

Report on the Stakeholder Support Process for the refined draft Network Code on Harmonised Transmission Tariff Structures for Gas

Please note: The opinions expressed in this document are those of respondents to the stakeholder support process on the refined draft TAR NC and not those of ENTSOG

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1. CONTEXT

On 7 November 2012, ENTSOG published its refined Network Code and Analysis of Decisions document (AoD) and launched the public consultation in the form of Stakeholder Support Process (SSP) in which users were asked whether they were able to support the proposed refined draft Network Code on Harmonised Transmission Tariff Structures for Gas ('refined draft TAR NC') and the process used to develop it. The SSP closed on 21 November 2014.

This report summarises the responses received to the SSP. ENTSOG received 28 responses, 10 of which came from national or European trade associations. One response was marked as confidential and hence will appear as 'Confidential Respondent A' in this report. A document with all non-confidential responses is available on the ENTSOG website.¹ ENTSOG was recognised for running an open and responsive process and for the very high degree of stakeholder engagement which took place throughout the TAR NC development [see figure 1 below], however many still had reservations.

Overall, the responses indicate that the refined draft TAR NC is not well supported by the market. Stakeholders continue to have concern with specific aspects in individual Chapters within the TAR NC, and hence explained why they could not support it in full or in part [see figure 2 below].

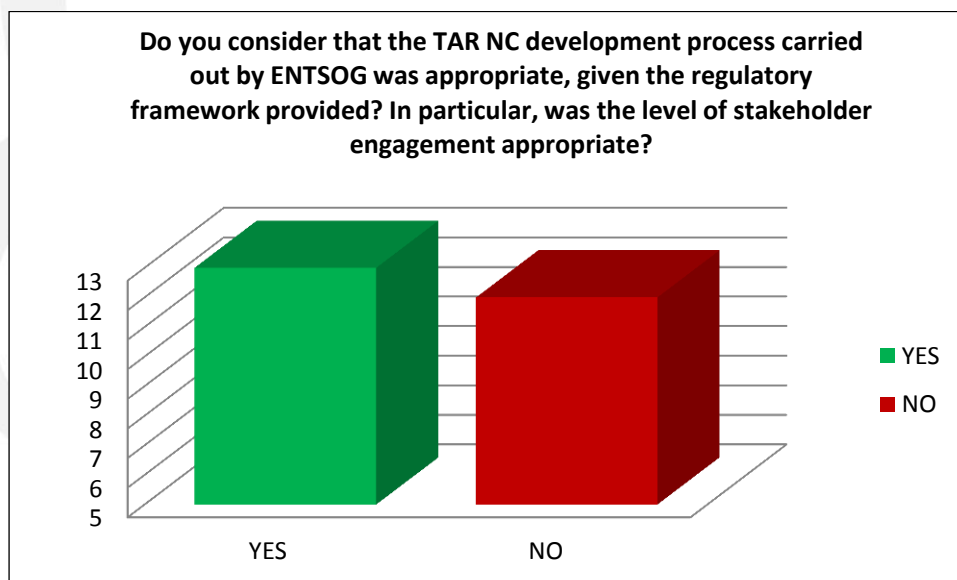


Figure 1. Support for ENTSOG's TAR NC development process

¹http://www.entsog.eu/public/uploads/files/publications/Tariffs/2014/TAR0435_141121_SSP%20Responses%20per%20Question.pdf

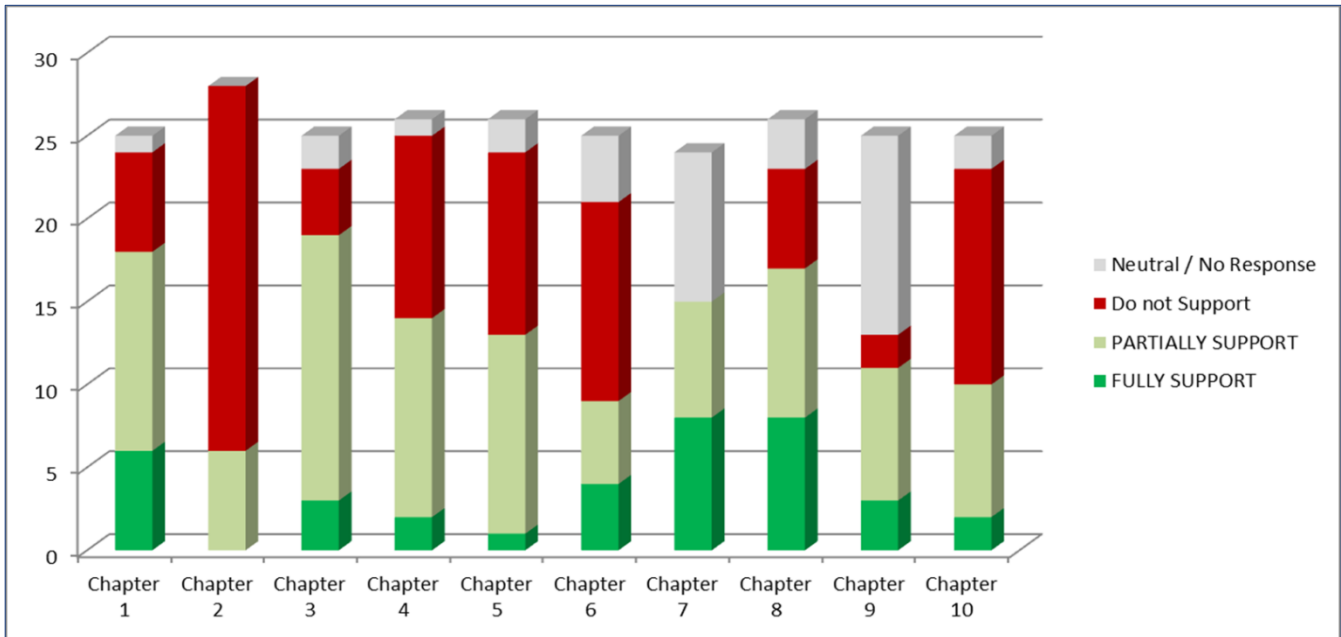


Figure 2. Support for the TAR NC per chapter

Respondents' views are set out as they were provided to ENTSOG. The next section does not offer ENTSOG's view on the merits of these arguments.

2. DETAILED VIEWS OF RESPONDENTS

Question 1: Do you consider that the TAR NC development process carried out by ENTSOG was appropriate, given the regulatory framework provided? In particular, was the level of stakeholder engagement appropriate? If there is room for improvement, please inform us about possible suggestions for improvement.

No. of respondents	25	Yes	13	No	12	No Response	
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All respondents held the view that the network code development process that ENTSOG conducted was appropriate. Stakeholders commended ENTSOG for conducting the process to a high standard, ensuring a high level of transparency and stakeholder engagement. The web-streaming of stakeholder workshops was greatly appreciated by stakeholders who were unable to travel. Reviewing the responses at a high level however showed that only 52% agreed with this question, with 48% disagreeing. It was felt that there was inadequate engagement with regard to the issues raised by stakeholders and that many improvements suggested by stakeholders had not been adequately addressed. It was also suggested that 2 weeks was an insufficient time period for stakeholders to provide a comprehensive assessment of all the changes outlined in the refined draft TAR NC.

Question 2: Please indicate your support for Chapter 1: General Provisions (Articles 1 – 3)

No. of respondents	25	Fully Support	6	Partially Support	12	Do Not Support	6	Neutral/No Response	1
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72% of respondents either fully or partially supported this chapter whilst 24% did not. Opinions expressed included the opinion that whilst improvements could be seen regarding scope and definitions, there was little attempt at harmonisation. A number of respondents felt that the term 'dedicated services' was not as clearly defined as they would like and that the chapter lacks clarity. Another suggestion was that of implementing a 'descoped network code'.

Question 3: Please indicate your support for Chapter 2: Cost Allocation Methodologies (Articles 4 –20)

No. of respondents	28	Fully Support	0	Partially Support	6	Do Not Support	22	Neutral/No Response	0
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In relation to chapter 2, 79% of respondents did not support it with the other 21% having partial support. Many aspects of the chapter caused concern, most notably the absence of harmonisation, secondary adjustments, the transparency regarding dedicated services charges, double charging for storage, the approach to the calculation of distance and the CRRC charge. Some respondents felt there were too many options for cost allocation methodologies and that there may be room for interpretation when implementing the chosen cost allocation methodology.

Question 4: Please indicate your support for Chapter 3: Consultation Requirements (Articles 21 –23)?

No. of respondents	25	Fully Support	3	Partially Support	16	Do Not Support	4	Neutral/No Response	2
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76% of respondents either fully or partially supported this chapter whilst 16% disagreed with this chapter as drafted. There was support for the use of the Postage Stamp methodology as the default counterfactual, however some respondents felt that those TSOs using this methodology as their primary one should not be exempt from providing a counterfactual. It was recognised that improvements were made in relation to consultation requirements, however a number of respondents believed that the chosen cost allocation methodology should not only be reviewed every four years but also consulted upon. Some respondents also felt that it was unclear how often the Cost Allocation Test should be carried out.

Question 5: Please indicate your support for Chapter 4: Publication Requirements (Articles 24 –27)

No. of respondents	26	Fully Support	2	Partially Support	12	Do Not Support	11	Neutral/No Response	1
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54% of respondents either fully or partially supported chapter 4, whilst 42% did not. Whilst welcoming the publication of a tariff model, many respondents felt that this should not be limited to a 'simplified' one but instead should be provided with the full tariff model as is used by TSOs or NRAs as relevant. The obligation to publish binding multipliers and seasonal factors prior to the commencement of auctions was welcome; however stakeholders were of the strong opinion that binding reference prices should also be published prior to auctions and not just indicative ones. Sensitivity analysis was not seen as a suitable substitute to the provision of a full tariff model and a number of respondents also requested a longer notice period for the publication of binding tariffs.

Question 6: Please indicate your support for Chapter 5: Reserve Prices (Articles 28 –34)

No. of respondents	26	Fully Support	1	Partially Support	12	Do Not Support	11	Neutral/No Response	2
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50% of respondents either fully or partially supported this chapter, with 42% disagreeing. The majority of respondents agreed with the delinkage of congestion and the level of multipliers and many also disagreed with an ex-post discount approach to interruptible capacity. Some respondents also disagreed with the proposed higher cap of 5 for multipliers and also with the proposed treatment of pricing of non-physical backhaul.

Question 7: Please indicate your support for Chapter 6: Revenue Reconciliation (Articles 35 –38)

No. of respondents	25	Fully Support	4	Partially Support	5	Do Not Support	12	Neutral/No Response	4
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36% of respondents either fully or partially supported chapter 6, whilst 48% did not. A larger number believed that there should be an obligation on TSOs to use sub-accounts, not only for tracking but also in order to outline, amongst other items, how any over- or under-recovery for dedicated services

is handled. The view was also expressed that the revenue reconciliation provisions should also apply to dedicated services in addition to transmission services.

Question 8: Please indicate your support for Chapter 7: Pricing of Bundled Capacity and Capacity at Virtual Interconnection Points (Articles 39 –40)

No. of respondents	24	Fully Support	8	Partially Support	7	Do Not Support	0	Neutral/No Response	9
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62% of respondents either fully or partially supported chapter 7, with no respondent to this question disagreeing. The main issue causing concern is this chapter what the treatment of a VIP where a fixed price approach was used on one side of a VIP with a floating price approach being used on the other. The view was also expressed that the proposal for setting a VIP tariff to replace existing different tariffs with a single ‘average’ tariff works contrary to the economic and efficient use of the system

Question 9: Please indicate your support for Chapter 8: Clearing Price and Payable Price (Articles 41 –42)

No. of respondents	26	Fully Support	8	Partially Support	9	Do Not Support	6	Neutral/No Response	3
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66% of respondents either fully or partially supported chapter 8, whilst 23% did not. An overwhelming majority of respondents supported in introduction of a fixed price approach to pricing, however for the most part, they were also of the view that there should be an obligation of TSOs to provide a fixed price approach and not just an option.

Question 10: Please indicate your support for Chapter 9: Incremental Capacity (Articles 43 –47)

No. of respondents	25	Fully Support	3	Partially Support	8	Do Not Support	2	Neutral/No Response	12
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42% of the respondents to this chapter on Incremental Capacity supported the proposed text with 8% showing a lack of support. This chapter is further analysed in the SSP consultation on the Incremental Proposal.

Question 11: Please indicate your support for Chapter 10: Final and Transitional Provisions (Articles 48 –50)

No. of respondents	25	Fully Support	2	Partially Support	8	Do Not Support	13	Neutral/No Response	2
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52% of respondents did not support the text of this final chapter whilst 40% either fully or partially supported it. Of those who did not support it, practically all expressed disappointment with the fact that their request for a one-off capacity reset has not been met whilst others also expressed concern regarding what they feel is an unequal treatment of capacity contracts and that the TAR NC should apply to all contracts in the same manner.

3. SUMMARY OF RESPONSES BY RESPONDENT

Organisation/Company	Org	Process	Ch. I	Ch. II	Ch. III	Ch. IV	Ch. V	Ch. VI	Ch. VII	Ch. VIII	Ch. IX	Ch X
Centrica Storage Limited		N/NR	N/NR	DNS	N/NR	N/NR	N/NR	N/NR	N/NR	N/NR	N/NR	N/NR
Confidential Respondent A		Y	PS	DNS	PS	PS	PS	N/NR	N/NR	DNS	N/NR	DNS
DEPA / GAS SUPPLY DIVISION		Y	FS	PS	FS	FS	PS	FS	FS	FS	N/NR	PS
E.ON Global Commodities SE, on behalf of the E.ON Group		Y	DNS	DNS	PS	DNS	DNS	PS	PS	FS	PS	DNS
EDF		Y	PS	DNS	PS	PS	DNS	DNS	FS	FS	PS	PS
EDF Trading		Y	PS	DNS	PS	PS	DNS	DNS	FS	FS	PS	PS
Edison SpA		Y	PS	DNS	PS	PS	DNS	DNS	FS	FS	PS	PS
EFET (European Federation of Energy Traders)	A	N	DNS	DNS	DNS	PS	DNS	DNS	N/NR	PS	N/NR	DNS
Energie-Nederland	A	N	PS	DNS	PS	DNS	N/NR	DNS	PS	PS	N/NR	DNS
Energy UK	A	Y	PS	PS	PS	DNS	PS	DNS	N/NR	PS	N/NR	FS
eni SpA		N	PS	PS	PS	PS	PS	N/NR	N/NR	PS	N/NR	DNS
EON Gas Storage		N	N/NR	DNS	N/NR	N/NR	N/NR	N/NR	N/NR	N/NR	N/NR	N/NR
Eurelectric	A	Y	PS	DNS	PS	PS	DNS	DNS	N/NR	PS	N/NR	PS
EUROGAS	A	N	PS	DNS	PS	DNS	PS	DNS	PS	PS	PS	DNS
Gas Infrastructure Europe (GIE)	A	Y	FS	PS	PS	PS	PS	FS	FS	FS	FS	PS
Gas Storage Netherlands		N	FS	DNS	N/NR	PS	PS	N/NR	N/NR	N/NR	N/NR	N/NR
Gas Storage Operators Group	A	N/NR	N/NR	DNS	N/NR	N/NR	N/NR	N/NR	N/NR	N/NR	N/NR	N/NR
GasTerra BV		Y	PS	DNS	PS	DNS	PS	PS	PS	PS	PS	PS
Gazprom Marketing & Trading Limited		N	DNS	DNS	PS	PS	PS	DNS	N/NR	FS	PS	DNS
GDF SUEZ		N	DNS	DNS	DNS	DNS	DNS	PS	PS	DNS	N/NR	DNS
GDF SUEZ Infrastructures		Y	FS	PS	FS	FS	FS	FS	FS	FS	FS	N/NR
IFIEC Europe	A	N	FS	DNS	DNS	DNS	PS	DNS	FS	N/NR	DNS	DNS
IOGP (International Association of Oil & Gas Producers)	A	N	PS	DNS	PS	DNS	DNS	PS	PS	DNS	N/NR	DNS
SEDIGAS	A	N/NR	N/NR	DNS	N/NR	PS	PS	N/NR	N/NR	DNS	PS	DNS
SSE		N	PS	PS	PS	DNS	PS	DNS	N/NR	PS	N/NR	FS
Statoil		N	DNS	DNS	PS	DNS	DNS	PS	PS	DNS	DNS	DNS
Vattenfall		Y	DNS	DNS	DNS	PS	DNS	DNS	N/NR	PS	N/NR	DNS
VNG - Verbundnetz Gas AG		Y	FS	DNS	FS	DNS	DNS	FS	FS	DNS	FS	PS

A - Association

FS = Fully Support

PS - Partially Support

DNS - Do Not Support

N/NR - Neutral/No Reponse