction** Respondents: IFIEC, Gas Storage Netherlands Describe theme: Disagreement with the TAR NC proposals in general terms. Rationale for arguments: impossible to foresee the effects of mitigating measures.		

	Theme 5: **Same measures to be applied at both sides of an IP** Respondents: HANDEN, VNG Describe theme: Judged relevant to have the same rules for both sides of the IP in the context of bundled products. Rationale for arguments: To avoid each NRA designing their own mitigating measures. **Theme 6**: **Disagreement on proposed mitigating measures design** Respondents: Eurelectric Describe theme: NRAs should have discretion to apply mitigation measures beyond the 24 month time limit, subject to stakeholder consultation and notification to ACER. Rationale for arguments: A 24 month time limit on mitigating measures that can be applied in the event of a tariff increase greater than 20% is unduly restrictive.
Other remarks / comments / suggestions	• This question has been perceived as overlapping with the previous Q51 by many stakeholders and mainly used to re-affirm the concepts already expressed (insufficiency of current foreseen mitigating measures, to be complemented by a one-off capacity reset option possibility). • Generic suggestion for new measures: The proposed measures are not sufficient as they do not address the challenges captive users have in a changing regulatory environment. In the context of floating tariffs they would find themselves financing the mitigation measures applied to all users. A way to avoid this form of cross-subsidization should be found.

Question 53

Do you agree that a minimum implementation period of 18 months after entry into force, as set out in Article 49 of the initial draft TAR NC, is necessary to ensure the proper implementation of the TAR NC?			
Number of respondents: 33	**Yes** **26**	**No** **5**	**Unclear** **2**
Positions and rationale	**Theme 1**: **Minimum implementation period should be longer than 18 months** Respondents: EFET, DEPA, Statoil, EDF Energy Describe theme: The above listed respondents consider that the TAR NC needs a longer implementation period than 18 months. Rationale for arguments: (1) CMP, which should have been relatively straight forward to implement, had the same 18 month implementation period as proposed for the TAR NC. The TAR NC however, will be far more complicated for TSOs/NRAs to implement. (2) Given the scope of the changes introduced by the code a 24 month period as a maximum effective period for the implementation might be more realistic. 24 months would give more time for changes to national arrangements and the associated systems development.		

	(3) If the tariff year is harmonized, more than 18 months will be needed for NRAs and TSOs to take the necessary steps. **Theme 2**: **Earlier implementation of transparency requirements needed** Respondents: Vattenfall Describe theme: Vattenfall considers that an earlier implementation of the transparency requirements is needed. Rationale for arguments: This could provide a great benefit to many markets. **Theme 3: There should not be a minimum implementation period.** Respondents: Respondent A, Esso Nederland, OGP Describe theme: The above listed respondents consider that 18 months as a minimum implementation period should not be included in the NC. Rationale for arguments: 1. We believe that there is sufficient time left for TSOs/NRAs to properly implement the TAR NC. 2. It should be possible to apply the TAR NC from October 2017, considering the possibility of an additional 24 months transitional period. **Theme 4: Inclusion of further specifications on the implementation period** Respondents: CER, Eurogas Describe theme: (1) We would point out that coordination with neighbouring TSOs/NRAs is the preferred approach and should be encouraged where possible. (2) There should be a road-map to ensure timely and full implementation of the TAR NC and work to facilitate this should start as soon as possible among the TSOs and NRAs.
Other remarks / comments / suggestions	One respondent notes that it should depend on the inclusion of the reset clause. To implement the TAR NC as soon as possible could be a challenge, but it would be worth the effort if this code, thanks to the reset clause, allows the implementation of a level playing field, with more optimisation of transmission offers.

Question 54

Do you agree with the text that ENTSOG has included in Article 49 on the timing of implementation?			
Number of respondents: 33	**Yes** **27**	**No** **5**	**Unclear** **1**
Positions and Rationale	**Theme 1**: **Minimum implementation period should be longer** Respondents: Statoil Describe theme: Statoil considers that 24 months would be a more appropriate implementation period for the TAR NC.		

	Rationale for arguments: Given the scope of the changes introduced by the TAR NC, a 24 month period as a maximum effective period for the implementation might be more realistic. **Theme 2**: **There should not be a minimum implementation period** Respondents: Respondent A Describe theme: Respondent A considers that to have the binding date of 1st October 2017 is positive, and sees no need for a longer implementation period. Rationale for arguments: There is sufficient time left for TSOs/NRAs to properly implement the TAR NC. **Theme 3: Inclusion of further specifications** Respondents: Energy UK Describe theme: Ensuring implementation on the first day of a month may be appropriate.
Other remarks / comments / suggestions	• A small number of respondents welcome the current text by ENTSOG as it gives the market sufficient time to adapt in case of late adoption of the TAR NC. • 'A small number of respondents felt that the text that ENTSOG has proposed only changes the effective date when the regulation will be published after 1 April 2016. In this event it might be better to fix a new date taking into account that not every date is equally suited and questioned whether the 1st of October is the best day to implement this NC.

CHAPTER X. GENERAL ISSUES

Question 55

Do you agree with the structure of the initial draft TAR NC?			
Number of respondents: 32	**Yes** **27**	**No** **4**	**Unclear** **1**
Positions and rationale	**Theme 1**: **Charges within the scope of the TAR NC** Respondents: Esso Nederland, GM&T, OGP Describe theme: Within this theme, the following issues were raised: (1) Additional clarity is needed regarding the charges within the scope of the TAR NC. (2) All the elements of the final tariffs are to be clarified; the exclusions from the transmission services definition are to be made clear. **Theme 2**: **Drafting proposals** Respondents: GM&T, Statoil Describe theme: Within this theme, the following issues were raised:		

	(1) Mathematical formulas: add more formulas in the text. (2) Description of cost allocation methodologies (c/a/m): less details in the description of the c/a/m. (3) Definitions: more and clearer definitions are needed in the TAR NC, separate Regulation with all the definitions is needed. (4) To merge the drafting of seasonal factors and multipliers. **Theme 3**: **Transmission services definition and no cross-subsidisation between cross-border and domestic users** Respondents: GDF Suez Describe theme: The way to determine that there is no cross-subsidisation is to check 2 things: (1) if the charges are only transport-related; (2) for ACER – to supervise some points to avoid that possible conflict of interests of NRAs resulting in biased decisions favouring domestic customers over cross-border users. If any of the conditions are not met then to do either of the following: (1) integrate the exclusions in the definition of transmission services; (2) impose a recovery of related costs not linked to the booking of transport points. Then, to check via the cost allocation test. Rationale for arguments: Underutilisation of cross-border infrastructure may result in a vicious circle: (1) shippers holding long term capacity on such routes pay high tariffs and new shippers' entrance is discouraged by these high tariffs; (2) this may result in TSO under-recovery and cross-subsidisation 'to the detriment of local end-users'.
Other remarks / comments / suggestions	• recitals to clarify the issue that the TAR NC resolves • too many options and possible backdoors in the text • hardly any solutions for cross-border and market integration issues • add a contents page

Question 56

Do you consider that the level of detail in the initial draft TAR NC is appropriate for this EU legislation? If not, please explain why (with reference to specific topics or articles, where appropriate)?			
Number of respondents: 32	**Yes** **17**	**No** **14**	**Unclear** **1**
Positions and rationale	**Theme 1**: **Replication/publication of TSO's tariff model** Respondents: EDF, EDF Trading, EFET, Energie Nederland, EDP, E.ON, GDF Suez Describe theme: Within this theme, the following issues were raised: (1) Replication: more details (in primary cost allocation methodologies) are needed to ensure that the shippers are able to replicate how the TSO's tariff model works and whether the tariffs are in compliance with the TAR NC. (2) Publication: TSOs to publish working versions of their tariff models, including a description of how it complies with the TAR NC provisions.		

	Rationale for arguments: The rationale provided for the respective issues above: (1) The tariff model will ensure that the tariffs are in compliance with the TAR NC provisions and the NRA/the EC to check this. (2) Shippers would be able to raise concerns with the NRAs about the compliance of tariffs with the TAR NC. **Theme 2**: **Drafting proposals** Respondents: CER, DEPA, EDF Trading, EFET, Energie Nederland, E.ON, Esso Nederland, Gas Natural Fenosa, Gasterra, GDF Suez, GM&T, Hungarian Gas Transit, OGP, Statoil Describe theme: Within this theme, the following issues were raised: (1) Mathematical formulas: • add more mathematical descriptions for the methodologies • add exhaustive mathematical descriptions for the methodologies • not to add complicated formulae (2) description of cost allocation methodologies (c/a/m): • principle-based description of c/a/m • more detail in the description of c/a/m • more detail about the choosing process for different c/a/m • clear description of c/a/m is needed • the details in the description of c/a/m should be sufficient for replicating the TSO tariff model (3) Definitions: agree with the removal of certain definitions that are already explained in the text of the initial draft TAR NC (4) Article 4 is not clear and describes too many different terms (5) More detail about the cost allocation test (6) More detail about the calculation of multipliers (how to calculate the ranges, numbers) (7) More detail about storage Rationale for arguments: The rationale provided for the respective issues above: (2) Too much detail does not contribute to simplification/harmonisation
Other remarks / comments / suggestions	• shippers involvement should be ensured and encouraged, in all the steps of the TAR NC implementation • ACER and the involved NRAs should analyse the effects that different implementation could cause in the relationship between adjacent entry/exit systems (multipliers, seasonal factors, cost allocation methodologies, secondary adjustments, etc.)

Question 57

After reviewing the initial draft TAR NC, do you find that there are other material issues that ENTSOG should consider for the purpose of the refined draft TAR NC?			
Number of respondents: 36	**Yes** **27**	**No** **6**	**Unclear** **3**
Positions and rationale	**Theme 1**: **Capacity reset** Respondents: Eneregie-Nedereland, EFET, EDF Trading, EDF SA, eni, Esso Nederlands, EUA - GSOG, E.ON, Eurogas, Statoil, OGP, BDEW, Edison, Enel, VNG, Centrica Storage, Eurelectric, DEPA Describe theme: Changes in tariffs resulting from the implementation of the TAR NC has a greater impact on existing long term capacity holders than new short term capacity holders, disadvantaging long term capacity holders that are unable to benefit from short term profiling, generating cross subsidies and distorting competition. (1) Proposed mitigation measures not sufficient (2) Long term capacity holders may challenge legality of the TAR NC (3) Issue of the capacity reset option for transit countries is justified but can be solved (e.g. elaborating special measures to protect transit TSOs from excessive shortfalls in revenue) (4) Prepared to work with ENTSOG and ACER to develop proposals – not seen as a collaborative approach from ENTSOG or ACER so far. Rationale for arguments: (1) Benefits of the capacity reset: a. frees up capacity for the market; b. relieves contractual congestion; c. remove the issue of impact of VIPs on existing capacity holders; d. creates a level playing field for all market participants; e. it is possible to develop mitigation measures for all TSO and ACER issues. (2) Current contracts may not be fit for purpose in the 'new world' (3) Reduces risks on holders of long term capacity (4) Increases in tariffs may result in users moving to alternative sources of heat, reducing requirement for gas. Evidence provided: Legal opinion commissioned on legality of reset option, i.e. the respondent believes that the reset option is legal. **Theme 2: Transparency** Respondents: IFIEC, Esso Nederlands, OGP, GDF Suez, Gas Natural Fenosa, VKU, Vattenfall, VNG Describe theme: Improved transparency is required. (1) Transparency needs to be addressed in more detail – no details given.		

	(2) TSOs should make a model available to network users with more information to allow replication of the tariff model. (3) Inter-TSO compensation mechanism is not transparent. (4) Need to provide a standard for publishing data in all markets. (5) Full transparency is not achieved if bookings take place before the price is determined. (6) TSOs and NRAs should determine tariffs jointly to help with price stability. (7) ENTSOG should consider addressing cross-border issues specifically and include more guidance where tariff issues hamper market integration. (8) More transparency and the ability to replicate the tariffs should not result in NRAs performing less monitoring of TSOs. Rationale for arguments: (1) Improved transparency has a positive impact on network users. (2) There are benefits to being able to replicate the tariffs. Evidence provided: Impact of non-transmission service costs on tariffs at IPs, such as the German conversion charge that acts as a barrier to market integration. **Theme 3**: **Cost Allocation Methodologies** Respondents: Esso Nederlands, OGP, Gasterra, Statoil, Gas Natural Fenosa, DEPA Describe theme: Two main themes, number of methodologies and unclear detail of how methodologies will work in practice Rationale for arguments on number of methodologies: The methodologies do not harmonise and simplify tariffs. (1) The description of the different cost allocation methods include too many options and alternatives, far beyond what is in use today, and this works against the objective of standardisation. If it is not possible to come to a limited number of standard cost allocation methods, perhaps it is better not to prescribe the allowed methods. Instead the code could require that any method is transparent, non-discriminatory, cost reflective and minimises cross-subsidies and that differences with a postage stamp tariff are justified in sufficient detail. (2) The code fails to simplify and harmonise while potentially imposing major changes to the existing tariff levels across Europe. Whether harmonisation of cost allocation methodologies is not deemed to be an important goal, the simplicity of principles based descriptions would at least save from lengthy formulations open to multiple outcomes in their application. (3) Should promote the use of more cost reflective methodologies, such as average distance methodology where one methodology calculates the average distance between an entry point and several exit points. (4) Agree with the 5 cost allocation methodologies and TSOs should have the ability to mix and match.

	Rationale for arguments: • Article 12 is not clear. • Need and additional step in the calculation of average distance for domestic exit points in Article 19.1(a)(ii). • Comments on the application and drafting of Variant A and B of virtual point. • Need to expand and further justify the definition of homogenous sets of network users. • It would be good to have worked examples of how methodologies would work in practice. **Theme 4**: **Definition and rationale behind what is included (and not included) in the tariff calculation** Respondents: IFIEC, INES, DEPA, Statoil, GDF Suez, Statoil Describe theme: Concern that there is scope and some subjectivity in including non-transmission related costs into tariffs. (1) Issues around non-transmission services need more focused treatment. (2) Tariffs should only contain those cost elements that are clearly related to transmission activities. (3) Only transport-related charges should be billed at transport points. (4) Any activity ruled out of 'transmission services' should be recovered through a process guaranteeing the absence of cross subsidies between domestic and cross-border users. (5) Tariffs for non-transmission services need to be developed. (6) ACER should supervise the process to avoid that a possible conflict of interests of NRAs results in biased decisions favouring domestic customers over cross-border users : o check that conditions (see above) are met, and if not, impose either an integration of these non-transmission services into 'transmission services' or to impose a recovery of related costs not linked to transport points bookings. o check how the cost allocation test described in Article 22 is conducted. (7) Article 4 lacks a formula that clearly sums up the potential components of the transmission services revenues, as well all other categories of charges a network user may be faced with. (8) Tariffs should be set at the entry/exit zone level leaving potential compensation mechanisms among TSOs within the same zone behind the cost allocation methodology applied to ensure the understanding of the tariff definition. **Theme 5**: **Fixed Price** Respondents: Gasterra, IFIEC, Edison Describe theme: TAR NC needs to enable a fixed payable price

	(1) Need to elaborate more on the fixed price option. (2) Shippers need an option to be able to fix the payable price. (3) An obligation on TSOs to provide shippers with the right to fix their transmission tariffs should be introduced.
Other remarks / comments / suggestions	**Impact of changes on users costs** (1) Impact of one cost allocation methodology per entry / exit zone. Increase in costs of €50million/a. Propose to delete the requirement to use the same cost allocation methodology for the same entry / exit zone. Methodology should not punish trader that generates security of supply. (2) Need to consider the impact on individual gas users of changes in tariffs; may result in a move away from gas to other fuel sources. Consider tariff stability. **Complementary Revenue Recovery Charge** (1) A definition of the potential weight of the complementary revenue recovery charge may prove necessary to avoid making completely irrelevant the content of the TAR NC. (2) Discretionary nature of complementary revenue recovery charge is not good; should recover charges by adjusting through rescaling. (3) Use is not clear. **Entry-Exit** (1) Entry-Exit split needs to be addressed in more detail. (2) Entry-Exit revenues should be an output of the model, not an input. (3) Variant A & B should not have an adjustment for entry / exit split and this step should be removed. (4) In article 9 of the initial draft TAR NC we question the value of point 3 as this simply seems to point to an outcome that would result in the entry / exit split becoming an output rather than an input. **Multipliers** (1) Counter flow segment with a factor <1 is penalised no matter the use. An alternative would be to use will be to penalise just congested segments using factor >1. (2) Need consistency in the wording across Article 29 on the points that seasonal factors and probability of interruption can apply to i.e. calculated for each, some or all IPs. • Flow-based charges should always be expressed in monetary terms to avoid conflicts with the bundling of capacity products. • Need to provide flexible booking at all points, including end user exit points. If this is not the case, then tariff increases should not apply to these points. • Revenue reconciliation – it should be noted that redistribution of over-recovered revenue will not be returned to the same network users. • If cross-border infrastructure becomes underutilised, it could trigger a vicious circle,

	leaving shippers having booked long term capacity on these routes obliged to pay an unreasonable tariff, with any new shipper wanting to use this route being discouraged by these tariffs, and with the TSOs being unable to recover the costs related to these routes. This may result in the cost of capital of TSOs across Europe rising, which will be felt in the tariff paid by shippers. The current draft of the code does not tackle this issue. • Adequate discounts for short haul shippers should be considered. • Entry–exit charges should be used to provide locational signals. • Process used to develop the draft code has been inadequate so far. ACER not discussing issues that it considers closed has not been helpful. The FGs is a weak foundation for a Code of this importance. There should be another consultation post revised proposal including more engagement with stakeholders.

Question 58

Do you find the Supporting Document for consultation to be 'respondent-friendly' in terms of its readability, style, etc.? Please outline how ENTSOG could improve future consultation documents.			
Number of respondents: 32	**Yes** **31**	**No** **1**	**Unclear** **n/a**
Positions and rationale	**Theme 1: Positive about the supporting document** Respondents: EFET, CER, Statoil, Gasterra, GDF Suez Infrastructures, Vattenfall, Energy UK, DEPA Describe theme: Helpful in outlining the issues and explaining the detail. (1) Use of diagrams especially useful (2) Outlines process and thinking in the drafting of the code (3) Captured discussion well **Theme 2: Supporting Document improvements** Respondents: Edison, GDF Suez, GM&T Describe theme: Improvements in the response. (1) Some further (more comprehensive) examples would have proved useful for readers that did not participate in the entire process (2) Would have appreciated a 'yes, with refinements' option, as most of the question cannot be answered with a simple 'yes' or 'no'. (3) Questions are too closed and therefore orientate the debates. (4) 58 questions is hardly respondent-friendly. **Theme 3**: **On-line tool comments** Respondents: EDF Energy, Energy UK Describe theme: Would like to see improvements in the on-line submission tool.		

	Rationale for arguments on number of methodologies: (1) It would be useful to be able to save a draft copy of the online response (2) Ability to share draft response **Theme 4**: **Future Considerations** Respondents: Energy UK, GDF Suez Describe theme: Thoughts on how to manage the future process better. Rationale for arguments on number of methodologies: • Would appreciate access to the summarized position of all stakeholders sufficiently in advance of the refinement workshop. • Looking forward to the refinement process we would like to see any refined draft published in full with marked up changes well in advance of the September workshop.
Other remarks / comments / suggestions	Consultation questions are incomplete. The consultation should ask a question on each article in turn, providing the opportunity for respondents to outline their thoughts on each article.