

INITIAL DRAFT TAR NC NON-CONFIDENTIAL RESPONSES TO CONSULTATION

(Reader Friendly Format)

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.

WHAT IS THIS DOCUMENT? This document represents the compilation of all non-confidential responses received by ENTSOG which are structured in a reader-friendly format. Each answer is preceded by the contact details provided by the respondent. The responses are set out in the way they were provided to ENTSOG and are not accompanied by ENTSOG’s view thereon. This document has been prepared by ENTSOG for the convenience of the public and 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.

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 ⁽³⁾ and is based upon the Framework Guidelines published by ACER on 29 November 2013 ⁽⁴⁾. 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 ⁽⁵⁾, 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 ⁽⁶⁾, 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 ⁽⁷⁾.

⁽³⁾ 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>.

⁽⁴⁾ 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.

⁽⁵⁾ 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).

⁽⁶⁾ 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](http://www.entsog.eu/public/uploads/files/publications/Statutes/2012/LGT0105-12_Rev_1_23%2011%202012_ENTSOG_RoP_Amendment_GA(131212)clean.pdf).

⁷ 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.

Initial Draft TAR NC Non-Confidential Responses to Consultation

30 May 2014 – 30 July 2014

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** Please note that 'NR' means 'no response'*

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Chapter I: General Provisions	
1. Is the scope of the initial draft TAR NC as set out in Article 2 clear to you?	
Answer: Yes. In order to avoid misunderstanding it shall be clarified in the Network Code that the total amount of allowed revenues for TSOs or DSOs will be determined by the NRAs.	
2 Do you agree with the scope of the initial draft TAR NC?	
Answer: Yes	
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	
Answer: No. In order to avoid misunderstanding the definition of allowed revenue in Article 3, number 1 shall be amended as follows: "The amount of allowed revenues TSOs will be determined by the NRAs."	
4. Are there any other definitions that should be included in the TAR NC?	
Answer: No.	
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?	
Answer: No. Article 3.11 defines "transmission services" and excludes from the definition those activities which are defined under the applicable national rules, such as balancing, metering, odorisation. Even if excluded from the definition for the purpose of this network code, these activities may be regulated by the respective NRA. This should be clarified, e.g. by adding the following in Article 4.6 (see underlined sentence): "A part of the allowed or target revenue of the transmission system operator, which is other than	

transmission services revenue, shall be outside of the application of the cost allocation approach set out in Article 5(1). This part of the allowed or target revenue may be recovered by charges other than those set out in paragraphs 2 to 5, regulated by the respective national regulatory authority. ACER should oversee that the NRAs agree upon consistent procedures for the allocation of costs resulting from these activities especially for interconnection points.”
Chapter II: Cost Allocation Approach
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?
Answer: Yes
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?
Answer: Yes
8. Are you satisfied with the two approaches for calculating distance as outlined in Article 7.6 of the initial draft TAR NC?
Answer: Yes
9. If you are not satisfied with the two approaches, could you suggest other approaches for calculating distance?
Answer: NR
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?
Answer: Yes
11. Do you agree with the inclusion of the asset allocation methodology as set out in Article 15 of the initial draft TAR NC?
Answer: Yes
12. Do you agree with the secondary adjustments as described in Articles 16 – 18 of the initial draft TAR NC?
Answer: Yes
13. Is it necessary to specify further criteria other than those outlined in Article 19 of the initial draft TAR NC?

Answer: Yes. See the answer to number 57.
14. If it is necessary, could you suggest additional criteria to those outlined in Article 19 of the initial draft TAR NC?
Answer: See the answer to number 57.
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?
Answer: Yes
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?
Answer: No
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?
Answer: Yes. BDEW welcomes that the benefits from storage facilities to the transmission system shall be taken into consideration by the NRAs when approving the transmission tariffs for storage facilities. With regard to the role of storage facilities for the security of supply, BDEW prefers market-oriented incentives for storage usage.
Chapter III: Publication Requirements
18. Is the relationship between the regulatory period and tariff period, as defined in Article 3.7 and 3.10 clear to you?
Answer: Yes. Please take into consideration the answer to question no. 21 concerning the tariff period.
19. Do you agree with the standardised format as set out in Article 26.1 of the initial draft TAR NC?
Answer: Yes. For network users standardised formats would be favourable since this would facilitate the analysis of network tariffs in different countries and the calculation of product prices. Network operators, however, are afraid that standard formats set on a European level may not fit to the respective national regulatory conditions. Thus, standardised formats can be beneficial but amendments have to remain possible. The information published should comprise the data which are necessary for network users to retrace the calculation of the tariffs. If limited to these necessary data, the benefits of the publication requirements for the market should outweigh the costs of such an obligation on the side of the network operators. Especially, the factors determining the overall allowed revenues of the network operator shall remain out of the scope of the publication. BDEW suggests considering that even though the tariff

information is transparently published a national regulator is necessary to control the tariffs. In addition BDEW would like to mention that a timely decision of the regulatory agency about tariffs is more important to forecast network tariffs than transparent publications about cost allocation.

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?

Answer: Yes. BDEW favours the separation of the information for transparency reasons.

21. Are you concerned by the fact that tariffs are set / applied at different times of the year?

Answer: Yes. "The answer is YES because of the following reasons:

- For network users which operate in different countries it is necessary to have access to sufficiently transparent information on tariff periods in every member state. Network users have to be able to assess the development of the tariffs for upcoming periods on both sides of national borders. This will be difficult when NRAs in neighbouring EU member states decide to have different tariff periods. Different tariff periods will make the assessment of future tariffs more difficult and less transparent. Problems will arise for bundled capacity products if tariff periods differ on either sides of the IPs.
- From the DSOs' perspective, harmonised tariff periods between TSOs and DSOs are most important as well as timely information on TSO tariffs. The DSOs are customers of the TSO. In Germany, the DSOs have to calculate and publish their tariffs at de-fined dates (11 weeks before 1st of January). The amount the DSO has to pay for the usage of the TSO network is a considerable share of the DSO tariff. Therefore, in Germany the DSOs need to know the TSO-tariffs at least 13 weeks before 1st of January. Thus, harmonised tariff periods within one country and across countries would be desirable. Besides it would be convenient if tariff periods and the capacity allocation periods were aligned. At the same time, rules concerning accounting periods should be taken into consideration since many tariff setting components are based on accounting parameters. Due to the mutual dependencies the rules in the present NC TAR, NC CAM and NC Balancing have to be subject of a comprehensive discussion with the target of a harmonisation of the respective periods."

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?

Answer: Yes. As proposed in the answer to question no. 21, it would be desirable if the tariff period for all TSOs in Europe could be harmonised. At the same time, they should take into account auction and balancing periods and coincide with the DSOs' tariff periods (see question no. 21). For Germany, the latter would require a tariff period from January 1st to December 31st. A shift to a different tariff period will not be approved by the German network operators (TSOs and DSOs). 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.

23. Could you identify the benefits of the harmonisation of the tariff setting year, if any, for your business, and could you quantify them?
Answer: For trading companies which act internationally, a harmonised tariff setting year would be beneficial. The arguments for this are presented in the answer to no. 21.
24. Could you identify the costs of harmonisation of the tariff setting year, if any, for your business and could you quantify them?
Answer: No. The process of harmonisation itself would generate costs for those TSOs, DSOs and other actors which are affected by an adjustment of the tariff setting period or other related adjustments. The costs cannot be quantified. They should be minimised by taking into account the rules and periods prevailing in Europe today. In this case the overall costs of harmonisation would presumably be outweighed by the benefits in the long run.
25. If applicable, do you think the benefits would outweigh the costs?
Answer: Under the conditions depicted in question no. 24, the benefits of harmonisation presumably outweigh the costs in the long run.
26. Is the issue of knowing the tariffs for the relevant gas year before the auctions start very important to you?
Answer: Yes. 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 fore-cast 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 a comprehensive consideration. The topic is not exclusively addressed in the NC on tariff harmonisation but also in the NC CAM and the NC Balancing.
27. Are there any other issues or aspects that are more important than the issue specified in the previous question?
Answer: Article 27, number 2 defines that the TSO tariffs have to be published 30 days in advance, before the tariff period starts. Please see answers to questions no. 22 and 26 for BDEW's comments on the publication data.
Chapter IV: Reserve Prices
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?

Answer: Yes
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 I to Regulation (EC) No 715/2009?
Answer: No. BDEW agrees with the linking of the applicable ranges of multipliers to the status of congestion, but wants to remind that the following has to be considered concerning the definition of “congestion”: In the opinion of BDEW it is necessary to further discuss the definition of contractual congestion. The localisation of congestion points may change over time, so prospects for future periods on the basis of today’s situation are difficult. Furthermore, the ACER report “2014 ACER annual report on congestion at interconnection points in Q4/2013” raises concerns about the quality and conclusion with regards to congestion for several IPs across the EU. It is stated in the report that the different data sources were not fully consistent in identifying congested IPs. The report ends with the conclusion that the report cannot provide a complete overview on all instances of congestion present in the EU. Any system for the application of multipliers should be flexible enough to reflect changes in the gas consumption and changes in physical flows. Besides, this system should contribute to the objective of tariff stability.
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?
Answer: Yes
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?
Answer: Yes. BDEW supports the proposal, provided that the decision-making process is transparent, involves a market consultation and is overseen by the NRA.
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)?
Answer: Yes, I support the 1st option. As a TSO is a regulated entity, it should be left up to the NRA to determine a higher level of multipliers.
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?
Answer: Yes

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?
Answer: Yes
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 as set out in Article 30.1(b) of the initial draft TAR NC?
Answer: Yes
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?
Answer: Yes
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?
Answer: No. BDEW does not support ex-post interruptible discounts as this implies the risk of interruption is zero, in which case the capacity should be firm. By simply refunding equivalent firm capacity costs in the event of an interruption there is no implication of any objective assessment of the risk of interruption. The implementation of ex-post interruptible discounts leads to huge transaction costs for TSOs because their dispatching systems have to be combined with the billing systems.
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?
Answer: Yes
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?
Answer: Yes
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?
Answer: Yes

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?
Answer: Yes
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?
Answer: No. For the exact understanding of the specific risk of interruption at any IP it would be necessary to have the data of every single IP. However, the costs for data collection and processing would be inadequately high. Therefore, bundling of IPs in different groups for different levels of interruption probability should be an adequate way to calculate the interruption risk for IPs. The gathering of the data of all IPs, however, would not bring enough information on the interruption risk on the single IP.
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?
Answer: No. See answer to question no. 37.
Chapter V: Revenue Reconciliation
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?
Answer: Yes
Chapter VI: Pricing of Bundled Capacity and Capacity at Virtual Interconnection Points
45. Do you agree with ENTSOG's proposal with regard to the way in 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?
Answer: Yes
46. Do you agree with ENTSOG's proposal with regard to the way in which 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?
Answer: Yes
Chapter VII: Payable Price
47. Are the mechanisms for fixed capacity prices described clearly enough in Section 7.1 of the Supporting Document?
Answer: Yes

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?
Answer: Yes. It should be noticed that the inclusion of flexible components in a fixed price mechanism would lead to uncertainty on the actual price for the capacity. Thus, such a system would not be a fully fixed price system any more.
49. Do you have any further suggestions for calculating the fixed price premium referred to in Section 7.1 of the Supporting Document?
Answer: NR
Chapter VIII: Incremental and New Capacity
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?
Answer: Yes
Chapter IX: Final and Transitional Provisions
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?
Answer: No. The current Article 47 gives the impression that the mitigating measures are only defined for a transitional period of 24 months. If a consultation that is defined in Article 20 initiates a significant change of the cost allocation methodology, this change can also result in an increase of tariffs of more than 20 %. For this case, we also may need the mitigating measures.
52. Do you agree with the inclusion of the mitigating measures as set out in Article 47.2(a) and (b)?
Answer: No. See answer to number 51.
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?
Answer: Yes
54. Do you agree with the text that ENTSOG has included in Article 49 on the timing of implementation?
Answer: Yes
Chapter X: General Issues
55. Do you agree with the structure of the initial draft TAR NC?

Answer: Yes
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)?
Answer: Yes
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?
<p>Answer: Yes. "General remark concerning the objectives of the network code. The gas customer is active in two markets. He can choose between different suppliers of gas and in addition, he can choose between different heating systems. Consequently, a change in the allocation of network costs that results in a cost increase that is too high will jeopardize the gas market, because the customer then has an incentive to switch to another heating system. As the network costs of the TSO are having a direct impact on the DSO's tariffs for large customers, this scenario has to be considered when applying a new allocation methodology. For the single customer who is affected by an increase in network costs at the relevant entry or exit point of the network it is irrelevant that, at the same time, the new allocation methodology results in a decrease at another network access point and fosters competition. The single customer considers only his own costs, and since he has the additional option to step out of the gas market into a different heating market, he may decide not to use gas anymore. In order to foster the gas market as a whole and to maintain the network users' support for the tariff system, BDEW holds the view that the following additional objectives should be integrated into the network code.</p> <ul style="list-style-type: none"> - First, the network tariffs should not vary too much over the time since network users, comprising also DSOs as network users to the TSOs, need a reliable cost basis to calculate their products or tariffs and to take investment decisions ("tariff stability"); for example this should be considered in Article 9.3b of the draft TAR NC. - At the same time, the network costs should be allocated in an appropriate way to the main cost drivers ("cost reflectivity"). - Finally, the tariff system should be comprehensible and coherent; the complexity should be reduced to a minimum ("simplicity"). Reset Clause: The entry into force of the TAR NC can cause major changes of the tariffs. In the case of extraordinary tariff increases, it should be considered to introduce a one-off capacity reset option which would help to reduce the risks especially for the holders of long term transmission capacity contracts. There should be an open-minded discussion on how this reset clause could be integrated, the points to which it should apply and if exceptions from the possibility of reset are justified."
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.
Answer: Yes

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Chapter I: General Provisions	
1. Is the scope of the initial draft TAR NC as set out in Article 2 clear to you?	
Answer: NR	
2 Do you agree with the scope of the initial draft TAR NC?	
Answer: NR	
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	
Answer: NR	
4. Are there any other definitions that should be included in the TAR NC?	
Answer: NR	
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?	
Answer: NR	
Chapter II: Cost Allocation Approach	
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?	
Answer: NR	

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?
Answer: NR
8. Are you satisfied with the two approaches for calculating distance as outlined in Article 7.6 of the initial draft TAR NC?
Answer: NR
9. If you are not satisfied with the two approaches, could you suggest other approaches for calculating distance?
Answer: NR
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?
Answer: NR
11. Do you agree with the inclusion of the asset allocation methodology as set out in Article 15 of the initial draft TAR NC?
Answer: NR
12. Do you agree with the secondary adjustments as described in Articles 16 – 18 of the initial draft TAR NC?
Answer: NR
13. Is it necessary to specify further criteria other than those outlined in Article 19 of the initial draft TAR NC?
Answer: NR
14. If it is necessary, could you suggest additional criteria to those outlined in Article 19 of the initial draft TAR NC?
Answer: NR
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?

Answer: NR
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?
Answer: NR
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?
Answer: NR
Chapter III: Publication Requirements
18. Is the relationship between the regulatory period and tariff period, as defined in Article 3.7 and 3.10 clear to you?
Answer: NR
19. Do you agree with the standardised format as set out in Article 26.1 of the initial draft TAR NC?
Answer: NR
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?
Answer: NR
21. Are you concerned by the fact that tariffs are set / applied at different times of the year?
Answer: NR
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?
Answer: NR
23. Could you identify the benefits of the harmonisation of the tariff setting year, if any, for your business, and could you quantify them?
Answer: NR

24. Could you identify the costs of harmonisation of the tariff setting year, if any, for your business and could you quantify them?
Answer: NR
25. If applicable, do you think the benefits would outweigh the costs?
Answer: NR
26. Is the issue of knowing the tariffs for the relevant gas year before the auctions start very important to you?
Answer: Yes. Knowing our tariffs before we purchase our capacity is critical to us. I cannot recall any item that I have purchased that I do not know the price of before I agree to purchase it. It is of the utmost importance from a forecasting / budgeting perspective and would give our business a level of certainty. Currently, I can purchase annual capacity in September for the October gas year. The annual auction should be moved from March to September.
27. Are there any other issues or aspects that are more important than the issue specified in the previous question?
Answer: No
Chapter IV: Reserve Prices
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?
Answer: NR
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 I to Regulation (EC) No 715/2009?
Answer: NR
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?
Answer: NR
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?

Answer: I agree as it would minimise tariff volatility
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)?
Answer: NR
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?
Answer: Yes
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?
Answer: NR
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 as set out in Article 30.1(b) of the initial draft TAR NC?
Answer: Yes. The within day price should be for the whole day and not be by hour
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?
Answer: NR
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?
Answer: NR
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?
Answer: NR
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?
Answer: NR
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?
Answer: NR
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?
Answer: NR
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?
Answer: NR
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?
Answer: NR
Chapter V: Revenue Reconciliation
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?
Answer: NR
Chapter VI: Pricing of Bundled Capacity and Capacity at Virtual Interconnection Points
45. Do you agree with ENTSOG's proposal with regard to the way in 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?
Answer: NR
46. Do you agree with ENTSOG's proposal with regard to the way in which 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?
Answer: NR

Chapter VII: Payable Price
47. Are the mechanisms for fixed capacity prices described clearly enough in Section 7.1 of the Supporting Document?
Answer: Yes
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?
Answer: Yes. Fixed price is by far the better option. It brings certainty to the market and to the business
49. Do you have any further suggestions for calculating the fixed price premium referred to in Section 7.1 of the Supporting Document?
Answer: NR
Chapter VIII: Incremental and New Capacity
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?
Answer: NR
Chapter IX: Final and Transitional Provisions
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?
Answer: NR
52. Do you agree with the inclusion of the mitigating measures as set out in Article 47.2(a) and (b)?
Answer: NR
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?
Answer: NR
54. Do you agree with the text that ENTSOG has included in Article 49 on the timing of implementation?
Answer: NR
Chapter X: General Issues

55. Do you agree with the structure of the initial draft TAR NC?
Answer: NR
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)?
Answer: NR
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?
Answer: NR
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.
Answer: NR

Respondent:	Centrica Storage Limited
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Chapter I: General Provisions	
1. Is the scope of the initial draft TAR NC as set out in Article 2 clear to you?	
Answer: Yes	
2 Do you agree with the scope of the initial draft TAR NC?	
Answer: Yes	
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	
Answer: Yes	
4. Are there any other definitions that should be included in the TAR NC?	
Answer: No	
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?	
Answer: Yes	
Chapter II: Cost Allocation Approach	
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?	
Answer: Yes	

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?
Answer: Yes
8. Are you satisfied with the two approaches for calculating distance as outlined in Article 7.6 of the initial draft TAR NC?
Answer: Yes
9. If you are not satisfied with the two approaches, could you suggest other approaches for calculating distance?
Answer: NR
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?
Answer: NR
11. Do you agree with the inclusion of the asset allocation methodology as set out in Article 15 of the initial draft TAR NC?
Answer: NR
12. Do you agree with the secondary adjustments as described in Articles 16 – 18 of the initial draft TAR NC?
Answer: NR
13. Is it necessary to specify further criteria other than those outlined in Article 19 of the initial draft TAR NC?
Answer: No
14. If it is necessary, could you suggest additional criteria to those outlined in Article 19 of the initial draft TAR NC?
Answer: NR
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?

Answer: Yes
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?
Answer: NR
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?
Answer: No, Centrica Storage Limited believes that in setting tariffs for entry and exit points from and to gas storage facilities, the Network Code should explicitly state the following: Transmission tariffs for gas storages shall be set at a level that ensures efficient investments in gas storages, whilst taking into account the need to avoid discrimination between network users and distortion of the single internal European energy market. Gas storage does not constitute a net source of supply or demand and that users of gas storage have already paid entry and exit charges tariffs when gas in entered into and taken off the network. Tariffs for entry and exit points from and to gas storage shall have a default price of zero and reflect only those specific, additional transmission costs (if any) which relate directly to the connection and use of the gas storage facility, after taking into account the benefits.
Chapter III: Publication Requirements
18. Is the relationship between the regulatory period and tariff period, as defined in Article 3.7 and 3.10 clear to you?
Answer: Yes
19. Do you agree with the standardised format as set out in Article 26.1 of the initial draft TAR NC?
Answer: Yes
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?
Answer: Yes
21. Are you concerned by the fact that tariffs are set / applied at different times of the year?
Answer: NR
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?

Answer: NR
23. Could you identify the benefits of the harmonisation of the tariff setting year, if any, for your business, and could you quantify them?
Answer: NR
24. Could you identify the costs of harmonisation of the tariff setting year, if any, for your business and could you quantify them?
Answer: NR
25. If applicable, do you think the benefits would outweigh the costs?
Answer: NR
26. Is the issue of knowing the tariffs for the relevant gas year before the auctions start very important to you?
Answer: NR
27. Are there any other issues or aspects that are more important than the issue specified in the previous question?
Answer: NR
Chapter IV: Reserve Prices
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?
Answer: Yes
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 I to Regulation (EC) No 715/2009?
Answer: NR
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?
Answer: NR

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?
Answer: NR
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)?
Answer: NR
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?
Answer: Yes
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?
Answer: NR
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 as set out in Article 30.1(b) of the initial draft TAR NC?
Answer: NR
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?
Answer: NR
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?
Answer: NR
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?

Answer: NR
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?
Answer: NR
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?
Answer: NR
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?
Answer: NR
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?
Answer: NR
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?
Answer: NR
Chapter V: Revenue Reconciliation
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?
Answer: NR
Chapter VI: Pricing of Bundled Capacity and Capacity at Virtual Interconnection Points
45. Do you agree with ENTSOG's proposal with regard to the way in 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?
Answer: NR
46. Do you agree with ENTSOG's proposal with regard to the way in which 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?

Answer: NR
Chapter VII: Payable Price
47. Are the mechanisms for fixed capacity prices described clearly enough in Section 7.1 of the Supporting Document?
Answer: NR
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?
Answer: Yes
49. Do you have any further suggestions for calculating the fixed price premium referred to in Section 7.1 of the Supporting Document?
Answer: NR
Chapter VIII: Incremental and New Capacity
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?
Answer: NR
Chapter IX: Final and Transitional Provisions
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?
Answer: NR
52. Do you agree with the inclusion of the mitigating measures as set out in Article 47.2(a) and (b)?
Answer: NR
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?
Answer: NR
54. Do you agree with the text that ENTSOG has included in Article 49 on the timing of implementation?

Answer: NR
Chapter X: General Issues
55. Do you agree with the structure of the initial draft TAR NC?
Answer: NR
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)?
Answer: NR
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?
Answer: Yes, The TAR NC has the potential to fundamentally change the contractual arrangements under which Shippers entered into those capacity commitments. It also risks undermining the basis on which these stakeholder commitments help to underpin critical investments in cross-border transmission network capacity. A one-off capacity reset would allow Shippers to reassess those contracts in the light of the new tariff regime and adjust their positions accordingly.
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.
Answer: NR

Respondent:	Commission for Energy Regulation
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Chapter I: General Provisions	
1. Is the scope of the initial draft TAR NC as set out in Article 2 clear to you?	
Answer: Yes, CER is of the view that there is sufficient clarity/flexibility in the scope. It would be important to maintain flexibility for NRAs regarding the scope of "Transmission Services".	
2 Do you agree with the scope of the initial draft TAR NC?	
Answer: Overall yes. The scope of application of the Capacity, Commodity and Complementary Revenue Recovery Charges (CRRC) is helpful. However, we would request additional clarity on the CRRC and how it relates to the reconciliation of the regulatory account, in particular.	
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	
Answer: Yes, Many of the definitions from the Framework Guideline have been omitted from the Draft NC. However, CER is of the view that 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.	
4. Are there any other definitions that should be included in the TAR NC?	
Answer: Yes, See question 3 above.	
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?	
Answer: Yes, One of the tasks given to ENTSOG was to provide further clarity to the definition of Transmission	

<p>Services. Ultimately, the purpose of the Network Code is to ensure that cross-subsidies between domestic and cross-border network users are avoided. 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.</p>
<p>Chapter II: Cost Allocation Approach</p>
<p>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?</p>
<p>Answer: Overall yes, the supporting document gives clarity on the scope of Capacity, Commodity and CRRC approaches to the collection of Transmission Services. It is the CER's understanding that these collectively form the basis for the collection of allowed/target revenue for the provision of Transmission Services.</p>
<p>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?</p>
<p>Answer: Yes, The CER understands that the cost allocation approach is focused on the Capacity/Commodity split. The Cost Allocation Methodology involves the application of a methodology to ensure recovery of the capacity portion of these revenues.</p>
<p>8. Are you satisfied with the two approaches for calculating distance as outlined in Article 7.6 of the initial draft TAR NC?</p>
<p>Answer: Yes. Whatever distance approach is taken for the Cost Allocation Methodology should also be applied uniformly to the CRRC.</p>
<p>9. If you are not satisfied with the two approaches, could you suggest other approaches for calculating distance?</p>
<p>Answer: n/a</p>
<p>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?</p>
<p>Answer: Yes, We agree that unstable flow patterns give rise to unstable forecasts. Tariff stability should be a central tenet, and therefore NRAs should have the discretion to choose either booked or technical capacity.</p>
<p>11. Do you agree with the inclusion of the asset allocation methodology as set out in Article 15 of the initial draft TAR NC?</p>
<p>Answer: Yes, CER is of the view that where homogeneous groups of customer can be identified then the asset allocation methodology is appropriate.</p>

12. Do you agree with the secondary adjustments as described in Articles 16 – 18 of the initial draft TAR NC?
Answer: Overall yes. We do not agree with the removal of the definition of homogeneous groups, particularly in the light of our support for the Asset Allocation methodology above. The parameters for equalisation are limited to homogenous groups of entry or exit points. As neither are defined this does not give certainty to NRAs.
13. Is it necessary to specify further criteria other than those outlined in Article 19 of the initial draft TAR NC?
Answer: No.
14. If it is necessary, could you suggest additional criteria to those outlined in Article 19 of the initial draft TAR NC?
Answer: n/a
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?
Answer: No, The review should be allowed to be based on the NRA Price Control cycle e.g. every 5 years in Ireland. We do not see the benefit for cross-border trade in having this 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.
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?
Answer: No
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?
Answer: Yes, CER agrees that NRAs are best placed to assess the benefits that Storage brings to the system.
Chapter III: Publication Requirements
18. Is the relationship between the regulatory period and tariff period, as defined in Article 3.7 and 3.10 clear to you?
Answer: Yes
19. Do you agree with the standardised format as set out in Article 26.1 of the initial draft TAR NC?

Answer: Yes From an NRA perspective it will be useful to have access to a Community wide template that enables easy sharing of information. It is also beneficial to outline those charges that are recovered via Commodity and CRRC. We think ENTSOG have done excellent work on this standardised format.
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?
Answer: Yes
21. Are you concerned by the fact that tariffs are set / applied at different times of the year?
Answer: No, Stakeholders (such as Shippers) here have not raised this issue in Ireland with CER. As NRA we are not concerned by this.
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?
Answer: No
23. Could you identify the benefits of the harmonisation of the tariff setting year, if any, for your business, and could you quantify them?
Answer: n/a
24. Could you identify the costs of harmonisation of the tariff setting year, if any, for your business and could you quantify them?
Answer: No, NA. Not a business. However, we would note that IT investment by our TSO will be required in the forthcoming 3 years to facilitate the Network Codes. The cost of this IT Capex in 2014 alone will add significant costs to the required revenues of the TSO and ultimately as regulator we would be concerned that further additional costs that are unnecessary would arise out of gas year harmonisation.
25. If applicable, do you think the benefits would outweigh the costs?
Answer: No, 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.
26. Is the issue of knowing the tariffs for the relevant gas year before the auctions start very important to you?
Answer: No, CER is not a shipper and this question is not applicable to us.

27. Are there any other issues or aspects that are more important than the issue specified in the previous question?
Answer: n/a
Chapter IV: Reserve Prices
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?
Answer: No, CER disagrees with the concept of defining congestion as per the ACER congestion report. The NRAs are best placed to assess whether congestion is occurring and therefore the level of multipliers.
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 I to Regulation (EC) No 715/2009?
Answer: No, The option to base the multipliers on congestion are one of a number of possible scenarios. A one size fits all approach is not appropriate and should consider alternatives such as those already outlined.
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?
Answer: No, CER is of the view that 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. This is of particular importance given the shift to short term bookings by users such as the power generation sector.
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?
Answer: Yes, In certain circumstances this flexibility should be allowed to ensure TSO recovery. The shift to short term bookings requires flexibility on multipliers. Seasonal factors that are based on the probability of the 1-in-20 peak day occurring would facilitate this.
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)?
Answer: Yes, I support the 1st option. NRAs have a role in ensuring that TSOs recover their Required Revenues. Therefore, NRA discretion is necessary to ensure that a full complement of tools is available to NRAs.

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?
Answer: No, Whilst CER is of the view that NRAs should consider the question of "the need to avoid cross-subsidisation and to enhance cost-reflectivity" this should be considered as a subset of overall tariff cost-reflectivity. 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.
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?
Answer: Yes, Seems fine, in the absence of seasonal factors.
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 as set out in Article 30.1(b) of the initial draft TAR NC?
Answer: No, We do not agree with the WD approach. The calculation should be based on the Daily product. Reasons include balancing requirements being daily rather than hourly. The legislative requirement is to have capacity products available down to a period of one day. Hourly pricing adds unnecessary complexity.
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?
Answer: No, CER is of the view that 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. In many cases it is the larger stakeholders (powergen, energy traders, NRAs, etc.) 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. We would urge flexibility in how seasonal factors are set as this takes account of the differing needs of the different Member States gas systems.
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?
Answer: No, This section is confusing. As a result CER is uncertain of its position in this regard. A combination of ex ante and ex post is not transparent for shippers as the level of discount is not known until after. CER is also not sure whether an ex post discount may be legally flawed (contract law considerations).
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?
Answer: Yes, No comments. Seems fine.
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?
Answer: No, CER is of the view that backhaul should be provided on the marginal cost of providing the service. However, the CER would request that additional legal clarity on the question of marginal pricing of tariffs is forthcoming.
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?
Answer: No, 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. Ultimately, NRAs are best placed alongside TSOs in each Member State to determine what discount approach is appropriate.
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?
Answer: Overall yes. However, we are of the view that the calculation of the probability of interruption should accommodate down to the number of days as well rather than just hours.
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?
Answer: Yes
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?
Answer: 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.

Chapter V: Revenue Reconciliation
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?
Answer: No. Yes and no. As ultimately the sub accounts are all smeared together there is a question of why there is sub account tracking at all. We would presume the purpose is to better forecast future reference prices etc. Re the sub account for the CRRC approach we are somewhat confused. If the whole purpose of the CRRC is for revenue recovery, then it is somewhat odd that an under/over recovery could/should arise from these charges. I recall the CRRC was talked through in the June 25th workshop in Brussels, but we would appreciate some additional thoughts on the CRRC and its relationship with the reconciliation of the regulatory account. CER does agree that in the case of physical congestion auction premia may be used to reduce physical congestion.
Chapter VI: Pricing of Bundled Capacity and Capacity at Virtual Interconnection Points
45. Do you agree with ENTISOG's proposal with regard to the way in 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?
Answer: Yes
46. Do you agree with ENTISOG's proposal with regard to the way in which 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?
Answer: No, 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.
Chapter VII: Payable Price
47. Are the mechanisms for fixed capacity prices described clearly enough in Section 7.1 of the Supporting Document?
Answer: The mechanisms of Fixed+ Indexation and Fixed + Indexation + Premium are clear and have the benefit of being easily understood. However, the Fixed + Variable seem to void the purpose of the product from a Shipper perspective. If a Shipper knows only the Fixed element then this only gives an element of stability for a portion of the tariff. Why would a Shipper commit when so much of the tariff ultimately paid is still unknown? It may be more appropriate to base it on a variable charge based on Commodity only flows. However, this could lead to a situation such as in GB where revenues are increasingly being skewed towards recovery by Commodity charges, thereby negating the entire raison d'être of the Network Code which is to base charges on the primary cost driver of delivering Capacity. We would be of the view that the fixed vs. floating debate continues partially because it is acknowledged that there are positives and negatives associated with their inclusion.
48. Do you agree with ENTISOG's proposal for the inclusion of different mechanisms for fixed capacity prices in the refined draft TAR NC, as outlined in the Supporting Document?

Answer: No, See previous question. The plethora of options does not always guarantee certainty for shippers. To a degree fixed capacity prices (plus the other additions) should give certainty. We are not sure whether the options presented ensure this in all circumstances.
49. Do you have any further suggestions for calculating the fixed price premium referred to in Section 7.1 of the Supporting Document?
Answer: n/a
Chapter VIII: Incremental and New Capacity
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?
Answer: Yes, They seem to be consistent but no real comment.
Chapter IX: Final and Transitional Provisions
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?
Answer: Yes. CER agrees that network users should not be entitled to relinquish their existing IP capacity rights. This would lead to unstable tariffing regimes across Europe, especially at a time when tariff regimes will in any case be going through a state of change. There are numerous ECJ cases on legitimate expectations which would support this view.
52. Do you agree with the inclusion of the mitigating measures as set out in Article 47.2(a) and (b)?
Answer: Yes, Seem reasonable.
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?
Answer: Seems reasonable. We would point out that coordination with neighbouring TSOs/NRAs is the preferred approach and should be encouraged where possible.
54. Do you agree with the text that ENTSOG has included in Article 49 on the timing of implementation?
Answer: Yes, Seems reasonable.
Chapter X: General Issues
55. Do you agree with the structure of the initial draft TAR NC?
Answer: Yes, The codification of a Network Code on Tariffs does not lend itself easily to a legal text. ENTSOG

have nonetheless excelled at producing a draft Network Code that has added clarity and detail whilst continuing to be easily understood, all within a very quick time period. We also compliment the work gone into the supporting document which has been most helpful to us when read with the text itself.

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)?

Answer: Yes, The codification of a Network Code on Tariffs does not lend itself easily to a legal text. Overall, we think the level of detail is appropriate. This includes the removal of certain definitions that are already explained within the text itself (with the exceptions we have already referenced). This is because many of these concepts are economic in nature and cannot be easily condensed into a short succinct definition.

57. After reviewing the initial draft TAR NC, do you find that there are other material issues that ENTOSOG should consider for the purpose of the refined draft TAR NC?

Answer: No

58. Do you find the Supporting Document for consultation to be 'respondent-friendly' in terms of its readability, style, etc.? Please outline how ENTOSOG could improve future consultation documents.

Answer: Yes. The document and level of detail is clear and mostly easy to read and grasp. The use of diagrams was most helpful. We compliment the ENTOSOG team on a job well done.

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Chapter I: General Provisions	
1. Is the scope of the initial draft TAR NC as set out in Article 2 clear to you?	
<p>Answer: The scope of the initial draft TAR NC as set out in Article 2 is pretty clear to us. The specific nature of interconnectors of Article 2.4 should be defined, i.e. the fact that they do not have captive demand and that they are not meshed networks. In addition, we propose article 2(4) to read as follows “This Regulation shall be applied taking into account the specific nature of interconnectors without discriminating in favour or against such interconnectors”. However, it could be clearly stated that the decision of NRAs to apply the CAM NC and specific chapters of the Tariff NC (IV, VI, VII) to non-IPs should follow a relevant consultation.</p>	
2 Do you agree with the scope of the initial draft TAR NC?	
<p>Answer: Yes. In general, we agree with the scope. However: TAR NC provisions on Reserve Prices (Chapter IV) apply only to IPs, since IPs is the Network Code’s main focus. However, by doing so, TAR NC may introduce significant differences between IPs and domestic entry/exit points, in such matters as for example capacity charge multipliers and seasonal factors. This may foster cross-subsidies between domestic flows and cross-border flows and skewed international/national arbitrage.</p>	
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	
<p>Answer: Yes, with the following amendments: The definition of Costs, although a straightforward notion, should not be excluded from the Definitions section in the interests of clarity, since the definition highlights the three cost components: OPEX, depreciation and CAPEX (equity and debt). Instead of using the term “Non-price Cap Regime”, the term “Revenue Cap Regime” should be reinstated,</p>	

<p>since it expresses precisely its content, is easier to understand, and distinguishes clearly from the Price Cap Regime.</p> <p>The definition of Target Revenue should be amended according to the following: “means the product of the total expected capacity sales and the allowed transmission tariffs PLUS the sum of expected other charges.”</p>
<p>4. Are there any other definitions that should be included in the TAR NC?</p>
<p>Answer: We deem the definition of the “reserve price” as necessary especially in relation with the already existing definition of “reference price”. The definition of “non-transmission services” should also be included for more clarity.</p>
<p>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?</p>
<p>Answer: We find the definition of transmission services to be detailed enough and comprehensive. However, we believe that the recent addition of the phrase “the activities defined under the applicable national rules...” may cause problems in terms of harmonization and cross border trading while creating an unclear framework within which allocation of a part of non-transmission services revenues may be made to transmission services. In any case there should be a clear distinction between transmission and non-transmission services in order to avoid any possible cross-subsidy.</p>
<p>Chapter II: Cost Allocation Approach</p>
<p>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?</p>
<p>Answer: In terms of form: The 6 cross-references to other articles of the TAR NC complicate interpretation of the article in question. The wording of art. 5.1 should preferably be as analytic and explanatory as fig.5 of the supporting document.</p> <p>In terms of content: Concerning the capacity-commodity split (Article 5(1)(a)), an explicit reference to costs that may be recovered from commodity charge would be very helpful; a mention should be made to the flow based charge (Article 4(4)) and to the complementary revenue recovery charge when decided to be commodity based (Article 4(5)).</p>
<p>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?</p>
<p>Answer: “Methodology” = talk of a method, namely talk of a structured and repeatable sequence of steps to achieve a result, hence the term can easily incorporate as the first step, that of distinguishing between capacity and commodity which, in the draft TAR NC parlance, is the only differentiating step between the “approach” and the “methodology”. We also believe that it could be set in more clarity, especially the references that complement the primary cost allocation methodology with secondary adjustments.</p>
<p>8. Are you satisfied with the two approaches for calculating distance as outlined in Article 7.6 of the initial</p>

draft TAR NC?
Answer: No. We understand the usefulness of both definitions. We believe that 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. A phrase to rank these definitions in order of diminishing degree of detail/definition may also be useful to practitioners in deciding their approach.
9. If you are not satisfied with the two approaches, could you suggest other approaches for calculating distance?
Answer: See our answer 8 above.
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?
Answer: At first, it will be helpful for costs definitions/sources (for example standardized costs) to be included for reasons of clarity. Article 8(4) should be rephrased to: "Where the parameter referred to in Article 6(4)(c) is used to characterize the parameter referred to in Article 6(4)(a) or (b) and where gas flow patterns are unstable technical capacity or forecast contracted capacity shall be used as proxy".
11. Do you agree with the inclusion of the asset allocation methodology as set out in Article 15 of the initial draft TAR NC?
Answer: Yes. The asset allocation method, as an additional (fifth) one to the primary cost allocation methods, may allow TSOs to adopt grossly cost-reflective tariffs focusing on the nature of gas users in the system (market-oriented approach). Particularly attractive a method where homogeneous network user groups can be identified according to criteria, which are not prescribed but are left to the TSO to determine. 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). Commenting on the presentation of the method, it is pointed out that primary and supporting assets should be described at a high level, in order for the distinction between them to be made clear. Further, 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.
12. Do you agree with the secondary adjustments as described in Articles 16 – 18 of the initial draft TAR NC?
Answer: Yes. Secondary adjustments limited to rescaling, equalization 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 (as described in article 20). Furthermore, we are concerned,
<ul style="list-style-type: none"> on equalization, about the criteria a TSO may apply to declare a group of network users as

<p>homogeneous (see our comments in Question 11 above on definition of homogeneity) and</p> <ul style="list-style-type: none"> on benchmarking, about the uncertainty this adjustment may cause to users concerning possible increases in tariffs at other points of the network. <p>Questions 13 – Is it necessary to specify further criteria other than those outlined in Article 19 of the initial draft TAR NC?</p>
<p>13. Is it necessary to specify further criteria other than those outlined in Article 19 of the initial draft TAR NC?</p>
<p>Answer: See our Ans. 11.</p>
<p>14. If it is necessary, could you suggest additional criteria to those outlined in Article 19 of the initial draft TAR NC?</p>
<p>Answer: NR</p>
<p>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?</p>
<p>Answer: In general, the provisions of the current article are clear. We would prefer the 4-year period review to be mentioned clearly in Article 20 (there is only a reference in the supporting document). Similarly with some tariffs' parameters (e.g. transmission revenues, over-/under recoveries etc.) to be published regularly within the 4-year period (e.g. annually).</p>
<p>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?</p>
<p>Answer: Yes with a reservation as to the applicability in countries of heavy indigenous production whose exports exceed imports.</p>
<p>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?</p>
<p>Answer: No. The wording in Article 23 should be further enhanced to reflect the following: The entry exit capacity tariffs for storage facilities should only recover the costs of integration of the storage facility to the rest of the system, since charges for the use of the rest of the system apply separately, when gas enters the system before entering into storage and exits it after its retrieval from storage. The same stands for commodity charges, which should also only recover costs related to transporting gas to/from storage facilities through infrastructure dedicated to serve such facilities (or equivalent). For the sake of tariff simplicity, a TSO should be allowed to only make one storage charge (e.g. storage exit capacity charge) which will recover all storage associated costs.</p>
<p>Chapter III: Publication Requirements</p>

18. Is the relationship between the regulatory period and tariff period, as defined in Article 3.7 and 3.10 clear to you?
Answer: Yes. The wording in Articles 3.7 and 3.10 is clear.
19. Do you agree with the standardised format as set out in Article 26.1 of the initial draft TAR NC?
Answer: Yes. Taking into account the relevant template included in the supporting document, we agree with the proposals on the ground that publishing enough and clear information about the tariffs contributes to a stable business framework for the users of the system [within which they (the users) have to be able to make projections about the entry-exit tariffs] and the TSOs, too [as the users will be able to book capacity on longer term].
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?
Answer: Yes. We agree with the information separation into two parts.
21. Are you concerned by the fact that tariffs are set / applied at different times of the year?
Answer: Even though we see a harmonized tariff setting year across EU advantageous for the users, we are concerned, too, due to the complications that may arise and especially any possible tariff increase driven by the subject change that affects gas trading.
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?
Answer: We support harmonization of the tariff year as a positive element for cross-border trading, and propose that the start of the tariff year be the 1st of January.
23. Could you identify the benefits of the harmonisation of the tariff setting year, if any, for your business, and could you quantify them?
Answer: DEPA, as a mid-streamer in the gas supply chain, applies the calendar year (1st Jan-31st Dec) for the majority of its supply contracts with its customers and all of its contracts with its suppliers. DEPA will, therefore, suffer little cost and disturbance should the calendar year be adopted EU-wide as a tariff year. In its foreseeable future as a regional trader, DEPA also aspires to bundled capacity IP products where it will enjoy tariff stability within each accounting year, which also happens to be the calendar year.
24. Could you identify the costs of harmonisation of the tariff setting year, if any, for your business and could you quantify them?
Answer: So far, DEPA hasn't quantified such a cost, though we expect it to be limited and one-off., if the

calendar year is adopted.
25. If applicable, do you think the benefits would outweigh the costs?
Answer: Yes, we believe that the benefits would outweigh the costs.
26. Is the issue of knowing the tariffs for the relevant gas year before the auctions start very important to you?
Answer: Yes, it is important for DEPA to know at least the tariff level of the year ahead in order to be able to optimize its year ahead booking strategy at the time when auctions take place. Reasonable knowledge of the tariff level will enable DEPA to evaluate transit costs between competitive routes and also assess the feasibility of trading volumes in neighbouring countries. Nowadays, when traders perform their activities at only marginal profits, lack of such knowledge of prospective tariff levels before auctions may well result in the wrong trade decisions and incur losses. Concerning tariff for the years after the year ahead, it is equally important for shippers to have the best possible visibility of their level, for similar reasons. Thus, DEPA welcomes ENTISOG's argument for implementing various fixed price mechanisms. For more details please refer to questions 47-49.
27. Are there any other issues or aspects that are more important than the issue specified in the previous question?
Answer: No. However, in continuation to our Ans 26, we consider of paramount importance that prediction of tariffs for the year ahead and following years be serious and thorough and even possibly subjected to some sort of consensus by primary movers of the relevant market, including the NRA.
Chapter IV: Reserve Prices
28. Do you agree with ENTISOG's proposal for the conditions for determining the allowed multiplier ranges, as set out in Article 29 of the initial draft TAR NC?
Answer: Yes. Since the definition of contractual congestion is subject to review in the future, we consider plausible for NRAs to be authorized to evaluate and decide whether the rules set by CMP have been accurately applied in the specific case. We further support 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.
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 I to Regulation (EC) No 715/2009?
Answer: Yes. Our approach is that the multipliers/seasonal factors should primarily reflect market conditions (expected time profile of gas demand and offer) to secure TSO revenues as far as possible and be modulated secondarily through congestion considerations to help alleviate the problem. On the premise that longer

<p>bookings entail lower degree of capacity utilization, even equal multipliers between successive booking durations (for example monthly and daily) work to the advantage of the shorter bookings. Excessive reduction of shorter booking multipliers may therefore unnecessarily jeopardise TSO's ability to achieve its allowed revenue. We therefore agree with curtailment of the multiplier range when congestion arises but propose the degree of such curtailment to be decided by the competent NRA according to criteria of article 28.5 and after consultation instead of being harmonized to outright discount (0-1.0).</p>
<p>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?</p>
<p>Answer: No. We see this alternative proposal as one of a large family of possible courses of action by the competent NRA (see Ans 29 above) which however will need justification as to the adopted cutoff levels and proposed multiplier upper limits.</p>
<p>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?</p>
<p>Answer: Yes. In this context, the Framework Guidelines foresee multipliers (quarterly, monthly and daily) of up to 1.5 for non-congested and up to 1.0 for congested systems. This upper limit has raised many concerns in the SJWS discussions, since it appears to be compromising recovery of allowed revenue for many European TSOs, especially in non-congested systems. For example the Greek TSO has calculated that it will be necessary to apply a daily multiplier of 1.79 in order to secure its allowed revenues. There are two options available to a TSO, either:</p> <ul style="list-style-type: none"> • to increase the tariff of the annual firm capacity product, acting as a prudent TSO, thus burdening long term bookings with the under recovery caused by short term bookings (cross-subsidy between different types of bookings within the same period); or • to maintain the tariff of the annual firm capacity product at its initial level and roll the under-recovery into future tariffs, penalizing future shippers (cross-subsidy between shippers of successive years). <p>The example above reflects reality for many non-congested systems in the EU. Moreover, recession, which has impacted gas consumption in almost all EU countries, has led to increased profiled capacity bookings which in turn have made imperative the requirement to grant the authority to decide at a national level. Therefore, we agree with ENTSOG's proposal. The NRA should definitely carry out a consultation on the proposed level of multipliers in order for all stakeholders to be informed and provide their justified positions.</p>
<p>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)?</p>
<p>Answer: Yes, we support the first option, since there is no metric through which a higher than 1.5 cap can be approached, especially considering that each system has its own specificities. It is better passing the authority to the NRA which will take into account the local specificities and its responsibility to justify its decision to its</p>

extended market.
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?
Answer: Yes, we agree. These criteria are compatible with Gas Regulation 715/2009 and stand to reason.
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?
Answer: Yes, we agree. The proportional application of the yearly reference price taking into consideration the applicable multiplier is consistent with the Framework Guidelines and common practice. Further, we agree with a granularity of days in pricing standard short term products (i.e. quarterly, monthly, daily) instead of lower ones (say week, month).
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 as set out in Article 30.1(b) of the initial draft TAR NC?
Answer: No. It is proposed to harmonize into a single option, preferably the second one. Applying hourly pro rata tempositis charging, although more complicated, reflects the economic reality of the service thus it is a "fair" charge for the shippers since they are charged for the actual duration of the service they receive at a granularity level of hours. Concerning, the arguments that pro rata tempositis charging may not be consistent for systems offering capacity at kWh/day (Article 10 of CAM), 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/day) will not be delivered in full. Thus, a provision should be set for proportional adjustment of the daily rate to the sub-day duration of the booked within-day product; this is option 2 of Article 30.1(b). 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.
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?
Answer: Yes, though having regard to the provision of Article 29.5 that allows for multipliers higher than 1.5, seasonal factors may be redundant. Although from a trader's point of view it will be preferable and beneficial for seasonal factors not to change within the tariff period we recognize the need for such changes in case of significant changes in the trading environment; we therefore propose that art.31(5) stresses that seasonal factor changes are only introduced as a last resort to avoid major harm in the market. In any case, we find that the decision of choosing the power factor of article 31(2) (e) should be adequately justified if not equal to 1. The proposals for daily and within day products as well as the two options available for the quarterly products are welcome. Setting the quarterly seasonal factors under option 2 should also be justified.

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?

Answer: No. The ex-ante discount option is supported as the most efficient solution. Since shippers, having delivery commitments to their customers, develop contingency plans at a cost in order to mitigate the risk of interruption (e.g. gas parked in storage). These costs are ongoing whether or not an interruption occurs. The above should be reflected in the price of interruptible products, otherwise shippers will be discouraged from using interruptible products. The ex-post discount does not reflect the above shippers’ requirement (i.e. to receive a discount for the interruptible product which will balance the cost of a contingency plan in case of interruption). This happens because the discount will be offered only in the case an interruption actually occurs; however the contingency plan needs be drawn up prior to booking interruptible capacity in order to mitigate such risk. The ex-post option pushes the risk of interruption to shippers. Moreover, 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). Moreover, shippers will be unable to understand the interruption risk they are taking, a fact which will prevent them from developing a fit-for-purpose contingency plan. Finally regarding ENTSOG’s argument (Supporting Document page 67) that in systems with no congestion shippers will prefer booking interruptible products at lower cost (having near zero interruption probability) instead of booking firm, we counter argue 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.

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?

Answer: Yes, we agree with the proposal set out in Article 32.3 of the initial TAR NC for the simultaneous publication of the report on the probability of interruption of the interruptible capacity with the publication of the transmission tariffs. Further, we propose language of 32.3.(c) to read “(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”, in order for shippers to understand the risk of interruption they are exposed to.

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?

Answer: Yes, we agree using the same methodology. We consent to the arguments put forward in the Supporting Document for the method of interruptible backhaul products, which should be the same as for the forward flow interruptible products. We support our position by arguing 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. We consider this discriminatory and against the specific objectives of the Gas Regulation.

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?
Answer: Yes. The probability estimation methodology is properly structured taking into consideration relevant historical parameters, i.e. the magnitude of interrupted capacity and the duration of interruption. We support setting the adjustment factor A no lower than one, as mentioned in the Supporting Document (see also Ans 37).
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?
Answer: Yes, we agree with the subject proposal.
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?
Answer: Yes. It is better not to harmonize and leave the decision of whether the probability should be "calculated for each, some or all IPs" to the discretion of the competent NRAs, who will take into account local specificities and in particular the level of congestion of IPs in consideration. We assume that similar calculations will be made on either side of an IP.
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?
Answer: We prefer ex-ante discount approach (see also our Ans 37 above).
Chapter V: Revenue Reconciliation
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?
Answer: Yes, it seems clear to us. It is also essential for shippers to be notified regularly about any under-/over recovery recorded in the account in order to be able to predict the tariff evolution.
Chapter VI: Pricing of Bundled Capacity and Capacity at Virtual Interconnection Points
45. Do you agree with ENTSOG's proposal with regard to the way in 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?
Answer: Yes, we agree with the proposed methodology.
46. Do you agree with ENTSOG's proposal with regard to the way in which 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?

<p>Answer: Yes, we agree with the proposed methodology, pointing out the possibility of applying different charges at either side of the IPs that constitute the VIP.</p>
<p>Chapter VII: Payable Price</p>
<p>47. Are the mechanisms for fixed capacity prices described clearly enough in Section 7.1 of the Supporting Document?</p>
<p>Answer: No. There are further specifications that should be made:</p> <ul style="list-style-type: none"> -Fixed price + indexations: It is proposed that this mechanism be accompanied by the specification that it may be applicable only to systems with low tariff fluctuation. This means that the allowed revenue and capacity booking levels over the years are quite stable (as in developed markets over time periods of economic stability). Thus, tariff changes follow only changes in inflation. -Fixed price + premium: It is proposed that this mechanism be accompanied by the specification that it may be applicable to any system, since the risk premium added is able to reflect both minor changes (inflation) and major changes (changes in allowed revenue or booking behaviour). The text should perhaps become clearer as to this mechanism presenting two options (a) the addition of a single valued risk premium; and (b) floating of the reserve price within a buffer.
<p>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?</p>
<p>Answer: We prefer fixed price at IPs for reasons of greater stability and encouraging long-term investments to the benefit of the whole market, even though this is an alternative to the main, floating price, mechanism proposed by the FG (see Ans 26). However, we agree with the inclusion of the proposed four mechanisms, only expressing scepticism for option b (reserve price floats over a premium, 2nd subparagraph of par.2 "Fixed price+a premium" p.74 of Supporting Documentation). Option b does not appear to offer any ability to cure from harmful floating price volatility since in the case "floating price exceeds the sum of the reserve price plus premium, the premium would be adjusted to zero and the reserve price will float without a buffer"; thus, the risk is mainly borne by shippers. It is proposed for option b to be eliminated from the draft Network Code.</p>
<p>49. Do you have any further suggestions for calculating the fixed price premium referred to in Section 7.1 of the Supporting Document?</p>
<p>Answer: We do not have any further suggestions.</p>
<p>Chapter VIII: Incremental and New Capacity</p>
<p>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?</p>
<p>Answer: We'd like to point out the importance of fixed tariffs regarding the new and incremental capacity. When users are likely to reserve capacities on a long-term basis they need high level of transparency and ability to estimate the charges in order to make their strategy.</p>

Chapter IX: Final and Transitional Provisions
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?
Answer: We would like a capacity reset option for shippers to be included in the mitigating measures when the TAR NC comes in force, as the code's provisions may have major impact to shippers.
52. Do you agree with the inclusion of the mitigating measures as set out in Article 47.2(a) and (b)?
Answer: See our answer in Q.51 above.
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?
Answer: We 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, or even more in order to achieve the prerequisites such as the tariff year harmonization (Jan-Dec) and due to the more complicated nature of the subject code (in relation to previous ones, such as CMP for instance).
54. Do you agree with the text that ENTSOG has included in Article 49 on the timing of implementation?
Answer: Yes we agree.
Chapter X: General Issues
55. Do you agree with the structure of the initial draft TAR NC?
Answer: We agree with the structure of the initial draft TAR NC.
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)?
Answer: In general, we consider the level of detail in the initial draft TAR NC to be appropriate for this EU legislation. However, more detail should be given in the presentation of Cost Allocation Methodologies (Articles 10 to 15) as in the Framework Guidelines.
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?
Answer: The majority of the material issues are addressed sufficiently in the subject code, apart from the capacity reset option, which we'd like to be included according to our view in Q.51, above and the tariffs applied to non-transmission services (answer in Q.5 above). More specific points: Article 4.5. The purpose of establishing the use of the complementary revenue recovery charge is not clear. Is

it only used for the purposes of Article 41(4)?

Article 7.7. For the calculation of the average distance between one entry and several exit points or between one exit and several entry points approach (b) should be promoted as more cost reflective compared to a simple average (approach (a)).

Article 15. The term “homogenous set of network users” should be expanded and further justified according to footnote 32 of the Framework Guidelines.

Article 19.1.(a).(ii) For the calculation of the average distance for domestic (or cross-border) exit points an additional step after the calculation according to Article 7.7 should be described, namely capacity weighting of the “average distance between one exit and entry points” for all domestic (or cross border) exit points.

Article 29.1 The approach adopted in the draft Network Code concerning Seasonal Factors and Probability of Interruption is that they can be “calculated for each, some or all IPs”. The wording of Article 29 follows the same spirit, allowing setting the ranges individually at IPs (29.1(b)). Thus, an explicit wording should be added in order for the calculation of multipliers to follow the same approach as the calculation of Seasonal Factors and the Probability of Interruption.

58. Do you find the Supporting Document for consultation to be ‘respondent-friendly’ in terms of its readability, style, etc.? Please outline how ENTSG could improve future consultation documents.

Answer: Our opinion is that the Supporting Document is sufficiently analytical, precise and comprehensive.

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Chapter I: General Provisions	
1. Is the scope of the initial draft TAR NC as set out in Article 2 clear to you?	
Answer: Yes, however the code is missing a Contents page which would make looking up the 49 articles much easier.	
2 Do you agree with the scope of the initial draft TAR NC?	
Answer: Yes, and it is sufficiently flexible to allow for different treatment of entry/exit capacity prices at national and cross border points necessary to promote liquid and competitive markets across the EU while maintaining the principles of the FG.	
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	
Answer: Yes, however there are further refinements which would be beneficial - see Q4 and Q5 below. It would also be helpful to better define Transmission services. For example flexibility services are excluded but does this mean Compression charges which are directly linked are also? Further clarity would be welcomed.	
4. Are there any other definitions that should be included in the TAR NC?	
Answer: "there would be benefit from adding the following:	
<ul style="list-style-type: none"> • the complimentary revenue recovery charge – needs adding to clarify what it does and does not cover • Seasonal factors – needs adding and it is not clear whether it is seasonal or monthly factors? • Congestion – not clearly defined in the code but it is in CMP so worthwhile adding the definition in Art. 3 of CMP guideline • Short-haul tariff – it might be worthwhile adding this back in the code (possibly as an example of 	

dedicated service as described in the supporting document) as it is an important service promoting efficient Network development which is only explained in the supporting document."
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?
Answer: We believe transmission services definition could be further refined in the interests of being clearly and consistently applied across member states and in particular what areas can be "defined under National rules"?
Chapter II: Cost Allocation Approach
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?
Answer: No, Art.4.5 states that any capacity charges for revenue recovery do not form part of the transmission services revenue to which the cost allocation methodology applies, so it is not clear how this is allocated. It needs to be clear within the code how this is allocated or if it is at the discretion of each Member State. Also, since the 5% cap of Allowed Revenue recovery from dedicated services has been removed from the draft Network Code it may be appropriate for TSOs to publish when the 5% threshold has been exceeded.
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?
Answer: Yes
8. Are you satisfied with the two approaches for calculating distance as outlined in Article 7.6 of the initial draft TAR NC?
Answer: No, While using airline distance as an alternative is less complicated it can also be less cost reflective as gas travels through actual pipes in the ground not over the shortest geographic distance. So distances should logically be based on the network model and used where possible in the interests of cost reflectivity however we recognise how this approach could be used in simpler matrix-type cost allocation methodologies.
9. If you are not satisfied with the two approaches, could you suggest other approaches for calculating distance?
Answer: NR
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?
Answer: Yes

11. Do you agree with the inclusion of the asset allocation methodology as set out in Article 15 of the initial draft TAR NC?
Answer: Yes
12. Do you agree with the secondary adjustments as described in Articles 16 – 18 of the initial draft TAR NC?
Answer: Yes, However Art. 16.2 should come before Art. 16.1 as a description which sets the scene.
13. Is it necessary to specify further criteria other than those outlined in Article 19 of the initial draft TAR NC?
Answer: No
14. If it is necessary, could you suggest additional criteria to those outlined in Article 19 of the initial draft TAR NC?
Answer: NR
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?
Answer: Yes, However, it should be a requirement to have a consultation every 4 years at most regardless if the methodology changes or not. This would give stakeholders a chance to comment and propose any changes they deem necessary. We also believe a working tariff model should accompany the consultation so that stakeholders can use it to understand how tariffs are calculated and to remodel charges based on different assumptions themselves if necessary.
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?
Answer: No
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?
Answer: No, We believe the TAR NC should be more ambitious in its approach to harmonising tariff setting for storage facilities, and not simply adopt the considerations set out in the Framework Guideline. All of the gas that is injected into a storage facility will have already paid an entry capacity charge beforehand to enter the transmission system. Similarly, all of the gas that is withdrawn from a storage facility will ultimately pay an exit capacity when it exits the transmission system. When initially commissioned, existing storage facilities will also, typically, have helped to reduce TSOs' investments in the pipeline capacity required to match peak

<p>supply and demand. In light of the above, we believe that that the TAR NC should be flexible enough to allow for discounts that reflect the benefits they bring to the system. Our proposal for Article 23 is therefore the following text in italics: Article 23 Storage</p> <p>1. When the national regulatory authority sets or approves the transmission tariffs for storage facilities, the following amendments below (in speech marks) shall be taken into consideration: (1) the net benefits that the storage facilities may provide to the transmission system..... "ensuring no double charging where there is no additional cost place on the network"; (2) the need to promote efficient investment in the transmission system; (3) the need to minimise detrimental effects on cross-border trade;</p> <p>2. Only costs related to the integration of storages into the transmission system and the variable costs related to the transportation of gas to and from storage shall be taken into consideration. These costs shall be substantiated and made transparent by the TSO in which network the storage is located.</p> <p>3. When assessing the benefits of storages NRAs shall take into consideration reduced investments regarding peak capacity of the transmission system and import facilities and reduced OPEX. Benefits of storages shall be made transparent by the NRA at the national (and regional) level and shall be subject to consultation with stakeholders and NRAs of adjacent member states to minimize any adverse effects on cross-border flows.</p> <p>4. When setting or approving the tariff for each storage connection point the benefits described in paragraph 3 shall be subtracted from the costs described in paragraph 2. The value of this tariff cannot be negative.</p>
<p>Chapter III: Publication Requirements</p>
<p>18. Is the relationship between the regulatory period and tariff period, as defined in Article 3.7 and 3.10 clear to you?</p>
<p>Answer: Yes</p>
<p>19. Do you agree with the standardised format as set out in Article 26.1 of the initial draft TAR NC?</p>
<p>Answer: No, We believe that the tariff model and relevant data should also be published to enable market participants to determine future charges for the remainder of the regulatory period and as information becomes available the start of the next regulatory period. Market Participants will also need data and information to enable them to assess other charges that contribute to the total charges payable at a particular point. This would include dedicated services, flow based charges and likely revenue recovery charges. In addition TSOs should publish forward looking views on the likely tariffs for the rest of the regulatory period but as a minimum 3 years out.</p>
<p>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?</p>
<p>Answer: Yes</p>
<p>21. Are you concerned by the fact that tariffs are set / applied at different times of the year?</p>
<p>Answer: Yes. This creates a situation where tariffs for a particular route could continually be in a state of flux. This creates an administrative burden and adds to the complexity of assessing forward trades and route</p>

comparisons where options exist.
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?
Answer: Yes, Ideally the tariff year should be aligned and the majority of gas shippers have suggested October each year to align with the capacity year and gas supply contracts but this could be explored in more depth in the impact assessment.
23. Could you identify the benefits of the harmonisation of the tariff setting year, if any, for your business, and could you quantify them?
Answer: Apart from less complexity for operations, traders and back room staff a harmonised tariff year would also improve competition and cross border trade as charges across markets could more easily be compared by market participants.
24. Could you identify the costs of harmonisation of the tariff setting year, if any, for your business and could you quantify them?
Answer: No, It is difficult to estimate the costs however if it was harmonised to an October gas year there would be minimal costs for GB gas shippers given charges are set every October along with capacity and Industrial & Commercial supply contracts.
25. If applicable, do you think the benefits would outweigh the costs?
Answer: Yes
26. Is the issue of knowing the tariffs for the relevant gas year before the auctions start very important to you?
Answer: Yes, It is very important to know the tariffs for the relevant capacity year before the auctions start and this should include the multipliers and seasonal factors too. Participants need confidence in these charges in order to plan their auction strategy and have confidence in forward trading. We would suggest charges are published at least 60 days in advance of the auctions.
27. Are there any other issues or aspects that are more important than the issue specified in the previous question?
Answer:
Chapter IV: Reserve Prices
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?

Answer: No, We do not believe multipliers should go above 1.5x to maintain some certainty in the volatility of charges.
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 I to Regulation (EC) No 715/2009?
Answer: No, We agree with linking the multiplier ranges to the definition of congestion in 2.2.3(1) of Annex 1 to Regulation 715/2009 or defining it in Art.3 as stated in Q4 above however disagree the way it 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.
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?
Answer: No, It is important to know what charges are ex-ante to support efficient bidding strategies as it appears ENTSOG's alternative proposal outlined in the Supporting Document implies that multipliers for short-term products remain unknown until after the results of the quarterly auction.
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?
Answer: No, This could lead to escalating short term prices which may inhibit cross border trade and efficient market response to gas system flexibility requirements.
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)?
Answer: No, See answers to Q31. We believe there are means for TSOs to recover their allowed revenue other than discouraging market participants from booking short-term products.
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?
Answer: Yes, We agree with the principle set out in Article 28.5. However, we believe 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, we believe predictability and stability of charges should be the focus when setting multipliers. The final TAR NC should therefore adopt a more balanced approach.

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?
Answer: Yes
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 as set out in Article 30.1(b) of the initial draft TAR NC?
Answer: Yes
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?
Answer: No, It is important that multipliers are set once per year and published in advance of the annual capacity allocation process. Where it may be necessary to change the multipliers within year due to significant changes to the use of the transmission system in accordance with Art 31.5 this should be considered transparently through stakeholder consultation. Any revised multipliers should be notified 60 days before they take effect. We are not convinced about the use of the power term being set between 0-2 again stakeholder should be consulted about this value and it should be subject to NRA approval.
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?
Answer: No, We are fundamentally opposed to the use of ex-post discounts for interruptible capacity products. Selling a firm product with an associated risk and cost free option to buy it back at the price it was sold for does not encourage TSOs to maximise the firm capacity made available to the market via over selling as described in the CMP guidelines.
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?
Answer: Yes, This information should be published ahead of the capacity allocation process.
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?
Answer: No, We consider that non-physical backhaul capacity product should be priced reflecting the actual marginal costs that TSOs incur to provide this service (i.e. a reserve price very close to zero). Such an approach appears to be the most cost-reflective as well as the one maximising opportunities for cross-border

trade and market integration. We see this approach as 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.
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?
Answer: Yes, We believe that there needs to be a control to minimise Shipper's risks of being interrupted. For example TSOs could charge 80% of the firm price reflecting a low probability of interruption yet the Shipper may end up being interrupted for whatever reason the TSO decides, especially as conditions on the day may be different than at the time the discounts were applied. Therefore, apart from clear criteria when TSOs can and cannot interrupt (see below), 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 50% of reserve price for example. In the GB regime interruptible exit capacity called the off-peak product has a 100% discount applied and this capacity product can only be interrupted in the worst case and 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% (90%?) of peak day demand. For transparency, we would expect the TSOs to publish the likelihood of interruption day-ahead and on the day. It would also be useful to have peak day demand published on a daily basis for the gas day and the next 7 days.
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?
Answer: Yes, however it will be difficult for TSOs to accurately price in the likelihood of interruption. Therefore 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.
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?
Answer: Yes
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?
Answer: No, We believe ex-post discounts should never be applied (see Q37).
Chapter V: Revenue Reconciliation
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?
Answer: No, It is not clear how having a single regulatory account for reconciling revenues will help the objective of minimising the level of cross subsidies between domestic and cross-border points. While the draft code allows for different sub-accounts these are only for tracking and not reconciling revenues. We consider that sub-accounts should be mandatory and included in the reporting requirements. We would expect the sub accounts to separately track actual revenue vs expected revenue at domestic and interconnection points, as well as at exit and entry points to assess the degree of cross-subsidisation between these points to give confidence to market participants that this is small as is intended by the tariff code package. Further clarity on this would be welcomed and how this facilitates the Cost Allocation test in article 22 which requires any cross-subsidy to be kept within 10%.
Chapter VI: Pricing of Bundled Capacity and Capacity at Virtual Interconnection Points
45. Do you agree with ENTSOG's proposal with regard to the way in 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?
Answer: Yes
46. Do you agree with ENTSOG's proposal with regard to the way in which 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?
Answer: Yes
Chapter VII: Payable Price
47. Are the mechanisms for fixed capacity prices described clearly enough in Section 7.1 of the Supporting Document?
Answer: No, The principles are clear but some of the details are not clear such as how revenue from the premium would be kept separate from allowed revenue, and what indexation options might be allowed. We also believe that the explanation of the different mechanisms for fixed capacity prices should be embedded in the code text for clarity, not in a supporting document.
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?
Answer: Yes, The inclusion of fixed priced capacity products is welcomed in determining the payable price. It will allow more flexibility in making sure there is a level playing field between different sources of flexibility. However we believe that regulatory certainty is important and those who have already booked long-term capacity to secure their assets to support long-term Transmission investments should have a level of certainty. NRA should take this into account when agreeing to any changes to charging methodologies.
49. Do you have any further suggestions for calculating the fixed price premium referred to in Section 7.1 of the Supporting Document?

Answer: No
Chapter VIII: Incremental and New Capacity
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?
Answer: Yes
Chapter IX: Final and Transitional Provisions
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?
Answer: No, Whilst the mitigating measures described reflect the provisions of the Framework Guideline we do not think they are sufficient. Rather than introduce mitigating measures for a time period which lasts a maximum of two years after the TAR NC applies, we believe ENTSOG should consider a one-off capacity reset mechanism on entry into force of the TAR NC as requested by a number of industry associations.
52. Do you agree with the inclusion of the mitigating measures as set out in Article 47.2(a) and (b)?
Answer: Yes, We welcome the inclusion of the buffer principle however see our answers to Q51 above.
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?
Answer: Yes, 24 months extra lead time should also be considered to provide extra time for stakeholders to comply where system developments are needed. This would also be necessary if the charging year is to be from October as 18 months delay would mean an April start.
54. Do you agree with the text that ENTSOG has included in Article 49 on the timing of implementation?
Answer: Yes, We welcome the current text by ENTSOG as it gives the market sufficient time to adapt in case of late adoption of the TAR NC.
Chapter X: General Issues
55. Do you agree with the structure of the initial draft TAR NC?
Answer: Yes however it is missing a contents page listing what pages the 49 articles are on. Adding this to the final draft would be helpful.
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)?

Answer: Yes
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?
Answer: No
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.
Answer: Yes, With respect to future consultations it would be helpful if there were a facility to save a draft response and to access this locally so that draft versions may be readily shared.

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Chapter I: General Provisions	
1. Is the scope of the initial draft TAR NC as set out in Article 2 clear to you?	
Answer: Yes	
2 Do you agree with the scope of the initial draft TAR NC?	
Answer: Yes	
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	
Answer: Yes	
4. Are there any other definitions that should be included in the TAR NC?	
<p>Answer: Yes. EDF would like ENTSOG to be more specific about the definition of "congestion". The draft proposal refers to a definition of congestion based on whether one of the four set out in point 2.2.3(1) of the CMP guidelines is met. However, for more clarity and in order to avoid any future changes of the scope of the definition within the TAR NC, EDF would like ENTSOG to add the definition of "congestion" in article 3 of the TAR NC as set out in the CMP guidelines (please refer to Q29). Also, EDF believes that there would be benefit from defining the following notions:</p> <ul style="list-style-type: none"> • Dedicated service; • Lack of clarity regarding transmission services (please refer to Q5) • Complimentary revenue recovery charge; • Seasonal factors • Short-haul tariff – we believe it is worthwhile adding this back in the code (possibly as an example of dedicated service as described in the supporting document) as it is an important service which is only 	

explained in the supporting document.
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?
Answer: No. It would be beneficial to better define Transmission services – for example does it include compressors as it states flexibility services are excluded? Also, some activities “defined under the applicable national rules” can be excluded from the scope of “transmission services”. EDF believes that this leaves space to different national interpretations which could lead to an inefficient implementation of TAR NC. The current definition could indeed result in having a significant part of costs recovered through alternative charges, inconsistently applied by different TSOs. Therefore a clear definition of “transmission services” is necessary to prevent Member States from applying the costs associated with non-transmission services to the tariffs paid by network users at transmission entry and exit points. In that respect, any activity ruled out of “transmission services” or any non-transport related charges applied upon decision of the NRA (as currently applied in some Member States) should be recovered through a process guarantying the absence of cross subsidies between different sub-groups of entry/exit points. A supervisory role of ACER on these aspects could be envisaged by the NC TAR. This would ensure a full transparency over the proportion of allowed revenue which does not constitute transmission services revenue.
Chapter II: Cost Allocation Approach
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?
Answer: No. EDF notices that dedicated services which are excluded from transmission revenue can now exceed the 5% restriction included in ACER's Framework Guidelines. Although we can understand that the 5% threshold could be too restrictive in some cases, we would be concerned if the NC TAR left open the possibility for allowed revenue from excluded services to significantly exceed this threshold. Therefore that if a TSO's revenue from dedicated services exceeds 5% a clear justification should be provided and a consultation should be launched to assess of whether such dedicated services should continue to be excluded from transmission services. Furthermore, 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. Indeed, we deem this is of paramount importance for shippers when making their bidding strategies (please also refer to Q26).
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?
Answer: Yes
8. Are you satisfied with the two approaches for calculating distance as outlined in Article 7.6 of the initial draft TAR NC?
Answer: No. For sake of harmonization, the adoption of the same approach in all Member States to calculate

distance should be preferred and we rather support an approach based on the network model (i.e. path approach).
9. If you are not satisfied with the two approaches, could you suggest other approaches for calculating distance?
Answer: n/a
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?
Answer: Yes. However it could be better defined as there are many costs references to observed and total incremental costs.
11. Do you agree with the inclusion of the asset allocation methodology as set out in Article 15 of the initial draft TAR NC?
Answer: Yes.
12. Do you agree with the secondary adjustments as described in Articles 16 – 18 of the initial draft TAR NC?
Answer: Yes. For more clarity, we believe that 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.
13. Is it necessary to specify further criteria other than those outlined in Article 19 of the initial draft TAR NC?
Answer: No.
14. If it is necessary, could you suggest additional criteria to those outlined in Article 19 of the initial draft TAR NC?
Answer: n/a
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?
Answer: Yes. However EDF deems of paramount importance that all relevant parameters to tariff setting and tariff evolution (e.g. RAB, transmission services revenue, under/over recovery) should be published at regular intervals during the regulatory period (e.g. quarterly), not just at least every 4 years when the cost allocation approach is reviewed under Article 21. 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.

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?
Answer: No
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?
Answer: No. EDF considers that this initial draft strikes a right balance for the setting of storage transmission tariffs, as it recognizes the benefits that storage can bring to the system whilst leaving the regulation of entry/exit tariff flexible enough to consider specificities of various national systems. However, it should be explicit that charges should be based on an economic model that would take into account storage specificities and that this economic model applies to all storages.
Chapter III: Publication Requirements
18. Is the relationship between the regulatory period and tariff period, as defined in Article 3.7 and 3.10 clear to you?
Answer: Yes
19. Do you agree with the standardised format as set out in Article 26.1 of the initial draft TAR NC?
Answer: No. EDF agrees with the standardized format but believes that TSOs should publish working models (excel sheet) of their cost allocation approach and supporting data in such a way as to help network users to change the parameters which act as drivers of the underlying reference prices (e.g. allowed revenue, capacity and flow assumptions). We deem this model important to allow network users to make reasonable forecasts of future tariff changes. Besides, the standardised information to be published should also include all the relevant components of a TSO's price control formula which determine allowed/target revenues (e.g. RAB, WACC, escalator, depreciation period), not just the parameters of the primary cost allocation. In addition, TSOs could also regularly publish forward looking views of tariffs for the remaining regulatory period which represent their best estimate based on available data. As a minimum, these forecasts of future tariffs should be for the next 3 years at least. Among valuable information, the regulatory account could be published on a yearly basis to help network users predict tariff evolution.
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?
Answer: Yes
21. Are you concerned by the fact that tariffs are set / applied at different times of the year?

<p>Answer: Yes. EDF considers that in a common tariff period of either side on the IP would be a great improvement in the framework of bundled capacity. Indeed, different timing in tariff changes – if any – on either side of the IP is a source of complexity for shippers in order to optimize their gas transportation route.</p>
<p>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?</p>
<p>Answer: Yes. Whilst EDF recognizes there could be administrative and/or regulatory burdens associated with harmonising the tariff year across the EU, such burdens are of a one-off nature. Harmonising the tariff year is also consistent with the approach taken in the CAM NC and BAL NC.</p>
<p>23. Could you identify the benefits of the harmonisation of the tariff setting year, if any, for your business, and could you quantify them?</p>
<p>Answer: Having a standard gas tariff year across the EU would clearly help the trade of bundle products and avoid inefficient capacity misalignments. Thus we believe that this improves competition, cross border trade and market integration as charges across markets could more easily be compared by market participants. For example, starting on October 1st would be consistent with long-term capacity auctions and supply contracts which could be seen as a useful harmonization. However, ENTSG should carefully analyze the impact of such harmonization in terms of costs and evolution of IT systems for both TSOs and network users. Eventually, EDF would like to recall the critical need for shippers to have visibility and be able to predict in a reasonable manner future tariff evolution.</p>
<p>24. Could you identify the costs of harmonisation of the tariff setting year, if any, for your business and could you quantify them?</p>
<p>Answer: EDF considers that these costs are difficult to quantify at the moment. However we do forecast potential costs related to the transition for at least operational and IT issues. In this respect, the TAR NC should foresee clear rule for the management of this transition.</p>
<p>25. If applicable, do you think the benefits would outweigh the costs?</p>
<p>Answer: Yes. EDF considers that these costs are difficult to quantifying the benefits is a difficult exercise to be done right now. However, as stated in Q23, EDF considers that such an harmonization would provide greater in tariff setting at IPs which will improve the business efficiency of shippers operating in multiple EU markets and the functioning of the internal market.</p>
<p>26. Is the issue of knowing the tariffs for the relevant gas year before the auctions start very important to you?</p>
<p>Answer: Yes. EDF would like to highlight that visibility and certainty are key for network users. Therefore, EDF believes that the minimum compulsory requirement should be the publication of all prices, multipliers and seasonal factors (if any) 30 days before the first CAM auction of the year (taking place in March) in order to</p>

<p>know the tariffs in advance. EDF considers that shippers also need to know the relative prices of shorter term products that are derived from the reference price and all the other charges (complementary revenue recovery charge, non-transmission services charges, etc.) to determine their booking strategies and manage their portfolio. Besides, if this information is not available on time, shippers do not know what the overall price they are bidding for is nor are they aware of the prices of annual, quarterly, monthly, daily and within day capacity. In such condition we consider that network users can hardly profile their bookings (i.e. choosing between long term and short term capacity) in an optimized manner. We would also see a great benefit from TSO forecast of reserve prices of subsequent capacity years based on the best information available. This will help shippers in their booking strategies.</p>
<p>27. Are there any other issues or aspects that are more important than the issue specified in the previous question?</p>
<p>Answer: No. In any case, EDF believes that market participants need to know the reference price and all relevant information before the first CAM auction taking place in March as explained in Q26.</p>
<p>Chapter IV: Reserve Prices</p>
<p>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?</p>
<p>Answer: No. EDF is opposed to allowing multipliers higher than 1.5 as foreseen by Article 29.5. Please refer to Q31 for more details.</p>
<p>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 I to Regulation (EC) No 715/2009?</p>
<p>Answer: No. EDF considers that linking multipliers to congestion makes sense but believes that the definition of "congestion" should be based on whether one of the four criteria in 2.2.3(1) of Annex 1 to Regulation EC 715/2009 is met, not whether firm day-ahead UIOLI is applied. Thus, as mentioned in Q4, for more clarity and in order to avoid any future changes of the scope of the definition of "congestion" within the TAR NC, EDF would like ENTSOG to add the definition of "congestion" in article 3 of the TAR NC as set out in the CMP guidelines.</p>
<p>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?</p>
<p>Answer: No. As mentioned in Q26 and Q27, EDF has highlighted the need for visibility and predictability regarding prices. ENTSOG's alternative proposal would mean that multipliers for short term products would only be known after the results of longer term capacity auctions. Once again this lack of visibility is detrimental to shippers that need to (i) assess the costs for short term capacity when bidding and (ii) forecast the benefits of profiled bookings.</p>

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?
Answer: No. EDF supports the range of multipliers proposed by ACER in the Framework Guidelines. We believe that ACER's proposal helps finding the right balance between long-term and short-term bookings. Besides, efficient trading implies non-distorted market conditions enabling to reveal the value of short term capacity. EDF does not share ENTSOG's concern focusing on TSOs revenue shortfalls at a given IP since they could be addressed via an adjustment of the reference price. EDF considers that the flexibility provided in the Framework Guidelines will allow TSOs to prevent under-recovery on short-term products, avoiding a potential increase of the annual reference price. Therefore, the EDF Group disagrees with ENTSOG's suggestion to allow TSOs to deviate from the envisaged range of multipliers.
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)?
Answer: No, I don't agree with the suggested options - Please refer to Q31.
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?
Answer: Yes
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?
Answer: Yes. EDF agrees with the approach setting the reserve prices for quarterly, monthly and daily standard capacity depending on the exact duration of the product.
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 as set out in Article 30.1(b) of the initial draft TAR NC?
Answer: Yes
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?
Answer: No. In order to prevent any inefficiency in shippers' booking strategy, EDF believes that (i) seasonal factors should be subject to NRA approval at all times and that

(ii) (ii) the arithmetic mean of the product of the applicable multiplier and the seasonal factor shall not be less than 0.5 and no more than 1.5.

We would also like to add that seasonal factors should not be allowed to accentuate peak prices still further, especially if multipliers higher than 1.5 are allowed. In this respect, as stated in Q31, EDF recalls that multipliers should not deviate from ACER's Framework Guidelines proposal to ensure a right balance between short term and long term booking. EDF also deems important that multipliers are set once per year and published in advance of the annual capacity allocation process. Any revised multipliers should be subject to stakeholder consultation and notified 60 days before they take effect.

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?

Answer: No. EDF is strongly opposed to ex-post discount as this would result in an increase of risk for shippers without providing them with a clear and predictable price reduction. We believe that firm and interruptible capacity cannot have the price per se since they have different probabilities of interruption. Therefore a simple refund in the event of an interruption is equivalent to offset the risk on shippers without TSOs providing them a proper assessment of interruption risk. Moreover, the interaction between ex-post discounts and nascent over-subscription and buy-back (OSBB) schemes may be problematic as TSOs will have no incentive to oversell firm capacity if they can offer interruptible capacity at the same price.

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?

Answer: Yes. EDF supports all kind of information that may help shippers to have the best visibility on prices of types of products. This information should be published ahead of the capacity allocation process.

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?

Answer: No. EDF considers that non-physical backhaul capacity product should be priced reflecting the actual marginal costs that TSOs incur to provide this service. Such an approach appears to be the most cost-reflective as well as the one maximizing opportunities for cross-border trade and market integration.

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?

Answer: Yes. However there needs to be a control to minimise shipper's risks of being interrupted. 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 (see below), 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.
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?
Answer: Yes. However, it will be difficult for TSOs to accurately price in the likelihood of interruption. Therefore 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.
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?
Answer: Yes.
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?
Answer: No. Please refer to justification provided in Q37
Chapter V: Revenue Reconciliation
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?
Answer: No. EDF actually doubts that the single regulatory account facilitates the objective of minimizing cross-subsidies between domestic points and IPs. If there is under-recovery at domestic this will get picked up at IPs and vice versa because of using a single Regulatory account. Therefore TAR NC should require sub-accounts to be mandatory not only used to track and monitor under/over-recovery, but also to reconcile revenues accordingly. These sub-accounts are also a mean to provide a clear and transparent overview of how the collection of revenues works in the system among different groups of points. EDF considers that all sub-accounts need to be carefully monitored and should be as transparent as the single regulatory account. Besides, the single account and all sub-accounts need to have a similar status and thus be controllable in the same way. Eventually, EDF believes that TSOs should publish the details of all regulatory accounts (main and sub-account) on a yearly basis to help network users to better predict and understand tariff changes year on year.
Chapter VI: Pricing of Bundled Capacity and Capacity at Virtual Interconnection Points
45. Do you agree with ENTSOG's proposal with regard to the way in 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?
Answer: Yes

46. Do you agree with ENTSOG's proposal with regard to the way in which 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?
Answer: Yes
Chapter VII: Payable Price
47. Are the mechanisms for fixed capacity prices described clearly enough in Section 7.1 of the Supporting Document?
Answer: No. EDF welcomes the inclusion of a fixed price option in addition to a floating price. We believe that fixed price is way to raise interest of shippers to commit long term since it offers more stability. Besides, 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. However we think that mechanisms should be better explained with examples that may bring evidence that such mechanisms are key for users to commit in long-term capacity.
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?
Answer: Yes. EDF agrees with ENTSOG's proposal for the inclusion of different mechanisms for fixed capacity prices. EDF does understand that fixed price must not break the link between the price paid for capacity at the time of use and the cost allocation methodology. In that respect, we believe that the mechanisms proposed by ENTSOG are appropriate to ensure the consistency of the cost allocation methodology over time and thus avoid massive under/over recovery. EDF welcomes ENTSOG's proposal to use a premium as a buffer such that the reserve price "floats" inside this premium. As the reserve price floats, the premium is adjusted so that their sum remains unchanged – thus the payable price remains fixed over the duration of the capacity contract unless the floating tariff exceeds the sum of the reserve price plus the premium. This is a way to mitigate the uncertainty faced by shippers in the long-term without putting TSOs at risk regarding their revenue recovery. EDF sees 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).
49. Do you have any further suggestions for calculating the fixed price premium referred to in Section 7.1 of the Supporting Document?
Answer: EDF believes that TSOs are best place to calculate the value of this premium and that NRAs should be responsible for reviewing and approving TSOs' assumptions by following a public consultation process involving all relevant stakeholders.
Chapter VIII: Incremental and New Capacity
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?

Answer: Yes. EDF would like to recall the need to have tariff stability over time in order to raise shippers' interest for long term capacities (existing, incremental and new). We believe that including fixed tariffs strengthens the draft TAR NC consistency regarding incremental and new capacity.
Chapter IX: Final and Transitional Provisions
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?
Answer: No. EDF believes that the mitigating measures as per Article 47 are not sufficient and that ENTSOG should introduce a one-off capacity reset mechanism on entry into force of the TAR NC as requested by a number of network users.
52. Do you agree with the inclusion of the mitigating measures as set out in Article 47.2(a) and (b)?
Answer: Yes. EDF welcomes ENTSOG's proposal to consider the buffer principle also as a permanent option (please refer to Q48). In any case, this mechanism should at least be left as a mitigation measure.
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?
Answer: Yes
54. Do you agree with the text that ENTSOG has included in Article 49 on the timing of implementation?
Answer: Yes
Chapter X: General Issues
55. Do you agree with the structure of the initial draft TAR NC?
Answer: Yes
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)?
Answer: Yes
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?
Answer: Yes. EDF would like to recall the need for TSOs to publish working versions of their tariff models, including a description of how it complies with the high level descriptions contained in the TAR NC for parties to be sufficiently reassured.

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.

Answer: Yes. In case of significant price increase (above a defined threshold) following the first implementation of the TAR NC's measures, the EDF group believes, like many shippers, that the Network Code should include a one-off exit clause (or "reset option") enabling the termination of capacity contracts as mentioned in Q51. This one-off reset option could also be seen as an opportunity since it will free up more capacity thus facilitating quicker and larger capacity bundling. However, in order to avoid undesirable side effects, EDF is ready to consider the inclusion of some conditions that would rule the reset option (e.g. creating an upper limit based on the total capacity that could be surrendered), especially to reassure those who fear that such mechanism would increase the risk of revenue under recovery and tariff instability.

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Chapter I: General Provisions	
1. Is the scope of the initial draft TAR NC as set out in Article 2 clear to you?	
Answer: Yes	
2. Do you agree with the scope of the initial draft TAR NC?	
Answer: Yes. EDF Trading welcomes the fact that the sections on reserve price and payable price only applies to interconnection points (which we understand as being points under the scope of the CAM Network Code). Such a definition of the scope of the TAR NC gives member states flexibility with regard to the pricing of entry from production points, entry/exit from/to LNG terminals and exit to consumption points, which we deem necessary to maintain the competitiveness of gas with regard to other energy sources and the integrity of European gas networks.	
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	
Answer: No. The definitions are generally clear and we welcome the reduction in definitions compared to the framework guidelines. However, there is an absolute need to clarify the definition of transmission services by better specifying its perimeter and defining the activities and services that are not included in this definition (crf. Q4 and Q5).	
4. Are there any other definitions that should be included in the TAR NC?	
Answer: Yes. First, EDF Trading would like the TAR NC to specify the definition of "congestion" for the application of multipliers ranges under Article 29. Currently, the current proposal refers to the definition of congestion set out in point 2.2.3(1) of the CMP annex, which has been criticised by several stakeholders as being inappropriate in the context of CMP. To provide certainty and avoid possible changes of the CMP annex	

having repercussions on the TAR NC, we suggest that the definition of congestion be reported in the TAR NC. Second, and most importantly, EDF Trading believes that a definition of “dedicated services” specifying the elements left outside the scope of “transmission services” is necessary. Without such a definition and criteria governing the recovery of the cost related to these services, we do not see how an EU-wide TAR NC could provide any benefit to European gas markets and cross-border trade.

The current draft of the TAR NC allows TSOs and national regulators to apply the cost associated with non-transmission services to the tariffs or levies paid by network users at transmission entry and exit points. This practice consists of subsidising the costs of non-transmission activities through transmission tariffs, causing serious potential distortions to cross-border trade.

Moreover, the lack of clarity and consistency around the perimeter of transmission services and the charging of non-transmission services results in the inability to understand cost allocation methodologies and predict tariff costs. From an energy trader’s perspective, this ultimately leads to foregoing business opportunities and reducing cross-border gas trade.

Recent tariff developments in Germany and Italy are clear examples of practices that should be forbidden by the TAR NC.

In the case of Germany, the BNetzA proposes aggregating the costs of converting downstream distribution networks and household boiler stock from L-Gas to H-Gas into a single account. This would then be charged as a separate capacity based levy (MRRU) applied at transmission entry and exit capacity from 1st January 2015. Not only does this amount to a blatant cross-subsidy of costs from distribution services to transmission and storage, but it also means that Germany’s nine interconnected neighbours will contribute towards the cost of German quality conversion, because the levy is being charged at German IP exit points

In the case of Italy, with effect from 1st January 2014, the AEEG has applied a commodity charge (CVOS) to gas flows at transmission entry points (excluding storage). This is to fund under recoveries of revenue from Italian storage capacity auctions held in 2013 and 2014, and is a clear cross subsidy between the regulated storage and transmission businesses of SNAM.

Our proposal is therefore the following:

“dedicated services” means services provided by the TSOs for the purpose of specific activities other than transmission services whose location and beneficiaries can be clearly identified such as regional and local transmission activities, metering, depressurisation, ballasting, quality conversion, biogas related services, odorisation and any other dedicated infrastructure.

See our answer to Q5 for our proposal on how the TAR NC should govern these services and how their costs should be recovered.

5. Do you agree with ENTSG’s proposal for the definition of transmission services as set out in Article 3.11 of the initial draft TAR NC?

Answer: No. EDF Trading believes the definition is too open ended and gives Member States significant discretion to exclude transmission activities from the regulated revenue for transmission services, which is subjected to the cost allocation approach. In particular the reference in the definition to “excluding activities defined under applicable national rules” provides considerable scope for national interpretation.

We suggest instead that the definition makes it clear that transmission services are those which are provided on behalf of all network users of a transmission system. With the exception of balancing and shorthaul services, we do not think it is necessary to specifically refer to any other excluded services in the definition, and so we suggest the following text be used:

“transmission services” means services provided by a transmission system operator on behalf of all network users of a transmission system and indifferently of the location of the entry or exit points used by a given network user, excluding balancing and shorthaul services.

Chapter II: Cost Allocation Approach

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?

Answer: No. EDF Trading thinks there should be full transparency over the proportion of allowed or target revenue which does not constitute transmission services revenue, including how this revenue is reconciled and how the charges for dedicated services are determined.

We therefore propose to delete the provisions on non-transmission services revenue of Article 4.6 of the current draft TAR NC and replace them with the following:

Art. 4a

Composition of dedicated services revenue

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.

Moreover, Article 4.4.c should only allow for the commodity charges based on flows to be expressed in monetary terms. If they are applied in monetary terms one side of an IP and “in kind” on the other side, network users risk being exposed to small allocation mismatches and imbalances which they can do nothing about.

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?

Answer: Yes

8. Are you satisfied with the two approaches for calculating distance as outlined in Article 7.6 of the initial draft TAR NC?

Answer: No. EDF Trading sees little benefit in using airline distance, bearing in mind it is artificial and less cost reflective. Gas travels through actual pipes in the ground not over the shortest geographic distance regardless of topography, so distances should logically be based on the network model.

9. If you are not satisfied with the two approaches, could you suggest other approaches for calculating distance?
Answer: n/a
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?
Answer: Yes
11. Do you agree with the inclusion of the asset allocation methodology as set out in Article 15 of the initial draft TAR NC?
Answer: Yes. The absence of any attempt in the TAR NC to harmonise, or restrict, the cost allocation methodologies currently in use across the EU, it would seem unjustified to exclude only the asset allocation approach from the TAR NC.
12. Do you agree with the secondary adjustments as described in Articles 16 – 18 of the initial draft TAR NC?
Answer: Yes
13. Is it necessary to specify further criteria other than those outlined in Article 19 of the initial draft TAR NC?
Answer: No
14. If it is necessary, could you suggest additional criteria to those outlined in Article 19 of the initial draft TAR NC?
Answer: n/a
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?
<p>Answer: Yes. The content of Article 20 is clear. However, there is substantial room for improvement in the content of the review as well as its process.</p> <p>First, rather than simply review and justify 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. This will enable stakeholders to provide observations about the existing cost allocation approach and whether it is suitable for another four year period.</p> <p>Second, any parameters relevant to tariff setting and tariff evolution (e.g. RAB, transmission services revenue, under/over recovery) should be published at regular intervals during the regulatory period (e.g. quarterly), not just at least every 4 years when the cost allocation approach is reviewed under Article 21. If stakeholders</p>

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.

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?

Answer: No

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?

We believe the TAR NC should be more ambitious in its approach to harmonising tariff setting for storage facilities, and not simply adopt the considerations set out in the Framework Guideline. All of the gas that is injected into a storage facility will have already paid an entry capacity charge beforehand to enter the transmission system. Similarly, all of the gas that is withdrawn from a storage facility will ultimately pay an exit capacity when it exits the transmission system. When initially commissioned, existing storage facilities will also, typically, have helped to reduce TSOs' investments in the pipeline capacity required to match peak supply and demand.

In light of the above, we believe that that the TAR NC should avoid double payment of capacity charges and recognises the benefits storage has typically made towards reduced transmission system investment. This approach is more likely to result in storage facilities being treated fairly and consistently.

If NRAs can demonstrate, following public consultation, that a storage facility generates net costs to the transmission system, then appropriate entry and exit charges could be applied. However, this assumes that the cost allocation methodology is able to generate cost reflective charges, based on underlying capacity or distance drivers which the postage stamp methodology is unable to do.

Our proposal for Article 23 is therefore the following:

Article 23

Storage

1. When the national regulatory authority sets or approves the transmission tariffs for storage facilities, the following shall be taken into consideration:

(1) the net benefits that the storage facilities may provide to the transmission system;

(2) the need to promote efficient investment in the transmission system;

(3) the need to minimise detrimental effects on cross-border trade;

(4) the need to avoid double charging of gas in store.

2. Only costs related to the integration of storages into the transmission system and the variable costs related to the transportation of gas to and from storage shall be taken into consideration.

These costs shall be substantiated and made transparent by the TSO in which network the storage is located.

3. When assessing the benefits of storages NRAs shall take into consideration reduced investments regarding peak capacity of the transmission system and import facilities and reduced OPEX. Benefits of storages shall be made transparent by the NRA at the national (and regional) level and shall be subject to consultation with stakeholders and NRAs of adjacent member states to minimize any

<p><u>adverse effects on cross-border flows.</u></p> <p><u>4. When setting or approving the tariff for each storage connection point the benefits described in paragraph 3 shall be subtracted from the costs described in paragraph 2.</u></p>
<p>Chapter III: Publication Requirements</p>
<p>18. Is the relationship between the regulatory period and tariff period, as defined in Article 3.7 and 3.10 clear to you?</p>
<p>Answer: Yes</p>
<p>19. Do you agree with the standardised format as set out in Article 26.1 of the initial draft TAR NC?</p>
<p>Answer: No. EDF Trading considers crucially important that alongside information published in a standardised format, as set out in Article 26, TSOs publish a working tariff model of their cost allocation approach. This should make it clear how reference prices applicable at specific entry and exit points have been determined, and be formatted in such a way to enable network users to adjust the model's relevant parameters (e.g. allowed revenues, entry/exit split, projected capacity bookings) to forecast how reference prices may change accordingly.</p> <p>With the possible exception of the postage stamp cost allocation methodology, we do not think network users will be able to build their own tariff models to accurately replicate published TSO reference prices, based on the limited description of the methodologies described in Articles 10-15 of the TAR NC. As such, tariff setting for network users will continue to be opaque and subject to the TSO's "black box". This is totally unacceptable and contradicts the intentions expressed by ACER, in the Framework Guidelines, and the European Commission in its letter of 15th March 2013.</p> <p>We find it disappointing that ENTSOG has failed to provide any credible explanation as to why it is unable to publish such a model, despite considerable support being expressed for such an approach from a diverse range of stakeholders. Any suggestion that this might not be possible on competition grounds is, in our opinion, completely spurious. TSOs are regulated monopoly entities and network users have no scope to negotiate the charges they pay for transmission services.</p> <p>The standardised information to be published should also include all the relevant components of a TSO's price control formula which determine allowed/target revenues (e.g. RAB, WACC, escalator, depreciation period), not just the parameters of the primary cost allocation.</p> <p>TSOs should also provide accompanying information explaining their tariff changes, both in the national language and in English.</p>
<p>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?</p>
<p>Answer: Yes</p>
<p>21. Are you concerned by the fact that tariffs are set / applied at different times of the year?</p>
<p>Answer: Yes. Frequent and inconsistent timings of tariff changes undermines the efficiency of the capacity</p>

<p>booking process and distorts energy trading. Bundled capacity products exacerbate this situation if tariff periods either side of an IP differ.</p> <p>Unpredictable and disjointed changes in tariffs can easily turn profitable transactions into loss making ones, as margins may be eaten away by tariff increases after the transaction has been executed. This is why it is so important for network users to be able to obtain a reasonable degree of tariff predictability.</p>
<p>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?</p>
<p>Answer: Yes. As a minimum, EDF Trading thinks that all capacity which falls within the scope of the CAM NC should have the same tariff year. This should be consistent with the October – September yearly standard capacity product described therein. Network users would then have assurance that reference prices for capacity at all EU IPs would apply for the same period, and be set and changed at the same time.</p> <p>Multipliers and seasonal factors must also be set and apply consistently for each tariff year, and should not change throughout this period. Article 27.3 currently allows for this and so should be amended.</p>
<p>23. Could you identify the benefits of the harmonisation of the tariff setting year, if any, for your business, and could you quantify them?</p>
<p>Answer: A harmonised tariff year provides more operational consistency and greater price certainty, which enhances opportunities for cross-border arbitrage and trading. This will in turn results in more efficient cross-border gas flows and progress in market integration.</p>
<p>24. Could you identify the costs of harmonisation of the tariff setting year, if any, for your business and could you quantify them?</p>
<p>Answer: Yes. EDF Trading sees the costs of harmonisation as being associated with IT and operational changes to be carried out by shippers and TSOs. These costs are however of a one-off nature and will be concentrated in the first year following the implementation of the TAR NC. On the other hand, benefits will be continuous.</p>
<p>25. If applicable, do you think the benefits would outweigh the costs?</p>
<p>Answer: Yes. 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.</p> <p>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 CAM yearly capacity auction in March (crf. Q26).</p>
<p>26. Is the issue of knowing the tariffs for the relevant gas year before the auctions start very important to you?</p>
<p>Answer: Yes. EDF Trading considers this as an issue of primary importance and has long asked for the reserve prices, multipliers and seasonal factors of all capacity products for a given gas year to be published at least 30</p>

days prior to the CAM yearly capacity auction in March. Knowing with certainty what the reserve prices, multipliers and seasonal factors are for the gas year before the CAM NC yearly capacity auction is essential to enable shippers to develop commercial booking strategies. Providing forecasts of reserve prices for subsequent capacity years, based on the best information available to the TSO at the time, will also help shippers assess the implications of longer term capacity bookings, particularly if TSOs do not publish working tariff models of their cost allocation approaches. 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 month, 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.

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.

We see the adoption as a no-regret option that would increase transparency and visibility for shippers and establish a level playing field for all industry players.

We see no shortcomings for TSOs as they 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.

27. Are there any other issues or aspects that are more important than the issue specified in the previous question?

Answer: No

Chapter IV: Reserve Prices

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?

Answer: No. EDF Trading is strongly opposed to the idea of allowing multipliers to go above the upper limit of 1.5 as foreseen by Article 29.5.

We believe that this may make the use of short-term product uneconomical and prevent shippers from optimising their capacity bookings. This would nullify the significant efforts made over the last few years to promote a competitive internal energy market and introduce more flexible capacity allocation procedures with auction and short-term products.

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 I to Regulation (EC) No 715/2009?

Answer: No. As mentioned in Q4, EDF Trading is in favour of linking the applicable ranges of multipliers with congestion but we would prefer the TAR NC to specify the definition of congestion directly rather than

referring to the CMP annex
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?
Answer: No. EDF Trading has highlighted the need for visibility and predictability of reserve prices. Instead, ENTSOG's alternative proposal outlined in the Supporting Document implies that multipliers for short-term products remain unknown until after the results of the quarterly auction. We consider this unacceptable.
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?
Answer: No. As mentioned in our answer to Q28, EDF Trading believe that this proposal could make the use of short-term product uneconomical and therefore nullify the efforts made to promote flexible capacity allocation procedures and more competitive gas markets.
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)?
Answer: No, I don't agree with the suggested options. See our answers to Q28 and Q31. We believe there are means for TSOs to recover their allowed revenue other than discouraging market participants from booking short-term products.
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?
Answer: Yes. We agree with the principle set out in Article 28.5. However, we believe 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, we believe it should not override other policy objectives when setting multipliers. The final TAR NC should therefore adopt a more balanced approach.
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?
Answer: Yes
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 as set out in Article 30.1(b) of the initial draft TAR

NC?
Answer: Yes
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?
<p>Answer: No. EDF Trading is not in favour of elevating multipliers to a power of up to two as we believe this would excessively accentuate the difference in capacity prices through the gas year. We are of the opinion that the seasonal modulation of gas flows should be governed by market signals rather than TSO incentives. Seasonal factors, if used, should be calculated annually and not be reset mid tariff period, as currently allowed for in Article 31.5. This would undermine a shipper's booking strategy. Seasonal factors should also be subject to NRA approval at all times, which is not entirely clear from the current drafting of Article 28.3. Finally, Article 29.5 of the TAR NC states that where seasonal factors are applied, the arithmetic mean over the gas year of the product of the multiplier applicable for the respective standard capacity product and the relevant seasonal factor shall be no less than 0.5 and no more than 1.5. This reflects the wording in the Framework Guideline. However, this cannot be the case, as it effectively prevents NRAs from setting multipliers of zero, which is permissible for daily and within day standard capacity products. This inconsistency needs to be corrected, and the TAR NC should simply apply a 1.5 upper limit to the arithmetic mean of the product of seasonal factors and multipliers, removing the lower limit.</p>
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?
<p>Answer: No. We are fundamentally opposed to the use of ex-post discounts for interruptible capacity products. Regrettably, ex-post discounts are already applied in a number of EU Member States, and could become more prevalent if the indicative BEATE tariff proposals in Germany are implemented in 2015. In our opinion ex-post discounts contravene Article 14.1.b of the Gas Regulation, and it would be deeply concerning if this practice is legitimised through the TAR NC.</p> <p>Clearly, firm and interruptible capacity products have different probabilities of interruption. So pricing them the same, and simply refunding the cost of interruptible capacity in the event of an interruption, is a blatant abrogation by the TSO of its responsibility to provide a best estimate of the probability of interruption, and to discount the interruptible product accordingly. If a TSO believes the risk of interruption is low, for example because they have chosen to sell interruptible capacity when firm capacity remains available, the discount offered should be low. But an interruptible price should never be the same as the firm price, because an interruptible product can ultimately be interrupted whereas a firm product cannot (emergency procedures aside).</p> <p>Allowing TSOs to apply ex-post interruptible discounts incentivises TSOs to reduce the amount of firm capacity they make available, as it lessens their risk for the same reward. In contrast, the reward for shippers decreases, because they no longer receive an ex-ante discount when booking interruptible capacity, but they still face the same risk of having to cover a short position in the market if they are actually interrupted.</p>

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?
Answer: Yes
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?
Answer: No. EDF Trading considers that non-physical backhaul capacity product should be priced reflecting the actual marginal costs that TSOs incur to provide this service (i.e. a reserve price very close to zero). Such an approach appears to be the most cost-reflective as well as the one maximizing opportunities for cross-border trade and market integration. We see this approach as 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. The only possible exception to this principle should be 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 document.
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?
Answer: Yes
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?
Answer: Yes
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?
Answer: Yes
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?
Answer: No. EDF Trading thinks ex-post discount should never be applied (crf. Q37).
Chapter V: Revenue Reconciliation
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?

<p>Answer: No. Whilst clear, details of the amount of any under/over recovery accrued in the regulatory account should be provided regularly within year (e.g. quarterly). 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).</p> <p>Details of the sub-accounts should also be made available to NRAs and shippers on a regular basis (e.g. quarterly). This will help all parties to understand the degree of cross-subsidy that may be occurring between different classes of user as a result of having a single regulatory account.</p> <p>Finally, 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 reconciled. They should also provide full transparency over the extent of any revenue reconciliation in relation to these charges.</p>
<p>Chapter VI: Pricing of Bundled Capacity and Capacity at Virtual Interconnection Points</p>
<p>45. Do you agree with ENTSOG's proposal with regard to the way in 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?</p>
<p>Answer: Yes</p>
<p>46. Do you agree with ENTSOG's proposal with regard to the way in which 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?</p>
<p>Answer: Yes</p>
<p>Chapter VII: Payable Price</p>
<p>47. Are the mechanisms for fixed capacity prices described clearly enough in Section 7.1 of the Supporting Document?</p>
<p>Answer: No. Explanation is clear however clarity and comfort should stem out of the binding text and not from the supporting document. The TAR NC should include clear references to various payable price concepts, such as "fixed + indexation", "fixed + premium" and "floating + buffer auction premium".</p>
<p>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?</p>
<p>Answer: Yes. EDF Trading considers the inclusion of fixed capacity prices in the TAR NC as a significant improvement from the ACER Framework Guidelines.</p> <p>However, we believe that the TAR NC should include clear references to the various payable price concepts TSOs can select. We also think TSOs should adopt either a floating or a fixed payable price, not a combination of both (Article 41.2.c), which would significantly complicate back-end settlement processes.</p> <p>Moreover, 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.</p> <p>In light of the considerations above, we propose the following amendments for Article 41:</p>

<p>Article 41 Payable price at interconnection points</p> <p>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.</p> <p>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.</p> <p>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; (c) facilitate the offer of incremental and new capacity; (d) promote financial stability of transmission system operators.</p> <p><u>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.</u></p> <p>4. Where the approach referred to in paragraph 2(b) is followed, <u>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).</u></p>
<p>49. Do you have any further suggestions for calculating the fixed price premium referred to in Section 7.1 of the Supporting Document?</p>
<p>Answer: We believe TSOs are best place to calculate the value of this premium given their knowledge of current and forecasted capacity bookings and flows. NRAs should be responsible for reviewing and approving assumptions by TSOs following a public consultation process involving market participants and all relevant stakeholders.</p>
<p>Chapter VIII: Incremental and New Capacity</p>
<p>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?</p>

<p>Answer: Yes. EDF Trading would like to recall the need for tariff stability over time in order to raise shippers' interest for long term capacity (both existing and incremental or new). We believe that the introduction of fixed payable price concepts is necessary to ensure the consistency between the TAR NC and investment in incremental and new capacity.</p>
<p>Chapter IX: Final and Transitional Provisions</p>
<p>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?</p>
<p>Answer: No. Whilst the mitigating measures described reflect the provisions of the Framework Guideline we do not think they are sufficient. Rather than introduce mitigating measures for a time period which lasts a maximum of two years after the TAR NC applies, EDF Trading believes ENTSOG should introduce a one-off capacity reset mechanism on entry into force of the TAR NC as requested by a number of industry association.</p>
<p>52. Do you agree with the inclusion of the mitigating measures as set out in Article 47.2(a) and (b)?</p>
<p>Answer: Yes. We agree with the inclusion of the mitigating measures set out in Article 47.2 although we do not think they are sufficient. See our answers to Q51 and Q57 for more details.</p>
<p>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?</p>
<p>Answer: Yes</p>
<p>54. Do you agree with the text that ENTSOG has included in Article 49 on the timing of implementation?</p>
<p>Answer: Yes. We welcome the current text by ENTSOG as it gives the market sufficient time to adapt in case of late adoption of the TAR NC.</p>
<p>Chapter X: General Issues</p>
<p>55. Do you agree with the structure of the initial draft TAR NC?</p>
<p>Answer: Yes</p>
<p>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)?</p>
<p>Answer: No. We do not think the level of detail used in describing the primary cost allocation methodologies is sufficient to enable shippers to replicate the workings of a TSO's tariff model, or for NRAs, or the Commission, to confirm whether the TAR NC is being complied with. Rather than try and include the complicated formulae and data solving procedures in the TAR NC itself, if TSOs are required to publish</p>

working versions of their tariff models, including a description of how it complies with the high level descriptions contained in the TAR NC, parties would be sufficiently reassured.
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?
Answer: Yes. As mentioned in our answer to Q51 above, we are convinced that the TAR NC should include a one-off capacity reset mechanism as the sole form of mitigating measure included in the TAR NC. EDF Trading believes that some concerns with this measure expressed by stakeholders (in particular those TSOs with a high transit component) are justified but by no means impossible to address. We are ready to work with ENTSOG, ACER and all relevant industry associations to build a reset mechanism that is more balanced and proportionate, for instance limiting the number of points where this mechanism would apply, capping the total amount of capacity that can be reset or elaborating special measures to protect transit TSOs from excessive shortfalls in revenue. Unfortunately, we have not seen a collaborative attitude on the part of ENTSOG and ACER so far.
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.
Answer: Yes

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Chapter I: General Provisions	
1. Is the scope of the initial draft TAR NC as set out in Article 2 clear to you?	
Answer: Yes	
2 Do you agree with the scope of the initial draft TAR NC?	
Answer: Yes	
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	
Answer: Yes	
4. Are there any other definitions that should be included in the TAR NC?	
Answer: Yes. We believe that a clear definition of congestion able to trigger the application of multipliers ranges under Article 29 should be enclosed in Article 3.	
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?	
Answer: No. We are concerned that the current definition, with a non-exhaustive list of services that could be excluded by the application of the NC TAR, could result in having a large part of costs recovered through alternative charges, inconsistently applied by different TSOs at their discretion. Most of the services listed are in any case essential for network users and thus we would rather support a more general definition of transmission services as "services relating to transmission which a TSO provides to all of the network users connected to its transmission system, excluding balancing". With the exception of balancing, we do not deem	

necessary including a non-exhaustive list of excluded services in the definition of transmission services. Another principle that should be clarified in the NC TAR is that any activity ruled out of “transmission services” or any non-transport related charges applied upon decision of the NRA (as currently applied in some Member States, like Italy and Germany) should be recovered through a process guarantying the absence of cross subsidies between different sub-groups of entry/exit points. A supervisory role of ACER on these aspects could be envisaged by the NC TAR.
Chapter II: Cost Allocation Approach
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?
<p>Answer: No. "We would like to see more transparency on the proportion and management of allowed revenues generated by dedicated services. In particular, with reference to their reconciliation, it should be clarified in the text that:</p> <ul style="list-style-type: none"> - it should not lead to cross-subsidies between domestic and cross-border users, - any -over and -under recovery related to a dedicated service should be dealt with by means of the same charge in the following gas years. <p>Furthermore, we notice that dedicated services which are excluded from transmission revenue can now exceed the 5% restriction included in the FG. Although we can understand that the 5% threshold could be too restrictive in some cases, we would be concerned if the NC TAR left open the possibility for allowed revenue from excluded services to significantly exceed this threshold. We suggest therefore that if a TSO’s revenue from dedicated services exceeds 5% of its allowed revenue, it should justify why this is and consult on whether such dedicated services should continue to be excluded from transmission services. The same for charges applied by NRAs to recover costs non-related to transmission activities.</p> <p>Lastly, provided that separate charges for non-transmission services could remain (although they should be limited), we think that also these charges should be made public with all the reserve prices, multipliers and seasonal factors before the auction of yearly capacity held in march: indeed, they are also important aspects of the “business case” built by users when deciding their bidding strategy (see Question 26 for more details on this issue)."</p>
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?
Answer: Yes
8. Are you satisfied with the two approaches for calculating distance as outlined in Article 7.6 of the initial draft TAR NC?
Answer: No. It is unclear why multiple approaches should be possible. For sake of harmonization, the adoption of the same approach in all Member States to calculate distance should be preferred and we rather support an approach based on the network model (i.e. path approach).
9. If you are not satisfied with the two approaches, could you suggest other approaches for calculating

distance?
Answer: Please, refer to our answer to question 8.
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?
Answer: Yes
11. Do you agree with the inclusion of the asset allocation methodology as set out in Article 15 of the initial draft TAR NC?
Answer: Yes
12. Do you agree with the secondary adjustments as described in Articles 16 – 18 of the initial draft TAR NC?
Answer: Yes. "We support the possibility to apply "rescaling", but the NC TAR should specify that it is based on the following criteria: a) Multiplication by a constant should be the preferred option. Multiplying the tariffs resulting from the application of the primary cost allocation methodology would indeed allow to respect the proportion among tariffs at various points. b) If the addition of a constant is the selected option, it should be based on a degressive approach for exit points, i.e. the largest is the consumption of the point, the lowest should be the unitary cost of capacity. With regard to benchmarking, we recommend a careful and limited application, subject to consultation with stakeholders and approval of NRAs. Indeed, - we do not think that TSOs, being regulated subjects, should act according to competitive logics, - there are concerns that its consequences will be the re-distribution of revenues not recovered due to the down ward of a tariff at a certain IP on other points, with the consequent creation of cross-subsidization effects."
13. Is it necessary to specify further criteria other than those outlined in Article 19 of the initial draft TAR NC?
Answer: No
14. If it is necessary, could you suggest additional criteria to those outlined in Article 19 of the initial draft TAR NC?
Answer: NR
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?
Answer: Yes. However, the NC TAR shall make clear that all the relevant parameters of the primary cost

<p>allocation methodology should be published and update throughout the regulatory period (and not only every 4 years), in order to allow network users to understand the evolution of tariffs. Furthermore, the explanation on how investments planned by TSOs will impact the future allowed revenues is among the information that have to be provided with regularity. Only with a fully transparent approach, users will be able to achieve a sufficient level of predictability of tariffs.</p>
<p>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?</p>
<p>Answer: No</p>
<p>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?</p>
<p>Answer: No. In principle, we welcome that the text of the Draft NC recognizes the benefits that storage can bring to the system, but that at the same time leaves the regulation of entry/exit tariff flexible to consider specificities of various national systems. However, we think that the NC TAR should be flexible enough to explicitly allow for discounts for entry/exit storage tariffs, on a case-by-case national basis, taking into due consideration the benefits that these facilities bring to the system. These benefits have to be demonstrated by NRAs, following a public consultation.</p>
<p>Chapter III: Publication Requirements</p>
<p>18. Is the relationship between the regulatory period and tariff period, as defined in Article 3.7 and 3.10 clear to you?</p>
<p>Answer: Yes</p>
<p>19. Do you agree with the standardised format as set out in Article 26.1 of the initial draft TAR NC?</p>
<p>Answer: No. We think that TSOs should not only publish information as proposed, but should also make available for network users working models of the cost allocation approach, to provide shippers with a user-friendly tool to forecast the future evolution of tariffs. In addition, and on the same website, TSOs should also publish their better estimation of the evolution of tariffs for the remaining years of the regulatory period and all the elements that could make users able to replicate these projections. With reference to point 3(d) of article 26.1, we would suggest to add “in a downloadable format”.</p>
<p>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?</p>
<p>Answer: Yes</p>
<p>21. Are you concerned by the fact that tariffs are set / applied at different times of the year?</p>

Answer: Yes. Provided that the price of bundled capacity is calculated as the sum of the national tariffs at the two sides of an IP, an inconsistent tariff approach at each side of an IP could represent a problem once bundled capacity products will be the rule. In particular, if tariffs change at different times of the year network users will not be able to effectively compare which is the most cost effective route to transport gas. The same tariff year applied at all IPs is therefore a preferable option under an operational point view.
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?
Answer: Yes. The application of a common tariff year should be pursued and the choice of a year starting in October, corresponding to the most widespread gas year, seems more suitable to ensure consistency with yearly capacity products (starting in October) and their tariff. However, the NC should also foresee clear rule for the management of the transition in systems that are now adopting a tariff setting year different from the one that will be finally chosen. For instance, it should be clarified when the change of the tariff setting year can take place (preferably at the beginning of a new regulatory period).
23. Could you identify the benefits of the harmonisation of the tariff setting year, if any, for your business, and could you quantify them?
Answer: It is difficult to quantify benefits, but certainly there are advantages under an operational perspective (management of contracts, etc.) and more price certainty for users booking yearly and quarterly capacity products.
24. Could you identify the costs of harmonisation of the tariff setting year, if any, for your business and could you quantify them?
Answer: Yes. It is difficult to quantify these costs, but certainly operators active in markets where the tariff setting year will be changed (in case of harmonization) will have to bear the costs related to the transition (e.g. change of IT systems, amendment to contracts, etc).
25. If applicable, do you think the benefits would outweigh the costs?
Answer: Yes
26. Is the issue of knowing the tariffs for the relevant gas year before the auctions start very important to you?
Answer: Yes. A clear knowledge of tariffs, multipliers and seasonal factors for the relevant gas year is a key for users participating in the auction: all these elements are necessary for shippers to determine their commercial and booking strategy, to decide if adopting a more profiled or flat booking, etc. Therefore, not only it is important knowing the reference price before the yearly auction, but also the relative prices of shorter term products that are derived from the reference price and all the other charges (complementary

revenue recovery charge, non-transmission services charges, etc) that impact on portfolio management decisions.
27. Are there any other issues or aspects that are more important than the issue specified in the previous question?
Answer: No
Chapter IV: Reserve Prices
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?
Answer: No. The current Draft of the NC TAR, by allowing for exceptions to the level of multipliers set in the FGs (art. 29.5), 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.
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 I to Regulation (EC) No 715/2009?
Answer: No. We agree with linking the introduction of different ranges of multipliers to the level of congestion. In particular, we welcome the introduction by ENTSOG of a further condition to better define the circumstances where contractual congestion can be defined as such, i.e. Article 29.1(b). However, we think that the current wording of Article 29.1(a) could lead to mis-interpretation and to an unclear framework, as the Draft NC seems to refer to the application of Day-Ahead UIOLI and not simply to the fact that one of the criteria of the Annex to Regulation is met. Having some countries decided to implement the day-ahead UIOLI regardless of whether one or more of these criteria have been met, we would suggest to re-phrase in order not to refer to "a decision taken", but better to "conditions met". In any case, the inclusion of a clear definition of congestion able to trigger the application of multipliers range should also be enclosed in Article 3.
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?
Answer: No. In principle, it could be a good alternative, but it would imply that users won't have any knowledge of the short-term multipliers and seasonal factors before the short-term capacity auctions take place.
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?
Answer: No. We think that the flexibility provided in the Framework Guidelines will allow TSOs to prevent under-recovery on short-term products, avoiding a potential increase of the annual reference price.

<p>Furthermore, this measure risks to further reduce the level of tariff harmonization among the various national gas systems, which on the contrary should be the main objective pursued by the NC TAR.</p>
<p>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)?</p>
<p>Answer: See answer to question 31</p>
<p>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?</p>
<p>Answer: Yes</p>
<p>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?</p>
<p>Answer: Yes</p>
<p>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 as set out in Article 30.1(b) of the initial draft TAR NC?</p>
<p>Answer: Yes</p>
<p>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?</p>
<p>Answer: No. We think that the NC TAR should be clear on the fact that seasonal factors, like multipliers and other charges, shall be published at least one month before yearly capacity auction in March and that they should be set annually and not reset in the middle of the tariff period. Furthermore, they should be approved by NRAs.</p>
<p>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?</p>
<p>Answer: No. We disagree with the introduction of the ex-post discount option. Indeed, if it implies that the risk of interruption is zero, this capacity should be sold as firm. By simply refunding equivalent firm capacity costs in the event of an interruption, TSOs avoid having to make an objective assessment of the risk of interruption and transfer the risk on users.</p>

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?
Answer: Yes
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?
Answer: No. We prefer the approach in the FG whereby backhaul reserve prices are based on the actual (marginal) price of providing the service.
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?
Answer: Yes
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?
Answer: Yes
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?
Answer: Yes
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?
Answer: No. We do not support the introduction of an ex-post discount option.
Chapter V: Revenue Reconciliation
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?
Answer: No. Although the interaction is clear in principles, we think that the introduction of sub-accounts is crucial to provide a clear and transparent overview of how the collection of revenues work in the system and also to avoid massive cross-subsidization among different groups of points (cross-border vs domestic, IPs vs other import sources, etc). For these reasons, sub-accounts should be made mandatory in the NC TAR and should be not only used to track and monitor under/over-recovery, but also to reconcile revenues accordingly. Revenue reconciliation through different sub-accounts would allow to target the recovery of

TSOs' revenues to the points where this is generated and not to socialize it on other points that by definition do not contribute to under-recovery. 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.

Chapter VI: Pricing of Bundled Capacity and Capacity at Virtual Interconnection Points

45. Do you agree with ENTSOG's proposal with regard to the way in 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?

Answer: Yes.

46. Do you agree with ENTSOG's proposal with regard to the way in which 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?

Answer: Yes

Chapter VII: Payable Price

47. Are the mechanisms for fixed capacity prices described clearly enough in Section 7.1 of the Supporting Document?

Answer: No. We really much welcome the introduction of fixed price options in the Draft NC, but we think that mechanisms should be better explained in the NC TAR and in the Supporting Document, possibly with examples of their application, in order for readers to understand their pros and cons. This is particularly true for the option of having the various mechanism combined together. In our opinion, a further clarification and explanation on this topic of paramount importance could contribute to bring evidence also to ACER and the EC that such mechanisms are key for users to commit in long-term capacity.

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?

Answer: Yes. "The inclusion of options in the NC TAR for users to choose between a floating and a fixed price is a relevant improvement with respect to the FGs: provided that booking long-term requires financial commitment, users will only consider to purchase capacity on a long-term basis if they can build a reliable "business case" based on predictable tariffs. We support the NC TAR including different options, as all of them could have merit in different situations and we would like the NC to elaborate more in detail on the various fixed price options that are described in the Supporting Document. In particular, we welcome that ENTSOG took into consideration the possibility to use a premium as a "buffer" to absorb future fluctuations of the reference price. In our opinion this solution has the following advantages:

- it is consistent with the "floating tariff principle" set in the FGs,

<p>- it can be differently elaborated, applying it both to a normal auction premium (which is probably the best solution to allow for a fixed price in the case of incremental capacity) and to a dedicated premium, set by the TSO after NRA's approval, that the user may wish to pay to have the guarantee of a fixed price. What is important is that the NC TAR states that:</p> <ul style="list-style-type: none"> - either a floating or a fixed price approach is selected, not a combination of both, - the same "fixed price option" is applied at two sides of an IP, to ensure consistency in case of bundled products."
<p>49. Do you have any further suggestions for calculating the fixed price premium referred to in Section 7.1 of the Supporting Document?</p>
<p>Answer: We think that TSOs have all the instruments to calculate this premium on the basis of current and forecasted use of the network. The premium proposed by the TSO should be approved by NRAs, after having been consulted with stakeholders.</p>
<p>Chapter VIII: Incremental and New Capacity</p>
<p>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?</p>
<p>Answer: Yes. However, as far as incremental capacity is concerned, the possibility to have some fixed price options is of foremost importance, as users are required to commit on a long-term horizon and thus need to have certainty on the price they will pay for the duration of their commitment. It is a matter of fact that a floating tariff over a long period, without any limitation known ex ante of the value that the tariff can assume, prevents long term bookings and, consequently, discourages the investment. In our opinion, the "buffer principle" applied to the premium resulting from the auction provides a suitable answer to the context of incremental capacity, but other mechanisms such as a fixed price guaranteed by a risk premium have merit too. In terms of interaction between the NC TAR and the rules for incremental and new capacity, we would like to underline the importance to limit cross-subsidies between incremental and existing capacity, that may arise in case the reference price for incremental capacity is adjusted to have the economic test passed. In our opinion, if the reference price does not allow to pass the economic test, further adjustments should be treated very carefully and subject to assessment of NRAs, as they may have complex and negative implications on the system, by impacting on the tariffs of other entry/exit points: for example, if prices of incremental capacity are down warded to make this capacity more attractive, under-recovery will have to be recovered through an increase of tariffs on other points.</p>
<p>Chapter IX: Final and Transitional Provisions</p>
<p>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?</p>
<p>Answer: No. We do not think that the mitigating measures introduced by ENTSOG in the Draft NC TAR are sufficient to mitigate the effects that will derive from the implementation of the NC TAR. As proposed by numerous Associations, the introduction of a one-off reset option should be also further explored with stakeholders.</p>

52. Do you agree with the inclusion of the mitigating measures as set out in Article 47.2(a) and (b)?
Answer: Yes. Edison welcomes in particular the inclusion of the “buffer” principle (i.e. the premium used to absorb fluctuations of the tariff) as a mitigating measure. However, in some systems that will be highly impacted by the implementation of the NC TAR, the measures foreseen by ENTSOG in the draft NC TAR could only provide a limited mitigation. Therefore, we think that a one-off reset option of contracts at the entry into force of the NC TAR could also have merit to be further assessed and discussed to provide all network users with a level playing field that considers the relevant changes to which the overall regulatory framework has been subject in the last years.
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?
Answer: Yes
54. Do you agree with the text that ENTSOG has included in Article 49 on the timing of implementation?
Answer: Yes
Chapter X: General Issues
55. Do you agree with the structure of the initial draft TAR NC?
Answer: Yes
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)?
Answer: Yes. Nevertheless, we would underline the importance of having working versions of TSOs’ tariff models available for users.
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?
Answer: Yes. "We think that the NC TAR should elaborate more on the following subjects: - the design of the “fixed price options” in art. 41, - the inclusion of a “one-off reset option” as further mitigating measure. We are available to support ENTSOG in this work."
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.
Answer: Yes. However, some further examples (even just picking-up them from the material presented during

the SJWSs) would have proved useful for readers that did not participate in the entire process. Furthermore, as concerns the questionnaire, we would have appreciated a “yes, with refinements” option, as most of the question cannot be answered with a simple “yes” or “no”.

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Chapter I: General Provisions	
1. Is the scope of the initial draft TAR NC as set out in Article 2 clear to you?	
Answer: Yes	
2 Do you agree with the scope of the initial draft TAR NC?	
<p>Answer: No. In our point of view de Draft TAR NC is limiting the scope considered in the approved Framework Guidelines, so this should be reformulated with the aim to include all entry exit points in the same way. "These Framework Guidelines, upon which the Network Code on Tariffs will be based, apply to the transmission services offered at all entry and exit points on the gas transmission systems operated by gas Transmission System Operators (TSOs)". Concretely, we do not understand why chapters IV, reserve price, and VII, payable price, are not applied to the points under the scope of this Network Code and are limited to CAM's points.</p>	
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	
<p>Answer: No. "Regarding changes proposed by ENTSOG, in our view all definitions mentioned in the FG should maintain in the TAR NC, all that with the aim to get a better understanding of the concepts. So, we do not agree with the ENTSOG's proposal to eliminate, justifying they are explained in other chapters or "the concept" is clear. On the other hand, we would like to make the following particular comments on ENTSOG's change proposals:</p> <ul style="list-style-type: none"> • Allowed Revenue: "maximum level" and "set or approved by the NRA" should be maintained in the definition because revenues are key elements in the final output of the implementation of the NC. • Reference Price: we consider that TAR FG's definition is clearer and more complete than the proposed by ENTSOG. • Regulated price: FG's definition is more accurate because actually it is a regulated price. 	

<ul style="list-style-type: none"> • Regulatory Account: We agree with ENTSOG's proposal. • Regulatory Period: We agree with ENTSOG's proposal. • Target Revenue: We agree with ENTSOG's proposal. • Tariff Period: This concept is very relevant and has important implications. In this way, we consider that tariff period should be related to capacity booking period in order to avoid unnecessary additional uncertainty in the shippers decision process. • Transmission Tariff: We agree with ENTSOG's proposal"
4. Are there any other definitions that should be included in the TAR NC?
<p>Answer: Yes. "In EDP's view the following additional definitions should be considered in the TAR NC:</p> <ul style="list-style-type: none"> • Tariff Period: This concept is very relevant and has important implications. In this way, we consider that tariff period should be related to capacity booking period in order to avoid unnecessary additional uncertainty in the shippers decision process. • Parameters update cadence and calendar: regarding the information provided to the agents, agents should have ex ante information about the update calendar of each parameter used in the tariffs calculation. • Tariffs Forward Curve: NRA/TSOs should publish a tariffs forward curve for the regulatory period, based in estimations, and it should be updated periodically (i.e. each six month). This estimation should have official character and rigor in its calculation. • As we think that the following relevant concepts are not clear in the Draft, they should be included in between the definitions. In this way, definitions considered in the supporting document could be used. <ul style="list-style-type: none"> o "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. o Cost allocation methodology = the primary cost allocation methodology plus the application of secondary adjustments, if any.""
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?
<p>Answer: No. 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. Furthermore, regarding the "transmission services", inclusion or exclusion of a service into transmission services should be controlled by NRA.</p>
Chapter II: Cost Allocation Approach
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?
<p>Answer: No. 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. Furthermore, regarding the "transmission services", inclusion or exclusion of a service into transmission</p>

services should be controlled by NRA.
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?
<p>Answer: No.</p> <ul style="list-style-type: none"> • As we mentioned before the concepts are not clear in the Draft, they should be included in the definitions. In this way, definitions considered in the supporting document could be used. <ul style="list-style-type: none"> o “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. o Cost allocation methodology = the primary cost allocation methodology plus the application of secondary adjustments, if any.” • On the other hand, regarding article 5.3, in EDP’s view initial reference price should always be indicated with the aim to analyse the effect of secondary adjustments in the final reference prices.”
8. Are you satisfied with the two approaches for calculating distance as outlined in Article 7.6 of the initial draft TAR NC?
Answer: Yes
9. If you are not satisfied with the two approaches, could you suggest other approaches for calculating distance?
Answer: NR
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?
<p>Answer: No. On one hand, taking into account the relevance of the cost in the final reference price, in our view transmission revenues should be always approved by NRA considering efficiency criterias. Related to the above mentioned, NRA and TSO should publish every year their outlook about new investments (i.e. for a 5-10 years 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). On the other hand, regarding incremental costs, it is quite 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 as Spain. Finally, about Entry-exit split, Taking into account the possible impact that revenue split between entry-exit could have for example in cross border flows, the discretionary range should be shorter around Europe. Furthermore, shippers involvement should be ensured in order to take into account shippers comments in the final decision. So, during this time shippers should have available the proposed cost allocation methodology and all needed inputs to analyse its impact and concretely, revenue splitting criteria’s impact. All that in a user friendly manner in order to allow an adequate analysis</p>

11. Do you agree with the inclusion of the asset allocation methodology as set out in Article 15 of the initial draft TAR NC?

Answer: Yes. "In the same way that the FG de Draft TAR NC considers an explanation or description of the main issues associated to different methodologies applied around Europe. And we do not have any problem with the inclusion of a new optional methodology. But, whether the explanation could be adequate in our opinion there are many details or essential assumptions that could create important differences between the same methodology applied in different systems. In this way, more than specific details, it is essential to monitor the impact of implementing different methodologies in internal market and in adjacent systems, in issues as cross border flows, possible subsidies or European energy market creation. Together with cost reflectivity and transparency, the choice of a given methodology shall take into account efficiency of the system and incentives the use of existing infrastructures. Furthermore, shippers' involvement should be ensured in order to take into account shippers' comments in the final decision on the applied methodology. Together with the above mentioned, the following particular issues should be taken into account with the aim to avoid, among others, distortions and unnecessary uncertainties

- Contracted capacity vs. Technical capacity: Although in some cases could be the same use one of those references, in another cases, it could be source of differences, affecting to the final result of the application of the methodology. So, the decision on use contracted or technical capacity as reference should be sufficiently justified.
- Flow scenarios. Depending on the system the context could be very different, systems with a dominant or unique flow way or systems where the flow could have variations depending the different scenarios. So, the determination of this parameter should be very clear, criterias, update cadences, ..."

12. Do you agree with the secondary adjustments as described in Articles 16 – 18 of the initial draft TAR NC?

Answer: No. "Taking into account their possible impact on cross border flows, subsidies between type of flows (i.e. domestic Vs Cross border),

- Their implementation should be well justified and well known ex ante. Together with that stakeholder should be consulted on proposed mechanisms, their implementation process.... before their approval.
- Cost reflectivity should not undermine.
- Coherence between the result of these types of mechanisms and locational signal should be considered.
- Furthermore, ACER should monitor their implementation and possible effects. Regarding the benchmarking, it could be adequate to have a reference or to analyse the impact of the implementation of different mythologies, in our point of view to use this mechanism to adjust tariffs which result from the primary cost allocation methodology is quite "sensitive". Reducing tariffs for certain points, or routes, to ensure they remain competitive requires, on one hand tariffs to be increased at other points. On the other hand, implementation could also create distortions in cross border flows or potential cross subsidies between types of consumers o domestic/cross border flows. So, benchmarking should be used cautiously."

13. Is it necessary to specify further criteria other than those outlined in Article 19 of the initial draft TAR NC?

<p>Answer: Yes. Together with the criterias for the application of secondary adjustments, in our view their use should be sufficiently justified ex ante, ensuring shippers involvement in the decision process.</p>
<p>14. If it is necessary, could you suggest additional criteria to those outlined in Article 19 of the initial draft TAR NC?</p>
<p>Answer: NR</p>
<p>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?</p>
<p>Answer: No. "Regarding the four year review, since EDP consider that it could be a reasonable period for the structural parameters. But we also consider that ex ante should be clear and well known the update cadence, criteria, etc. for each parameter (structural, variable...). All that with the aim to avoid unnecessary uncertainty for the shippers that conditioned their decision. On the other hand, When different tariff methodologies may be suitable, shippers involvement should be reinforced in the process of setting the methodology. So, all different views should be considered in its approval process and not only NRA and TSO should take the decision. Together with issues considered in the Draft TAR NC, the Consultation document shall include all the information needed to reproduce the application of cost allocation approach/methodology and get the final reference price. Furthermore, information should be published in a friendly manner what allows a rapid and easy treatment of the information (i.e. excel) Some examples of additional information that in our view is needed:</p> <ul style="list-style-type: none"> • Transmission revenues, current value and estimated evolution for the next 5-10 years. • Parameters, criterias 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. <p>Finally, in order to avoid any type of distortion, ACER should also analyse periodically the impact of applying different methodologies in adjacent systems."</p>
<p>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?</p>
<p>Answer: No</p>
<p>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?</p>
<p>Answer: No. "Regarding this matter, in our view other things should be taken into account, especially possible regulatory obligations that suppose the use of storages. If the entry exit capacity on the transmission network to and from storage exist or has not any discount, it will happen that shippers who have the obligation to storage (strategic reserves ...), will pay 2 entries and 2 exists to and from the transmission network;</p> <ul style="list-style-type: none"> - Entry to the transmission network

- Exit to the storage
- Entry to the transmission network from storage
- Exit to other system, to customer...

So taking into account this, we support the idea of having a discount to other entry and exit points on the TSO."

Chapter III: Publication Requirements

18. Is the relationship between the regulatory period and tariff period, as defined in Article 3.7 and 3.10 clear to you?

Answer: No. EDP considers that together with the mentioned two issues, another third one should be taken into account, "capacity period" (Oct "n"-Sept "n+1"). Tariffs are associated to transmission cost and capacity product price at the same time. So, in an ideal situation all of them should coincide. And if that ideal situation is not possible, in our point of view is more important the relationship between tariff period and capacity period. Shippers have to take decisions about capacity bookings in march, for the annual product. So, agents should have all needed information about auctioned products at that moment of the auction (especially price for the next capacity year and a forward curve for the following years).

19. Do you agree with the standardised format as set out in Article 26.1 of the initial draft TAR NC?

Answer: No. "It is very important to have a standardised format but in our view it is not enough. Together with this, the information should be published on a friendly manner in a way that makes possible a rapid analyse or treatment of information. On the other hand, among the published information, EDP consider that the following additional information should be included:

- Identify two types of information:
 - o Information about structural and fix parameters for the regulatory period
 - o Information about parameters which are revised or updated annually or periodically.
- In both cases, criteria, hypothesis, used inputs, update cadence, source of information... used in their calculation should be specified."

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?

Answer: Yes

21. Are you concerned by the fact that tariffs are set / applied at different times of the year?

Answer: Yes. EDP sees value in having a standard gas tariff year across the EU, starting on 1 october. In our view it will allow network users to better manage and coordinate their booking of transmission capacity across the EU, and be less administratively burdensome. If this measure is establish the coherence between "tariffs year" and capacity "allocation year" (October – September) should be desirable as we mentioned before. On the other hand, it is important that each system control each deviations (costs Vs revenues) and makes its tariffs revision to adjust them avoiding a cross subsidies between periods (i.e. between years). So,

<p>same revision times could be established conditioning the current revision of each systems tariffs to the current deviation. All that based on an ex ante established rules.</p>
<p>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?</p>
<p>Answer: Yes. Please see answer to question 21</p>
<p>23. Could you identify the benefits of the harmonisation of the tariff setting year, if any, for your business, and could you quantify them?</p>
<p>Answer: Please see answer to question 21</p>
<p>24. Could you identify the costs of harmonisation of the tariff setting year, if any, for your business and could you quantify them?</p>
<p>Answer: No. In our view, harmonisation should not have any relevant costs.</p>
<p>25. If applicable, do you think the benefits would outweigh the costs?</p>
<p>Answer: NR</p>
<p>26. Is the issue of knowing the tariffs for the relevant gas year before the auctions start very important to you?</p>
<p>Answer: Yes. In our view, it is essential as we mentioned before. To book a capacity product suppose a firm compromise to pay associated fees, so if a agent do not know ex ante the fees, it could disincentive medium/long term capacity bookings. So, agents should have all needed information about auctioned products at that moment of the auction (especially price for the next capacity year and a forward curve for the following years).</p>
<p>27. Are there any other issues or aspects that are more important than the issue specified in the previous question?</p>
<p>Answer: NR</p>
<p>Chapter IV: Reserve Prices</p>
<p>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?</p>
<p>Answer: Yes. Regarding the article 29.5, in our view multipliers higher than 1.5 should be very exceptional and justified. Shippers involvement should ensure with the aim to take into account the consequences that it could have in the allocation process. We do not forget that short term capacity products are a key element</p>

for the shippers balancing management and for getting a efficient capacity allocation, avoiding over allocations.
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 I to Regulation (EC) No 715/2009?
Answer: Yes. 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.....”
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?
Answer: No. Not acceptable as wouldn’t know what the multiplier is until after the auction closes and so couldn’t develop a bidding strategy.
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?
Answer: No. Regarding the article 29.5, in our view multipliers higher than 1.5 should be very exceptional and justified.
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)?
Answer: No, I don’t agree with the suggested options. As we mentioned above, multipliers higher than 1.5 should be very exceptional and justified. Together with that, it could be necessary 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.
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?
Answer: Yes. Together with the criteria considered in the mentioned article, we proposed the following: The framework should give the adequate incentives through long/short term prices to the shippers with the aim to get an efficient capacity and avoiding over bookings. Avoiding those shippers allocated more capacity that they need in long term products, because the short term products multipliers are very high.
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?
Answer: Yes. Regarding the proposed formulas, we would like to underline the relevance of the “M” parameter because depending on its value the relationship between long and short term would be different.
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 as set out in Article 30.1(b) of the initial draft TAR NC?
Answer: No. Regarding the option mentioned in point 1.b (i), in our view it should be clarified that the price paid by shippers would be proportional to the part of the day affected, taking into account the hours since de booking is effective to the end of the gas day. So the formula would be adjusted.
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?
Answer: No. In EDP’s view the seasonal multipliers should be constant during the tariff period. As we mentioned before, shippers should have all information about capacity products offered for the next capacity year (October-September) before the annual products auction. Total amount of capacity offered for the annual capacity product and quarterly product, knowing that quarterly offer could be higher depending on the annual capacity product auction result. Price, multipliers and seasonal factors for all standard capacity product offered in the next capacity period. So, taking into account the above mentioned, we proposed the modification of the paragraph 5.
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?
Answer: No. We do not support a “pure” ex post discount because it is difficult that any shipper book the interruptible capacity without analyzing associated risk and the economic compensation, and in our view this is almost impossible with an ex post structure. So, taking into account the above mentioned and the relevant role that the interruptible capacity would have for maximising the use of the technical capacity of the facilities and the management of congestions, we proposed to eliminate this approach.
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?
Answer: No. About the timing, as we mentioned before, shippers should have all information about products offered for the next capacity year (October-September) before the annual products auctions. We support the coherence between tariff period and capacity period; they should be the same period. On the other hand, regarding the mentioned in the point 4, in EDP’s view the discounts applied to the interruptible capacity should be constant during the tariff period.

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?
Answer: Yes
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?
Answer: Yes. Regarding the proposed formula, in EDP's view it should be clarified and included more detail on parameter A, and its calculation. How do TSO or NRA estimate the economic value of the type of standard capacity product? According to the above mentioned, we do not understand how it is not articulated a shippers involvement in the definition and designed de calculation of this parameter that evaluated an economic value.
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?
Answer: No. Overly complicated and assumes TSOs can anticipate specific periods of interruption, which is unlikely to be the case.
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?
Answer: Yes
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?
Answer: No. Please see answer to question 37
Chapter V: Revenue Reconciliation
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?
Answer: No. 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 considered structures like applied in the Spanish gas system where the regulatory account should be unique for all TSOs and it would be managed by the regulator. So 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 ex ante

agents should be known how this account works with the aim to avoid unnecessary uncertainties. In this way, we think that ex ante could establish threshold related to under or over recoveries, all that in order to avoid continuous tariffs changes and to promote the stability.
Chapter VI: Pricing of Bundled Capacity and Capacity at Virtual Interconnection Points
45. Do you agree with ENTSOG's proposal with regard to the way in 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?
Answer: No. "Taking into account the pancaking problem and its effects in the cross border flows, we consider that <ul style="list-style-type: none"> • When a virtual point or bundled product is proposed, it would be completed with an analysis about the possible pancaking problem. • Together with the above mentioned, there are an optimisation in the works that TSOs have to do, and these issues should be considered when the tariff are determined, reducing applied tariffs."
46. Do you agree with ENTSOG's proposal with regard to the way in which 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?
Answer: No. Please see answer to question 45
Chapter VII: Payable Price
47. Are the mechanisms for fixed capacity prices described clearly enough in Section 7.1 of the Supporting Document?
Answer: Yes
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?
Answer: Yes. In our view, the range of fixed options should be limited to "Fixed price plus indexation". In our view, this is the unique actually fix structure and incentives the long term bookings. Furthermore, we consider that it fits better with the principle than the recovery should be based on Capacity-Charges.
49. Do you have any further suggestions for calculating the fixed price premium referred to in Section 7.1 of the Supporting Document?
Answer: Regarding this parameter, if it is finally considered in the Network Code, its use and calculation would be clearly and with enough detail with the aim to avoid any arbitrary use/calculation, causing distortions in the capacity bookings. Furthermore, its calculation and approval should be done by the regulator because TSO is an "interested agent".
Chapter VIII: Incremental and New Capacity
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?

Answer: No. General Comments: In the same way that we mentioned in our comments the following issues should be take into account:

- Deemed investment cost should be based on efficient investment cost.
- Bundled capacity: unique economic test with a single f parameter should be applied taking into account the aggregate investment costs either side of the IP. So, NRA cooperation is essential with the aim to have a successful process, although ACER 's supervision could be needed in the order to overcome any dispute that could appear.
- Transparency: At the beginning of the process, network users should have a full understanding of how the f parameter, the deemed investment cost and the monetised value of any considered externality have been calculated. So, TSO/NRA should provide all needed information in a user friendly manner, allowing an easy understanding of all considered assumptions.
- Network Users involvement: it should be ensured, before approving final process and after that, through a public consultation process. It is important to know users comments to the NRA/TSO proposal with the aim to avoid any type of distortion. Principles of setting f parameter:
 - Taking into account the relevance of this parameter in the final result and with the aim to be more clearly and comprehensively described, ACER could publish a complementary guidance on the factors which must be considered when calculating the f parameter. The guidance should also cover how the extent of any positive or negative externalities should be treated. TSOs must demonstrate they have followed such guidance when publishing details of the economic test ex-ante.

Article 43:

- Before the beginning of the process, the share of the present value ("threshold") needed to get with the aim to have a positive result in the economy test should be sufficiently and clearly detailed. Furthermore, in our view above mentioned threshold should be determined by the national regulatory authorities, ensuring a minimum level of capacity offered in the short term. In this sense, we propose that capacity would be offered in "lots", distinguishing different "lots" of capacity offers by periods.
 - 43.3. Taking into account all alternatives which could be used if an economic test is negative, in our view all TSO's proposal could be approved if TSO and NRAs want playing economic test down. So, the "scope" of this paragraph should be limited because in our view is not coherent with the application a market based approach to the Incremental and new capacity approval process.
 - In the same way, the approval process have to be clear, ex ante, considering all variants depending on the result and without letting process opened to ex post TSO or NRA decisions.

Article 45:

- TSO have to give all information related to the possible incremental or new capacity, and concretely, cost of the needed investments with the aim that NRA supervises them.
- Together with the above mentioned, shippers involvement should be ensured from the beginning because we cannot forget that finally they will decide to book or not, and how much capacity book.

Article 46:

- 46.4: The alignment between the yearly rate of depreciation for the incremental and new capacity and the economic life of the asset should be always ensured and applied from the first step."

Chapter IX: Final and Transitional Provisions

51. Do you agree with ENTSG'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?
Answer: No. Talking about mitigating measures, we do not understand how it is not ensured shippers involvement in the analyses of the effects of the implementation of the Network Code. And relevance change in access tariffs regimen could have effects in commercial and operational situation in systems as the Iberian gas system where there are many entry points. So, shippers involvement should be ensured and encourage from the first step of the analysis.
52. Do you agree with the inclusion of the mitigating measures as set out in Article 47.2(a) and (b)?
Answer: Yes
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?
Answer: Yes
54. Do you agree with the text that ENTSOG has included in Article 49 on the timing of implementation?
Answer: Yes
Chapter X: General Issues
55. Do you agree with the structure of the initial draft TAR NC?
Answer: No Comments
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)?
Answer: No. "In our view, uncertainties should be minimised so, <ul style="list-style-type: none"> • The TAR NC should get better giving more detailed information ex ante to the shippers. <ul style="list-style-type: none"> o They should be able to recalculate all tariffs. o They should have clear and detailed information about issues which affect to the access tariffs • Shippers involvement should be ensured and encouraged, in all the steps of the TAR NC implementation and also, in new/incremental capacity • ACER and involved NRAs should analyse the effects that different implementation should cause in the relationship between adjacent entry exit systems (multipliers, seasonal factors, cost allocation methodology, secondary adjustments, etc.). • In all the steps of the process NRAs and ACER supervision should be encouraged because we cannot forget that TSOs have an economic interest."
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?

Answer: Please see answer to question 56
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.
Answer: Yes

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Chapter I: General Provisions	
1. Is the scope of the initial draft TAR NC as set out in Article 2 clear to you?	
<p>Answer: No. The TAR NC should be more specific about how interconnectors should be taken into account. Simply stating that it shall have particular regard to having an effective revenue reconciliation mechanism does not give network users' sufficient clarity about the how the TAR NC will be applied in practice at these points.</p> <p>Also, the extent to which NRAs may decide to apply Chapters IV, VI and VII of the TAR NC to non-IPs should be restricted solely to instances where the CAM NC (Regulation 984/2013) itself can be applied to non-IPs, and be subject to consultation.</p>	
2. Do you agree with the scope of the initial draft TAR NC?	
Answer: Yes	
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	
<p>Answer: No. See our answer to Q5 below.</p> <p>In addition, ENTSOG has deleted the definition of "costs" that was included in the Framework Guideline as it believes the concept is clear and a definition is not deemed to be necessary. Whilst this may be so, the definition of "costs" in the Framework Guideline referred to "operational expenditure, depreciation and the cost of capital (which includes the cost of debt and the cost of equity)", and Article 2 of the Framework Guideline made it clear that network users should be "fully aware of the costs underlying the transmission services and obtain a reasonable degree of predictability". If "costs" is to be excluded as a definition, ENTSOG should ensure that all the component elements referred to in the Framework Guideline are published under Article 6.1 of the TAR NC, which is currently not the case.</p> <p>ENTSOG should also review the TAR NC to ensure that defined terms such as "allowed revenue" and</p>	

“transmission services revenue” are used consistently.
4. Are there any other definitions that should be included in the TAR NC?
Answer: Yes. See our response to Q5 below
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?
<p>Answer: No. We believe the definition is too open ended. Significant discretion to exclude transmission activities from the regulated revenue for transmission services could result in distorting variations across the EU of what is subjected to the cost allocation approach. In particular the reference in the definition to “excluding activities defined under applicable national rules” provides undue scope for national interpretation.</p> <p>We suggest instead that the definition makes it clear that transmission services are those which are provided on behalf of all network users of a transmission system. With the exception of balancing and shorthaul services, we do not think it is necessary to refer specifically to any other excluded services in the definition, and so we suggest the following text be used:</p> <p style="padding-left: 40px;"><i>“transmission services” means services related to the transmission of gas within a transmission system by a transmission system operator on behalf of all the network users of a transmission system, excluding balancing and shorthaul services.</i></p> <p>In light of recent events in Germany and Italy, we also think it is necessary for the TAR NC to prevent Member States from applying the costs associated with non-transmission services to the tariffs or levies paid by network users at transmission entry and exit points.</p> <p>In the case of Germany, the BNetzA proposes aggregating the costs of converting downstream distribution networks and household boiler stock from L-Gas to H-Gas into a single account. This would then be charged as a separate capacity-based levy (MRRU) applied to transmission entry and exit capacity from 1st January 2015. Not only does this amount to a blatant cross-subsidy of costs from distribution services to transmission and storage, it also means that Germany’s nine interconnected neighbours will contribute towards the cost of German quality conversion, because the levy is being charged at German IP exit points</p> <p>In the case of Italy, with effect from 1st January 2014, the AEEG has applied a commodity charge (CVOS) to gas flows at transmission entry points (excluding storage). This is to fund under recoveries of revenue from Italian storage capacity auctions held in 2013 and 2014, and is a clear cross subsidy between the regulated storage and transmission businesses of SNAM.</p> <p>Continuing to give national regulators freedom to subsidise the costs of non-transmission activities through transmission tariffs makes a mockery of the benefits of having an EU wide TAR NC, and constitutes a serious potential distortion to cross-border trade.</p> <p>To this extent, we think it necessary to add a definition of “dedicated services” so that provisions relating to the way they are charged can also be developed in the TAR NC (see our response to Q6 below). We suggest the following text be used:</p> <p style="padding-left: 40px;"><i>“dedicated services” means services other than transmission services, which are provided by transmission system operators in relation to activities provided on behalf of specific network users or at specific locations, such as regional and local transmission activities, metering, depressurisation, ballasting, quality conversion,</i></p>

<i>biogas related services, odourisation and services specific to any other dedicated infrastructure.</i>
Chapter II: Cost Allocation Approach
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?
<p>Answer: No. We think there should be full transparency and stakeholder consultation over the proportion of allowed or target revenue which does not constitute transmission services revenue, including how this revenue is reconciled and how the charges for dedicated services are determined. The same is true for both commodity charges driven by gas flows and complementary revenue recovery charges, if used.</p> <p>We therefore propose deleting the provisions on non-transmission services revenue in Article 4.6 and replacing them with the following new Article 4.a.</p> <p><i>Article 4.a</i> <i>Composition of dedicated services revenue</i></p> <ol style="list-style-type: none"> <i>1. A part of the allowed or target revenue of the transmission system operator which is not related to the provision of transmission services shall be referred to as dedicated services revenue.</i> <i>2. Dedicated services revenue shall be outside of the application of the cost allocation approach set out in Article 5(1).</i> <i>3. Dedicated services revenue shall be subject to NRA approval and recovered through non-discriminatory charges applied to the beneficiary of the service. Such charges shall avoid any cross-subsidies between network users, or classes of network user, and be subject to stakeholder consultation.</i> <i>4. Any over or under recovery related to a specific dedicated service shall typically be dealt with by means of the same charge in following tariff periods, except where approved otherwise by the NRA due to exceptional circumstances.</i> <p>Also, Article 4.4.c should only allow for the commodity charges based on flows to be expressed in monetary terms. If they are applied in monetary terms one side of an IP and “in kind” on the other side, network users risk being exposed to small allocation mismatches and imbalances which they can do nothing about.</p>
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?
Answer: Yes
8. Are you satisfied with the two approaches for calculating distance as outlined in Article 7.6 of the initial draft TAR NC?
<p>Answer: No. We see little benefit in using airline distance, bearing in mind it is less cost reflective. Gas travels through actual pipes in the ground not over the shortest geographic distance regardless of topography. So distances should logically be based on the physical network, or at least as represented by the model.</p>
9. If you are not satisfied with the two approaches, could you suggest other approaches for calculating distance?

Answer: See our response to Question 8 above
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?
Answer: No. The absence of any attempt in the TAR NC to harmonise, or restrict, the cost allocation methodologies currently in use across the EU, or to harmonise the approach to costs within Article 8.2 itself, makes Article 8 superfluous, and so it should be deleted.
11. Do you agree with the inclusion of the asset allocation methodology as set out in Article 15 of the initial draft TAR NC?
<p>Answer: Yes. As far as we are aware, all of the cost allocation methodologies currently in use throughout the EU have been included in the TAR NC with the exception of the asset allocation methodology, currently in use in the Czech Republic. As ACER has effectively decided not to harmonise or restrict the cost allocation methodologies that TSOs can use going forward, or conduct any meaningful analysis of the benefits that may arise from greater harmonisation, it seems unfair to exclude only the asset allocation approach from the TAR NC.</p> <p>ACER has yet to provide a detailed explanation about why it opposes this methodology. But its objections seem to be based on the fact that it supposedly provides little in the way of added value compared to the matrix approach. However, by the same token, 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.</p> <p>On the face of it the asset allocation methodology is simpler to understand and appears more obviously cost reflective 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.</p>
12. Do you agree with the secondary adjustments as described in Articles 16 – 18 of the initial draft TAR NC?
<p>Answer: No. It is not clear that the use of secondary adjustments, and the justification for their use, forms part of the consultation carried out under Article 20. Secondary adjustments are a fundamental part of the overall cost allocation approach, so must be consulted upon.</p> <p>Whilst we accept benchmarking could be an appropriate form of secondary adjustment in a limited number of situations where alternative flow routes require TSOs tariffs to remain competitive with those of others, we are concerned about the possibility of TSOs and NRAs misusing this provision. To this extent, we believe it would be a sensible precaution for the TAR NC to require all proposals from TSOs/NRAs to apply benchmarking to be referred to ACER for an opinion, and for the use of benchmarking to be reviewed annually.</p>
13. Is it necessary to specify further criteria other than those outlined in Article 19 of the initial draft TAR NC?

<p>Answer: No. That said, we fail to see any benefit in including the criteria referred to in Article 19.1(b). Also, as regards the criteria relating to rescaling (Article 16), if applied rescaling should only be on a percentage basis. This avoids the risk of undermining locational signals altogether when adjusting expected revenue to allowed transmission services revenue. Otherwise equalisation should be applied.</p>
<p>14. If it is necessary, could you suggest additional criteria to those outlined in Article 19 of the initial draft TAR NC?</p>
<p>Answer: Additional criteria are not necessary.</p>
<p>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?</p>
<p>Answer: No. In our view, there would be considerable merit in requiring the postage stamp to be used as a harmonised cost allocation methodology counterfactual throughout the EU. This would provide stakeholders with a single holistic view of how EU transmission tariffs could be determined consistently across the EU. It would also serve to demonstrate the trade-offs between cost reflectivity and simplification in Member States not using the postage stamp methodology. Finally, it would provide stakeholders with a high level comparative view of relative TSO efficiency across the EU.</p> <p>However, we do not agree that TSOs currently using the postage stamp methodology should be exempt from applying another one of the cost allocation methodologies as a counterfactual. This would highlight the benefits which may arise from using a more cost reflective methodology which generates locational signals. Bearing in mind TSOs will have simplified versions of their network models readily to hand, along with details of technical or booked capacity at each entry exit point, we do not see this being a major administrative burden, as has been claimed.</p> <p>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. This will enable stakeholders to provide observations about the existing cost allocation approach and whether it is suitable for another four year period.</p> <p>Finally, any parameters relevant to tariff setting and tariff evolution (e.g. RAB, transmission services revenue, under/over recovery) should be published at regular intervals during the regulatory period (e.g. quarterly), not just at least every 4 years when the cost allocation approach is reviewed under Article 21. 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.</p>
<p>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?</p>
<p>Answer: No. TSOs/NRAs should, however, make clear the basis on which the cost drivers for domestic and cross border network users (CDDM and CBCB) have been determined when publishing the results of the cost allocation test and justify these to stakeholders and ACER.</p>

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?

Answer: No. We believe the TAR NC should be more ambitious in its approach to harmonising tariff setting for storage facilities, and not simply adopt the considerations set out in the Framework Guideline. All of the gas that is injected into a storage facility will have already paid an entry capacity charge beforehand to enter the transmission system. Similarly, all of the gas that is withdrawn from a storage facility will ultimately pay an exit capacity when it exits the transmission system. When initially commissioned, existing storage facilities will also, typically, have helped to reduce TSOs' investments in the pipeline capacity required to match peak supply and demand, particularly in relation to the capacity at Interconnection Points.

In light of the above, we believe that that the TAR NC should, by default, exempt storage facilities from entry and exit capacity charges. This approach avoids double payment of capacity charges and recognises the benefits storage has typically made towards reduced transmission system investment.

This default approach is preferable to relying on subjective criteria which NRAs must consider when setting transmission charges for storage, and is more likely to result in storage facilities being treated fairly and consistently. If NRAs can demonstrate, following public consultation, that a storage facility generates net costs to the transmission system, then appropriate entry and/or exit charges could be applied to ensure cost reflectivity. However, this assumes that the cost allocation methodology is able to generate cost reflective charges based on underlying capacity or distance drivers, which the postage stamp methodology is unable to do.

To this extent we suggest the following revised drafting for Article 23:

Article 23

Storage

1. When the national regulatory authority sets or approves the transmission tariffs for the storage facilities, the following shall be taken into consideration:

- (a) the net benefits that the storage facilities may provide to the transmission system;*
- (b) the need to promote efficient investment in the transmission system;*
- (c) the need to minimise detrimental effects on cross-border trade;*
- (d) the need to avoid double charging of gas in store.*

2. There shall be a presumption that network users are exempt from paying entry and exit capacity tariffs at storage facilities unless the national regulatory authority is able to demonstrate, following consultation with stakeholders and neighbouring NRAs, that a storage facility generates net costs to the relevant transmission system.

3. Only costs related to the integration of storage facilities into the transmission system and the variable costs related to the transportation of gas to and from storage shall be taken into consideration by NRAs.

4. When assessing the benefits of storage facilities, NRAs shall take into consideration any reduced investment in the peak capacity of the transmission system or entry facilities as a result of storage facilities, along with any reduction in OPEX.

5. In the event the NRA is able to demonstrate that a storage facility generates net costs to the relevant transmission system, non-discriminatory tariffs may be applied at storage facilities specifically to recover this net cost. The value of these tariffs cannot be lower than zero.

Chapter III: Publication Requirements
18. Is the relationship between the regulatory period and tariff period, as defined in Article 3.7 and 3.10 clear to you?
Answer: Yes
19. Do you agree with the standardised format as set out in Article 26.1 of the initial draft TAR NC?
<p>Answer: No. It is vitally important that alongside information published in a standardised format, as set out in Article 26, TSOs publish a working tariff model of their cost allocation approach. This should make it clear how reference prices applicable at specific entry and exit points have been determined, including the assumptions that have been made about network user behaviours. It should be formatted in such a way to enable network users to replicate TSO reference prices and adjust the model's relevant parameters (e.g. allowed revenues, entry/exit split, projected capacity bookings) so as to reasonably project how reference prices may change in future. The model should integrate regulatory account under/over recovery and span 3-4 years ahead.</p> <p>With the possible exception of the postage stamp cost allocation methodology, we do not think network users will be able to build their own tariff models to accurately replicate published TSO reference prices, based on the limited description of the methodologies described in Articles 10-15 of the TAR NC. As such, tariff setting for network users will continue to be opaque and subject to the TSO's "black box". This is totally unacceptable and contradicts the intentions expressed by ACER in its Framework Guideline, and the European Commission in its letter of 15th March 2013.</p> <p>We find it disappointing that ENTSOG has failed to provide any credible explanation as to why it is unable to publish such a model, despite considerable support being expressed for such an approach from a diverse range of stakeholders. Any suggestion that this might not be possible on competition grounds is, in our opinion, completely spurious. TSOs are regulated monopoly entities and network users have no scope to negotiate the charges they pay for transmission services.</p> <p>Having full visibility of how individual entry and exit tariffs are determined, and the ability to model how tariffs evolve, will make network users more inclined to book capacity longer term, which would help TSO revenue stability.</p> <p>The standardised information to be published should also include all the relevant components of a TSO's price control formula which determine allowed/target revenues (e.g. RAB, WACC, escalator, depreciation period), not just the parameters of the primary cost allocation. The intention for such information to be published can be seen in the Framework Guideline and the European Commission's letter of 15th March 2013 and, in reality, we suspect this information is already in the public domain in most countries. Providing it in a consistent and easily accessible form therefore, both in the national language and in English, should not represent much of a challenge to TSOs. However, it would significantly help shippers to understand tariff setting and accept the fairness of charges they are forced to pay. This in turn may foster greater trust of TSOs by shippers and end users, which the current opaqueness of tariff setting does little to promote.</p> <p>TSOs should also provide accompanying information, clearly explaining the reasons and providing supporting financial information behind tariff changes, both in the national language and in English.</p>
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?
Answer: Yes
21. Are you concerned by the fact that tariffs are set / applied at different times of the year?
<p>Answer: Yes. Frequent and inconsistent timings of tariff changes undermine the efficiency of the capacity booking process and distort energy trading. Bundled capacity products exacerbate this situation if tariff periods either side of an IP differ.</p> <p>Unpredictable and disjointed changes in tariffs can easily turn profitable transactions into loss making ones, as margins may be eaten away by tariff increases after the transaction has been executed. This is the main reason why it is so important for network users to be able to obtain a reasonable degree of tariff predictability.</p>
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?
<p>Answer: Yes. Whilst we recognise there are administrative and regulatory burdens associated with harmonising the tariff year across the EU, such burdens are of a one-off nature. Harmonising the tariff year is also consistent with the approach taken in the Capacity Allocation (CAM NC) and Balancing (BAL NC) Network Codes to harmonising the capacity year and gas day, which also have administrative and operational burdens associated with them.</p> <p>As a minimum, we think that all capacity which falls within the scope of the CAM NC should have the same tariff year. This should be consistent with the October – September yearly standard capacity product described therein. Network users would then have assurance that reference prices for capacity at all EU IPs would apply for the same period, and be set and changed at the same time.</p> <p>Multipliers and seasonal factors must also be set and apply consistently for each tariff year, and should not change throughout this period. Article 27.3 currently allows for this and must be amended.</p>
23. Could you identify the benefits of the harmonisation of the tariff setting year, if any, for your business, and could you quantify them?
<p>Answer: As a trade association EFET is not able to identify, or quantify, the benefits of harmonising the tariff setting year from an individual company perspective. However, a harmonised tariff year provides more operational consistency and greater price certainty, which supports more frequent and efficient cross-border trading. Profits from arbitrage are less likely to be undermined by increases in tariffs at one side of the IP but not the other during the transaction period. We also think it would be easier to integrate markets if tariff periods and tariff setting processes are consistent throughout the EU, at least in respect of cross-border capacity.</p>
24. Could you identify the costs of harmonisation of the tariff setting year, if any, for your business and could you quantify them?

Answer: No. As a trade association EFET is not able to identify or quantify the costs of harmonising the tariff setting year from an individual company perspective. However, we expect these to be mainly procedural and/or IT related. Any costs faced by network users are likely to be one-off, whereas the benefits are continuous.

25. If applicable, do you think the benefits would outweigh the costs?

Answer: Yes. 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.

26. Is the issue of knowing the tariffs for the relevant gas year before the auctions start very important to you?

Answer: Yes. 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. Providing forecasts of reserve prices for subsequent capacity years, based on the best information available to the TSO at the time, will also help shippers assess the implications of longer term capacity bookings, particularly if TSOs do not publish working tariff models of their cost allocation approaches. 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.

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.

Adopting a harmonised October – September tariff year for all capacity that falls within the scope of CAM will, we think, make it easier for TSOs and NRAs to consistently set the reserve prices, seasonal factor and multipliers applicable throughout the first capacity year. 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.

27. Are there any other issues or aspects that are more important than the issue specified in the previous question?

Answer: No. However, we should also point out that we see a number of inconsistencies and difficulties arising from applying different notice periods based on the magnitude of the tariff changes, so adopting a harmonised 60 day notice period would seem more logical.

Chapter IV: Reserve Prices

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?
Answer: No. See our answer to Q29 below
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 I to Regulation (EC) No 715/2009?
<p>Answer: No. Whilst congestion is one possible factor to use when considering what range of multipliers should be applied, we have always said it should not be the only consideration and we agree with those who have cautioned against its mechanistic use. As has been pointed out during the network code development process, there is some doubt about whether the criteria for implementing the day-ahead UIOLI mechanism in CMP are appropriate in the context of the TAR NC. So linking the two regulations together in this way may have unforeseen consequences.</p> <p>Rather than trying to complement the definition of congestion by adding further criteria (e.g. ENTSOG's suggested < 10% technical capacity offered on a daily basis on average over the year), or redefining congestion based on capacity that has been allocated following an auction, we think it would be simpler just to remove the link between congestion and the range of allowed multipliers than can be applied.</p> <p>As such, the TAR NC would 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, subject to justification against the criteria included in Article 28.5 and following stakeholder consultation. This would allow TSOs/NRAs to take account of important factors other than congestion when setting multipliers, such as the impact on cross-border trade, price spreads, promoting flexibility, under recovery. It would also simplify the legal drafting of Articles 28 and 29 of the TAR NC.</p>
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?
<p>Answer: No. See our answer to Q29 above.</p> <p>Also, ENTSOG's alternative proposal appears to rely on an ex-post assessment of congestion after the annual yearly and quarterly CAM auctions have taken place. As such, shippers would not know what the multipliers would be prior to these auctions, and so would not know the commercial impact of booking long-term capacity as opposed to short-term capacity and the extent to which they should profile their capacity bookings.</p>
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?
<p>Answer: No. We agree with ACER that the range of multipliers allowed in the Framework Guideline strikes an appropriate balance between future short-term and long-term capacity bookings. For efficient trade without market distortions it is important that the market is able to reveal the value of short term capacity. Giving</p>

more discretion to NRAs to extend the range of multipliers on a national basis risks undermining this objective. The criteria referred to in Article 28.5 may be evaluated differently either side of the border, and applied in such a way as to distort the applicable entry and exit capacity reserve prices making up a bundled product, or any locational signals inherent in the reference prices either side of an IP, 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%. Clearly however, the extent of any actual under/over recovery will depend on actual bookings, the overall reference price, any auction premium and the relative price differentials between short term and long term capacity prices.

Whilst we recognise TSOs have legitimate concerns about the risk of under recovery, in a non-price cap regime TSOs should always be entitled to recover their allowed revenues from network users, and so ultimately they will not be financially disadvantaged. As CAM has introduced the possibility for shippers to book flexibly and CMP discourages booking or retaining capacity which is not needed, we think the TAR NC should recognise this reality.

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, we may be more sympathetic to their arguments. But until then we are not prepared to accept extending the range of multipliers based on supposition.

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)?

Answer: No, I don't agree with the suggested options. See our answer to Q31 above. Option 1, leaving it up to NRA discretion, risks introducing significantly different multipliers either side of an IP, and questions the benefit of the TAR NC saying anything about multipliers. Both Option 1 and Option 2 should be deleted. If either Option 1 or Option 2 were to remain then at the very least the NRA must also be obliged to seek the opinion of ACER before being allowed to set or approve any multiplier >1.5.

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?

Answer: No. We think NRAs should assess and justify the use of multipliers, individually at IPs or in aggregate for all IPs, against each of the following criteria:

- The extent of any congestion
- The extent of any cross subsidisation between network users
- Their impact on trade and flexibility between market areas
- The impact on under/over recovery of transmission services revenue
- The impact on the efficient use of and investment in transmission systems

In addition, in order to ensure multipliers reflect the current market conditions, we think they should be reviewed annually and consulted upon every 2 years. Multipliers should also not be adjusted mid tariff period (see our answer to Q26 above).

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?
Answer: Yes
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 as set out in Article 30.1(b) of the initial draft TAR NC?
Answer: Yes. Ideally there should be one harmonised method for calculating within day reserve prices. TSOs should strive for consistency either side of an IP. But whilst capacity continues to be allocated both on a kWh/h and kWh/d basis, it seems appropriate to retain both options.
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?
Answer: No. EFET is not generally supportive of elevating multipliers to the power of 2 as we believe this could excessively accentuate the differences in capacity prices throughout the year. However, we are prepared to accept the possibility of TSOs setting seasonal factors up to a maximum power of two on condition that NRAs are not allowed to extend the range of multipliers beyond the 1.5 maximum set out in the Framework Guidelines. In the event NRAs are given discretion to set multipliers outside of the range in the Framework Guidelines, seasonal factors should not be allowed to accentuate peak prices still further. In fact we question whether seasonal factors should be allowed at all if NRAs have discretion to set multipliers which may be significantly higher than 1.5. Seasonal factors, if used, should be calculated annually and not be reset mid tariff period, as currently allowed for in Article 31.5. This would undermine a shipper's booking strategy. Seasonal factors should also be subject to NRA approval at all times, which is not entirely clear from the current drafting of Article 28.3. Finally, Article 29.5 of the TAR NC states that where seasonal factors are applied, the arithmetic mean over the gas year of the product of the multiplier applicable for the respective standard capacity product and the relevant seasonal factor shall be no less than 0.5 and no more than 1.5. This reflects the wording in the Framework Guideline. However, this cannot be the case, as it effectively prevents NRAs from setting multipliers of zero, which is permissible for daily and within day standard capacity products. This inconsistency needs to be corrected, and the TAR NC should simply apply a 1.5 upper limit to the arithmetic mean of the product of seasonal factors and multipliers, removing the lower limit.
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?
Answer: No. We are fundamentally opposed to the use of ex-post discounts for interruptible capacity products. Regretfully, ex-post discounts are already applied in a number of EU Member States, and could

become more prevalent if the indicative BEATE tariff proposals in Germany are implemented in 2015. In our opinion ex-post discounts contravene Article 14.1.b of the Gas Regulation and the practice should be phased out. It would be deeply concerning if, instead, this unhelpful and distorting practice were to be legitimised through the TAR NC.

Clearly, firm and interruptible capacity products have different probabilities of interruption. So pricing them the same, and simply refunding the cost of interruptible capacity in the event of an interruption, is a blatant abrogation by the TSO of its responsibility to provide a best estimate of the probability of interruption, and to discount the interruptible product accordingly. If a TSO believes the risk of interruption is low, for example because they have chosen to sell interruptible capacity when firm capacity remains available, the discount offered should be low. But an interruptible price should never be the same as the firm price, because an interruptible product can ultimately be interrupted whereas a firm product cannot (emergency procedures aside).

Allowing TSOs to apply ex-post interruptible discounts incentivises TSOs to reduce the amount of firm capacity they make available, as it lessens their risk for the same reward. In contrast, the reward for shippers decreases, because they no longer receive an ex-ante discount when booking interruptible capacity, but they still face the same risk of having to cover a short position in the market if they are actually interrupted.

We are not convinced by the arguments put forward by ENTSG in its supporting document about why ex-post discounts may be “advantageous” to shippers. Firstly, the argument that an ex-post discount better takes account of the risk of being interrupted because of the first booked last interrupted rule in the CAM NC, ignores the fact that any interruptible capacity offered for longer than day-ahead has to be auctioned. So if two shippers both acquire interruptible capacity in the same a quarterly auction, their probabilities of interruption (or rather the order in which they will be interrupted) will be the same, regardless of whether an ex-post or ex-ante discount is applied. Similarly their probability of interruption will be less than that of a shipper who books capacity in a monthly auction, irrespective of the discounting method.

Nor do we accept that ex-post discounts are any more likely to maintain the current offer of different interruptible products where there is no congestion, and we 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.

The supporting document also provides an example (page 68) which takes into account the short-term UIOLI provisions in CMP. Setting aside for one moment our opposition to the use of short-term UIOLI, it fails to mention the fact that ex-post discounts effectively undermine the OSBB provisions in CMP, as TSOs will have no incentive to oversell firm capacity if they can offer interruptible capacity at the same price. We also struggle to follow the logic in the example. If firm capacity is still available after Slot 1, shippers are more likely to book it within day if they need it than buy interruptible capacity day-ahead at the same price as firm capacity. Also if shippers expect an auction premium in Slot 1, or one has occurred, their expectations about the probability of interruption is likely to be higher. So they will be less prepared to buy interruptible capacity at the same price as firm in such circumstances.

If ex-post discounts were to be included in the TAR NC we would expect that in a very short time all TSOs will offer interruptible capacity solely on this basis. This is a commercially logical step for regulated monopoly businesses to take. If a TSOs’ allowed revenues are fixed but at the same time they are provided with an opportunity to reduce their risk of not being able to meet their capacity obligations, why wouldn’t they jump at such an opportunity?

As regards ex-ante discounts, under the CAM NC interruptible capacity only has to be offered on a daily basis

when firm capacity has been sold out day-ahead. TSOs are not required to offer interruptible capacity day-ahead if firm capacity is still available at that point, as firm capacity can continue to be sold within day. So logically, if interruptible capacity is offered day-ahead it should be because firm capacity has been sold out, in which case we think the default reserve price should be zero. 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.

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.

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?

Answer: No. 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. This will allow network users to make their own assessment of interruption based on their perceived likelihood of such circumstances occurring.

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?

Answer: No. We do not agree that interruptible capacity which is derived from non-physical back haul should be subject to ex-post discounts for the same reasons explained in our answer to Q37.

There may be merit in harmonising the principle of setting reserve prices for all interruptible products consistently at both bi-directional and uni-directional IPs. In which case, these should be calculated using the same ex-ante discount methodology and the same zero default reserve price for day-ahead interruptible capacity (to reduce the likelihood of flows against price direction).

However, 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. With this in mind applying the marginal cost methodology in the Framework Guideline may be more appropriate.

A possible exception to adopting a zero default reserve price or marginal cost approach for day-ahead interruptible backhaul capacity is 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 document.

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?

Answer: Yes. As stated in our answer to Q37, we think that any interruptible capacity offered at the day-ahead stage should always have a zero default reserve price. However, for any interruptible capacity offered

<p>for a longer periods 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.</p>
<p>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?</p>
<p>Answer: No. The probability of interruption formula seems overly complicated. We doubt 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. 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.</p>
<p>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?</p>
<p>Answer: Yes</p>
<p>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?</p>
<p>Answer: No. See our answer to Q37 above</p>
<p>Chapter V: Revenue Reconciliation</p>
<p>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?</p>
<p>Answer: Yes. Whilst clear, details of the amount of any under/over recovery accrued in the regulatory account should be provided regularly within year (e.g. quarterly). 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). Details of the sub-accounts should also be made available to NRAs and to shippers on a regular basis. This will help all parties to understand the degree of cross-subsidy that may be occurring between different classes of user as a result of having a single regulatory account. Finally, 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.</p>
<p>Chapter VI: Pricing of Bundled Capacity and Capacity at Virtual Interconnection Points</p>
<p>45. Do you agree with ENTSOG's proposal with regard to the way in 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?</p>

Answer: Yes. However, basing the attribution of revenue or auction premiums resulting from bundled capacity on the reserve price could lead to TSOs getting disproportionate shares, as the reserve price incorporates any multipliers and seasonal factors. ENTSOG should consider whether the reference price would be a more appropriate basis for attribution.
46. Do you agree with ENTSOG's proposal with regard to the way in which 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?
<p>Answer: Yes. Our preference would be for the payable price for bundled capacity products at IPs to be set on a fixed price basis, but giving TSOs the option to offer fixed prices as an alternative to purely floating prices is welcome. However, we do not fully understand or agree with all of the options listed in Article 41.2 and described in the supporting document.</p> <p>We are not sure exactly what ENTSOG envisage in Article 41.2.c, where the payable price is a combination of fixed and floating prices. If this means that TSOs can include the option to fix a floating payable price subject to a risk premium this would be acceptable, and we might support this being a mandatory requirement. However, as a number of the fixed price options described in the supporting document involve elements of the price which float (due to indexation, after a period of time or subject to a variable charge), the TAR NC needs to be clearer about how fixed and floating reserve prices could be offered in combination.</p> <p>We do not agree with the second variation of the fixed price + premium option described on page 74 of the supporting document. Whilst the fixed premium acts as a buffer such that the reserve price floats inside this fixed premium, the floating price could break out of the buffer. In which case you are back to a floating price and so the option doesn't offer sufficient price certainty. It may however, be appropriate to apply this option if the buffer used was any auction premium arising from capacity congestion.</p> <p>Finally, we have concerns about including the option of a fixed price with an additional variable charge (Article 41.2.d) at IPs where commodity charges are used as the basis of managing any under recovery in capacity bookings, through a complementary revenue recovery charge. Commodity charges at IPs represent a barrier to efficient cross-border trade and the Framework Guideline specifically limits commodity based complementary revenue recovery charges to points other than IPs.</p>
Chapter VII: Payable Price
47. Are the mechanisms for fixed capacity prices described clearly enough in Section 7.1 of the Supporting Document?
Answer: Yes. Whilst the explanation is clear, clarity and comfort should stem from the binding TAR NC text and not the supporting document. The issue of whether to offer available bundled capacity on a fixed price basis also needs to be considered in context of any existing floating price long-term capacity contracts and the need to prevent undue discrimination.
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?
Answer: No

49. Do you have any further suggestions for calculating the fixed price premium referred to in Section 7.1 of the Supporting Document?
Answer: No
Chapter VIII: Incremental and New Capacity
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?
<p>Answer: No. As we have already stated, our preference is for the payable price for bundled capacity products at IPs to be set on a fixed price basis, but giving TSOs the option to offer fixed prices as an alternative to purely floating prices is welcome. However, as regards new and incremental capacity, a harmonised fixed tariff approach should be mandatory so as to encourage longer term commitments by network users (see our response to Q31 of the ENTSOG consultation on INC Proposal).</p> <p>Also, based on the current drafting of Article 27 of the TAR NC, shippers will not know the applicable prices for capacity in any annual auctions for new and incremental capacity until after the auction has taken place. This makes it highly unlikely that shippers will be able to make informed decisions about how much capacity to bid for, and thereby will undermine the functioning of the economic test. Whilst Article 46 of the draft TAR NC attempts to remedy this defect by requiring publication of prices for capacity based on “relevant assumptions” it is highly questionable how reliable such published prices will be, as they rely on assumptions about capacity bookings and systems usage several years into the future.</p>
Chapter IX: Final and Transitional Provisions
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?
<p>Answer: No. Whilst the mitigating measures described could be said to reflect the provisions of the Framework Guideline we do not think they are sufficient. They do not adequately address the significant changes in the gas market since the introduction of the 3rd package or the risks faced by shippers resulting from implementation of the TAR NC.</p> <p>Rather than introduce mitigating measures for a time period which lasts a maximum of two years after the TAR NC applies (which could simply defer payment if the mitigating measures are generating under-recovery to year +3) we, along with a number of other associations, are convinced ENTSOG needs to be more ambitious and introduce a one-off Capacity Reset Mechanism on entry into force of the TAR NC. In our view a well-designed Capacity Reset Mechanism, implemented in advance of the first tariff changes, could resolve the need for other mitigating measures to be included in the TAR NC, at least at Interconnection Points. This would help to minimise the need for ongoing mitigation against material tariff variations as a consequence of new market rules brought about through the CAM NC, the TAR NC and CMP.</p>
52. Do you agree with the inclusion of the mitigating measures as set out in Article 47.2(a) and (b)?
Answer: No. See our answers to Q51 above and Q57 below.

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?
Answer: No. A minimum implementation period of 24 months would allow more time for NRAs and TSOs to take the steps necessary to bring forward their tariff setting processes to accommodate a harmonised Oct-Sep tariff period for IPs (see our answer to Q26 above). We also note that 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.
54. Do you agree with the text that ENTSOG has included in Article 49 on the timing of implementation?
Answer: No. See our answer to Q53 above
Chapter X: General Issues
55. Do you agree with the structure of the initial draft TAR NC?
Answer: Yes
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)?
Answer: No. We do not think the level of detail used in describing the primary cost allocation methodologies is sufficient to enable shippers to replicate the workings of a TSO's tariff model, or for NRAs, or the Commission, to confirm whether the TAR NC is being complied with. Rather than try and include the complicated formulae and data solving procedures in the TAR NC itself, if TSOs are required to publish working versions of their tariff models, including a description of how it complies with the high level descriptions contained in the TAR NC, parties would be sufficiently reassured. If shippers had access to a TSO's working tariff model they would be able to raise any concerns they may have about its compliance with the descriptions in the TAR NC with the NRA, rather than being left completely in the dark unable to establish whether the tariffs that are published are valid or not.
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?
Answer: Yes. As mentioned in our answer to Q51 above, we are convinced that the TAR NC should include a one-off capacity reset mechanism as the sole form of mitigating measure included in the TAR NC. We set out below in more detail why we think it is needed, what its benefits are and why some of the concerns that have been expressed by stakeholders about a reset mechanism may be overstated. <u>Why is it needed?</u> The EU gas market has changed significantly since the 3rd package, but large numbers of long-term and medium-term capacity and commodity contracts pre-date this. Network Codes intended to advance the

single EU market for gas have been introduced, but risk being undermined by existing capacity contracts which are no longer fit for purpose.

The CAM NC reflects the new world of flexible capacity booking at IPs, but shippers with existing capacity commitments cannot take full advantage of profiled booking. Short term multipliers under the TAR NC could compound this disadvantage, because the TAR NC smears any under recovery back to existing IP capacity holders.

CMP is aimed at ridding Europe of contractual congestion and capacity hoarding. Through short-term and long-term UIOLI measures, it seeks to restrict the use of existing capacity to what has initially been nominated, and to withdraw capacity which is systematically under used. Existing capacity holders are therefore disproportionately affected compared to users who are able to profile their capacity bookings, and surrender only helps if there is congestion.

The TAR NC is expected to apply to tariffs in existing contracts as well as future contracts. As such, it could substantially increase the reference price on which tariffs are based if there are substantial changes to the tariff regime (e.g. through a change in cost allocation methodology, entry/exit split or introduction of a virtual interconnection point). Changes of such magnitude were probably not expected or predictable when the contracts initially entered into force and a previous tariff regime applied. Substantial changes in the tariffs of existing contracts, or perceived discrimination as a result of implementing the TAR NC, may well result in aggrieved capacity holders taking legal action against TSOs, thereby complicating and delaying the TAR NC implementation process. Such legal action is likely to have different results in different Member States, which would further fragment and distort the EU market unless there were an EU-wide capacity reset mechanism.

What are the benefits of the reset mechanism?

The reset mechanism will free up more capacity, both short term and long term, for use by the market and will substantially relieve contractual congestion in the EU. This will facilitate quicker and larger levels of capacity bundling. It could also facilitate creation of virtual interconnection points and/or market integration, as how to deal with existing capacity contracts in the context of VIPs or market integration is often a major sticking point.

The reset mechanism will create a level playing field ensuring all users are able to utilise short term capacity thereby ensuring capacity prices are properly reflected in hub prices.

Addressing the concerns raised by stakeholders

- *The reset mechanism is a 'free option' which shippers will exercise or not depending on whether it is commercially beneficial*

The reset mechanism could potentially be designed in such a way that shippers would not know what the actual tariff changes from implementing the TAR NC would be before being required to indicate the capacity they wish to reset. Alternatively, assuming there is a net economic adverse change caused by the implementation of the TAR NC, existing contracts could sustain modification by way of adjustment to the booking quantities or price, so a network user is neither better nor worse off. Offering network users the same fixed price options for existing capacity as apply to available capacity should also be considered. However, to the extent the network user can demonstrate that the booking quantities or price cannot be adjusted (due to justifiable reasons), it should then have recourse to the reset mechanism. Whatever capacity the shipper retains becomes subject to the TAR NC along with any future capacity they book, so following the reset all capacity is priced the same.

- *Termination of capacity contracts relates to contract law in Member States (ACER)*

EFET has commissioned a legal opinion on the relevance and application of a reset mechanism throughout the EU. Amongst its conclusions are:

- there are no legal barriers to the inclusion of a reset mechanism in EU legislation although an enforced reset of all capacity is unlikely to be compatible with EU law or as a general measure will be difficult to justify;
- the history of development of the EU energy law indicates that, where there were significant changes to the EU legal framework that materially affect existing contracts, there has been the practice of addressing impacts of such changes;
- in certain cases a tariff increase resulting from the NC-TAR can conflict with the EU general legal principles of proportionality and legal certainty;
- there appear to be a sufficient number of EU jurisdictions which recognise remedies in the case of a tariff increase to derive a general principle and practice in the Community;
- when assessing the principles of legitimate expectation and proportionality, it is quite conceivable that in an individual case, the severity of a tariff increase, perhaps seen in conjunction with other measures introduced by the Gas Regulations and notably NC-CAM (which may have negatively affected the usability and therefore the economic value of the contracted transportation capacity) could tip the balance;
- the 2 year delayed implementation derogation currently provided for under Article 47 1(b) NC-TAR for tariff increases exceeding 20% appears more restrictive than derogation or transition regimes elsewhere in the energy market.

- *A reset mechanism increases the risk of revenue under recovery and tariff instability*

If the amount of reset capacity is known after the TAR NC takes effect but before it applies, TSOs will have time to adapt, and potentially smooth tariff increases resulting from reset, thereby preventing instability. Under recovery might be a problem initially. But reset will not fundamentally change flow patterns or gas demand. So TSOs can still recover their allowed revenues from capacity they expect to be used, in combination with multipliers and seasonal factors. At the end of the day, TSOs will still be able to recover their allowed revenues and the community of network users will collectively pay the same amount.

EFET members recognise and accept the potential consequences arising from reset. But without a reset mechanism tariff instability is likely to persist for many years as existing long-term contracts run their course and whilst the problem of asset stranding caused by modified and increasingly volatile cross-border flow patterns persists.

In our opinion it is better to draw a line under these issues now and face the consequences head-on, rather than let them drag on impeding competition and the implementation of a single EU market for gas.

- *A reset mechanism will cause cross-subsidies between classes of users*

Cross-subsidisation between classes of network user, for example between network users who are principally reliant on entry or exit capacity, is just one of the sometimes conflicting objectives which tariffs are meant to fulfil. Cross-subsidy between the same class of network user, for example between new and existing holders of IP capacity, also needs to be taken account of. Avoiding discrimination and promoting competition are equally, or more, important in our opinion.

The reset mechanism will ultimately improve the functioning and efficiency of EU gas markets. This will create more competition and liquidity which benefits all stakeholders.

- *A reset mechanism could adversely impact future investments along with the structure and application of rules for new and incremental capacity*

The reset mechanism is a one-off and it is not unusual for new legislative measures to include arrangements to protect existing contracts from discrimination and retroactive effect. Incremental, new and past investment ultimately feeds into a TSO's RAB, which determines allowed revenue irrespective of the level of

capacity bookings.

Incremental and new capacity will be allocated in accordance with the CAM NC amendment and participating shippers can take account of the potential impact of the TAR NC in any future commitments for this capacity. In future incremental and new capacity will be expected to pass an economic test, in which a proportion of a TSO's investment costs are expected to be underpinned by shipper commitments. If shippers fail to meet this commitment, the investment will not go ahead. But once the test is passed the cost of the investment will feed into the TSO's RAB and be fully funded going forward, even if the shipper making the initial commitment defaults on its capacity commitments or goes bankrupt.

- *A reset mechanism poses a risk for TSOs financing their investment and could adversely impact their market value*

TSOs are monopolies whose revenues are typically guaranteed through complex regulatory price control regimes. Their ability to finance investment and their market value is ultimately driven by investors' perceptions of the reasonableness of these price control regimes and the quality of a TSO's management, not on future capacity bookings.

- *Issues concerning capacity contracting more appropriately reside in the CAM NC*

The reset mechanism could be incorporated into the current CAM NC amendment being drafted in relation to new and incremental capacity if this is considered a more suitable legislative arrangement.

- *The reset mechanism will disproportionately impact transit countries*

EFET recognises that a reset mechanism may pose greater risks for transit countries because of the relatively small indigenous off-take relative to their overall flows. However, rather than simply "burying our heads in the sand" and allowing the problem of stranded assets to overhang and distort the internal energy market for many years to come, we believe action needs to be taken now to address this issue.

Concerns over the impact on transit countries should not be seen as a barrier, in principle, to the introduction of a reset mechanism, as specific measures could be considered to restrict how the mechanism could be applied in transit countries. However, the ultimate solution to addressing the problems caused by stranded assets in the internal energy market, particularly in transit countries, is likely to require some form of fundamental re-appraisal of the existing balance between entry and exit charges and the introduction of a tariff "solidarity mechanism" across the EU, which are beyond the current scope of the TAR NC.

- *The reset mechanism is not a balanced or proportionate measure*

EFET is prepared to work with ENTSOG and/or ACER to consider ways of making the reset mechanism more balanced or proportionate and to develop a more complete solution to dealing with the problems caused by stranded assets. However, until there is acceptance, in principle, that a reset mechanism may be necessary, it is hard to think this will be time well spent.

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.

Answer: Yes. The supporting document has been helpful in understanding ENTSOG's arguments.

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Chapter I: General Provisions	
1. Is the scope of the initial draft TAR NC as set out in Article 2 clear to you?	
Answer: NR	
2 Do you agree with the scope of the initial draft TAR NC?	
Answer: NR	
3. Do you agree with ENTSG's proposal for amendments to the definitions foreseen by the TAR FG, as set out in Article 3 of the initial draft TAR NC	
Answer: NR	
4. Are there any other definitions that should be included in the TAR NC?	
Answer: NR	
5. Do you agree with ENTSG's proposal for the definition of transmission services as set out in Article 3.11 of the initial draft TAR NC?	
Answer: No. The new definition does not limit to a closed list, as in ACER Framework Guidelines, the services subject to national regulation. We believe that the ENTSG's proposal could potentially create a by-pass mechanism, leaving to the NRA regulation the possibility of including or not further services related to transport. As result it could neutralize efforts towards harmonisation and transparency as promoted in the Framework Guidelines.	
Chapter II: Cost Allocation Approach	

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?
Answer: NR
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?
Answer: NR
8. Are you satisfied with the two approaches for calculating distance as outlined in Article 7.6 of the initial draft TAR NC?
Answer: NR
9. If you are not satisfied with the two approaches, could you suggest other approaches for calculating distance?
Answer: NR
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?
Answer: Yes. Although in our opinion the entry/exit split, above all if regarding domestic exit points, should be a matter of national Regulators taking into account the specificities of national systems, Enel agrees with the proposal than the default split (50/50) can be derogated by national Regulators if based on cost drivers (such as the technical capacity) or if it better fulfils some general objectives.
11. Do you agree with the inclusion of the asset allocation methodology as set out in Article 15 of the initial draft TAR NC?
Answer: NR
12. Do you agree with the secondary adjustments as described in Articles 16 – 18 of the initial draft TAR NC?
Answer: Yes. In general Enel welcomes the proposed secondary adjustments, but some concerns arise in particular with reference to criteria for their selection and application. In general Enel welcomes the proposed secondary adjustments. In particular we underline that 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

<p>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. Enel 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. Regarding benchmarking, art 18, and in particular the pipeline-to-pipeline competition between TSO, in our opinion also neighbouring TSOs should be considered, including non-Europeans, in order to assess the costs to serve a given market with a given route. In this sense NRA should be allowed to adjust the entry tariffs, by benchmarking, for mitigate any discrimination in the supply chain costs before an entry point. All this with the aim of not discriminating between pipelines in order to promote the cross-border trading and security of supply.</p>
<p>13. Is it necessary to specify further criteria other than those outlined in Article 19 of the initial draft TAR NC?</p>
<p>Answer: NR</p>
<p>14. If it is necessary, could you suggest additional criteria to those outlined in Article 19 of the initial draft TAR NC?</p>
<p>Answer: NR</p>
<p>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?</p>
<p>Answer: Yes. In addition to a four year review, all the relevant parameters of the primary cost allocation methodology should be published and updated regularly throughout the regulatory period. This will enable network users to understand the general direction of future tariffs. For example, TSOs should publish how investments that are included in their network development plans will impact their RAB and therefore their allowed revenues going forward.</p>
<p>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?</p>
<p>Answer: NR</p>
<p>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?</p>

Answer: NR
Chapter III: Publication Requirements
18. Is the relationship between the regulatory period and tariff period, as defined in Article 3.7 and 3.10 clear to you?
Answer: NR
19. Do you agree with the standardised format as set out in Article 26.1 of the initial draft TAR NC?
Answer: NR
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?
Answer: NR
21. Are you concerned by the fact that tariffs are set / applied at different times of the year?
Answer: NR
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?
Answer: Yes. It is important that the reserve prices, multipliers and seasonal factors applicable to the first tariff year are published in advance of the annual capacity auction. This is necessary to enable network users to determine their commercial booking strategies.
23. Could you identify the benefits of the harmonisation of the tariff setting year, if any, for your business, and could you quantify them?
Answer: NR
24. Could you identify the costs of harmonisation of the tariff setting year, if any, for your business and could you quantify them?
Answer: NR
25. If applicable, do you think the benefits would outweigh the costs?
Answer: NR

26. Is the issue of knowing the tariffs for the relevant gas year before the auctions start very important to you?
Answer: NR
27. Are there any other issues or aspects that are more important than the issue specified in the previous question?
Answer: NR
Chapter IV: Reserve Prices
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?
Answer: NR
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 I to Regulation (EC) No 715/2009?
Answer: NR
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?
Answer: NR
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?
Answer: Yes. In general we believe that the longer the duration of the reservation of capacity, the higher the risk for the shipper (and the greater the security for the TSO). Conversely, a short-term product, e.g. less than one year, guarantees greater flexibility to shippers (and consequently lower security for the TSO). According to this principle the short-term capacity should cost more and not less than the long-term capacity. For this reason we agree with the possibility to set higher multipliers than those within the ranges set out in Article 29.2, also to provide long-term signals to promote efficient investments in the transmission system. In general, however, it does not seem appropriate to apply multipliers of less than one for short term products (quarterly or daily), especially when there is no congestion.
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)?

Answer: NR
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?
Answer: NR
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?
Answer: NR
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 as set out in Article 30.1(b) of the initial draft TAR NC?
Answer: NR
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?
Answer: NR
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?
Answer: Yes. Enel agrees with ENTSOG's proposal for the calculation of reserve prices for capacity products for interruptible capacity with an ex-ante discount. In fact the option of ex-post interruptible discounts, by simply refunding costs in the event of an interruption, should be avoided. The interruptible capacity should cost less even though at the end of the year it has never been interrupted because those who bought it did not have the same certainty of continuity of service as those who bought firm capacity.
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?
Answer: NR
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?

Answer: NR
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?
Answer: NR
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?
Answer: NR
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?
Answer: NR
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?
Answer: NR
Chapter V: Revenue Reconciliation
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?
Answer: No. 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 details. With particular reference to the case of underrecovery, 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.
Chapter VI: Pricing of Bundled Capacity and Capacity at Virtual Interconnection Points
45. Do you agree with ENTSOG's proposal with regard to the way in 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?
Answer: NR
46. Do you agree with ENTSOG's proposal with regard to the way in which 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?

Answer: NR
Chapter VII: Payable Price
47. Are the mechanisms for fixed capacity prices described clearly enough in Section 7.1 of the Supporting Document?
Answer: NR
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?
Answer: Yes. We think that a fixed tariff approach should be adopted as a preferred rule, in order to reduce uncertainty on buyers. In particular, fixed price plus indexation plus premium could be a suitable option. The indexation rate should be equal to inflation and should be applied only to the fixed price (reference price). If the indexation component is less than or equal to the premium, the payable price will remain unchanged, conversely if the indexation component is highest than the premium, the payable price will be increased accordingly.
49. Do you have any further suggestions for calculating the fixed price premium referred to in Section 7.1 of the Supporting Document?
Answer: NR
Chapter VIII: Incremental and New Capacity
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?
Answer: NR
Chapter IX: Final and Transitional Provisions
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?
Answer: NR
52. Do you agree with the inclusion of the mitigating measures as set out in Article 47.2(a) and (b)?
Answer: NR
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?
Answer: NR

54. Do you agree with the text that ENTSOG has included in Article 49 on the timing of implementation?
Answer: NR
Chapter X: General Issues
55. Do you agree with the structure of the initial draft TAR NC?
Answer: NR
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)?
Answer: NR
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?
Answer: Yes. In the last few years, together with considerable reduction in EU gas demand due to global dynamics, also the capacity booking arrangements changed following the introduction of CMP and the CAM NC. Therefore we think that, whereas suppliers are in the process of renegotiating their long term supply contracts to reflect changing gas market conditions, TSOs should provide network users with a one-off opportunity to revise their existing capacity contracts to make them fit for purpose.
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.
Answer: NR

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Chapter I: General Provisions	
1. Is the scope of the initial draft TAR NC as set out in Article 2 clear to you?	
Answer: Yes	
2 Do you agree with the scope of the initial draft TAR NC?	
Answer: NO, we realize that full harmonisation is not possible at the moment, but this should be the goal for the future. We think this code should create more guidance towards this future goal of (more) harmonisation on IP's (same conditions/methodology on both sides of the border).	
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	
Answer: Yes	
4. Are there any other definitions that should be included in the TAR NC?	
Answer: YES, we would like to see a definition of 'non-transmission services', to get a minimum level of regulation on these services, and in order to limit the scope of what can be charged at an IP.	
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?	
Answer: NO. The definition allows for national interpretation, potentially allowing activity which should be included in TSOs allowed revenue to be excluded, and vice versa. We note also that the supporting document refers to the fact that shorthaul should be considered as a dedicated service, and therefore excluded from the definition. If the definition continues to specifically refer to exclude dedicated services,	

short haul should be added to the list.
Chapter II: Cost Allocation Approach
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?
Answer: NO, although the sequential steps set out in 5.1 are clear, these steps rely on a clear definition of transmission services, which –we think- is not present at the moment (see Q5).
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?
Answer: YES, The wording is clear (but complicated).
8. Are you satisfied with the two approaches for calculating distance as outlined in Article 7.6 of the initial draft TAR NC?
Answer: BLANK. Any approach could be better appreciated while having working models for each TSO in order to clearly evaluate the consequences and cost reflectivity.
9. If you are not satisfied with the two approaches, could you suggest other approaches for calculating distance?
Answer: See Q8.
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?
Answer: Yes
11. Do you agree with the inclusion of the asset allocation methodology as set out in Article 15 of the initial draft TAR NC?
Answer: Yes
12. Do you agree with the secondary adjustments as described in Articles 16 – 18 of the initial draft TAR NC?
Answer: NO, we are concerned that “benchmarking” will create additional uncertainties in the tariffs since TSOs may start an endless tariff competition. Instead, shippers favour a stable and predictable tariffication. In addition, it is important to take into account the effects of a decrease of tariff due to benchmarking on the rest of the system. Due to the cost neutrality of the TSO, a decrease of a tariff, due to a benchmarking investigation, will have to lead to an increased tariff for one or more other points in that grid. This would be an increase without justification, as it is not related to any increased cost for that or those points. This should

be avoided. In our opinion benchmarking opens the door to cross-subsidisation. It is more difficult to make benchmarking objective than the other adjustment measures.
13. Is it necessary to specify further criteria other than those outlined in Article 19 of the initial draft TAR NC?
Answer: No
14. If it is necessary, could you suggest additional criteria to those outlined in Article 19 of the initial draft TAR NC?
Answer: NR
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?
Answer: YES, Network users need stable and predictable (future) tariffs and therefore tariff jumps as a result of a (too) late review should be avoided. The review must include a consultation on tariff methodology involving stakeholders. The scope of the consultation should also cover the secondary measures and an explanation of a simplified tariff model to be added to the publication requirements.
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?
Answer: No
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?
Answer: NR
Chapter III: Publication Requirements
18. Is the relationship between the regulatory period and tariff period, as defined in Article 3.7 and 3.10 clear to you?
Answer: Yes
19. Do you agree with the standardised format as set out in Article 26.1 of the initial draft TAR NC?
Answer: NO, network users should be able to forecast future tariff changes. This can be done with for example a publishing of a working tariff model and/or TSO views on future tariffs (which represent their best estimation based on available data).

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?
Answer: Yes
21. Are you concerned by the fact that tariffs are set / applied at different times of the year?
Answer: YES, in addition to harmonising the tariff year for IPs, it is important that the reserve prices, multipliers and seasonal factors applicable to the first tariff year are published in advance, i.e. at least 30 days before the annual capacity auction in March. This is necessary to enable network users to determine their commercial booking strategies.
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?
Answer: YES, we favour having a standard gas tariff year across the EU starting on 1 October (consistent with the capacity year defined in the CAM NC). This improves tariff stability on IP's, could ease back-office work and be consistent with the long-term capacity auctions, which sell yearly capacity products starting on 1 October.
23. Could you identify the benefits of the harmonisation of the tariff setting year, if any, for your business, and could you quantify them?
Answer: Energie-Nederland cannot quantify the benefits of its members.
24. Could you identify the costs of harmonisation of the tariff setting year, if any, for your business and could you quantify them?
Answer: Energie-Nederland cannot quantify the costs of its members.
25. If applicable, do you think the benefits would outweigh the costs?
Answer: We cannot answer this question because we are not able to quantify the benefits or costs of our members.
26. Is the issue of knowing the tariffs for the relevant gas year before the auctions start very important to you?
Answer: YES, see Q21 and Q22.
27. Are there any other issues or aspects that are more important than the issue specified in the previous question?

<p>Answer: YES, In addition we would like to reinforce its view that 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, and members within Energie-Nederland 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 fluctuation due to under or over-recovery or changes in the allowed TSO revenue.</p>
<p>Chapter IV: Reserve Prices</p>
<p>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?</p>
<p>Answer: NR</p>
<p>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 I to Regulation (EC) No 715/2009?</p>
<p>Answer: NO, We would be concerned that this could give the wrong signals on the levels of multipliers. Therefore we would prefer that the congestion is a factor taken into account, but not an automatic determinant. Our position is further strengthened by the analysis carried out by ACER in the monitoring report specifying 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. We are also of the opinion that the current definition of congestion is too narrow. The definition don't take into account the situation of equal prices on each side of the IP, which may result in no usage of transport and no capacity offered, leading to congestion according to the current definition.</p>
<p>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?</p>
<p>Answer: NO, with this alternative proposal network users would not know the multipliers for quarterly and monthly products until after the annual respectively quarterly CAM NC auctions. This has as consequence that network users wouldn't be able to determine the relative costs of short term capacity when bidding in the annual CAM NC auctions and so couldn't assess the commercial benefits of profiling their bookings.</p>
<p>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?</p>
<p>Answer: NR</p>
<p>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)?</p>

Answer: NR
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?
Answer: Yes
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?
Answer: Yes
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 as set out in Article 30.1(b) of the initial draft TAR NC?
Answer: NR
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?
Answer: YES, but once set seasonal factors should not be changed within the tariff period.
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?
Answer: NO, We do not support ex-post interruptible discounts. We think the reserve price for interruptible capacity products should reflect the change of interruption. Charging shippers (ex-post) for the same tariff as firm capacity is not fair, because this network user made arrangements/costs for the situation that his capacity would be interrupted. Clearly, for shippers, the cost of covering a 5% risk of interruption that can happen at the highest valued period is generally by far superior to 5% of the cost of the capacity, and should be covered upfront. Moreover, this would be a strong incentive for TSOs to implement interruptible capacity, where all the risk is borne by the shipper, rather than OS&BB, that is more profitable to cross-border trade. In addition, we do not favour the recalculation option (as stated in 32.4) within the current tariff period to ensure tariff stability within this period.
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?
Answer: YES, Shippers would like to have access to the following information: - The detailed network configurations resulting in interruption; - The flow scenarios used to calculate the probability of interruption,

i.e. the probability that above mentioned network configurations occur. Shippers will use this information to make their own assessment of interruption based on their own forecasted flow scenarios.
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?
Answer: NO, the reserve price of backhaul capacity should be set at a discount with respect to forward capacity. This discount should, inter alia, reflect the fact that reverse flow does not originate fuel gas costs."
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?
Answer: YES, but parameter A should be strictly superior to one, to reflect the cost of the risk borne by shippers when they book interruptible capacities.
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?
Answer: Yes
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?
Answer: Yes
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?
Answer: NO, see Q37.
Chapter V: Revenue Reconciliation
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?
Answer: NO, the TAR NC should require sub-accounts to be mandatory as it is very important for network users always to be able see the extent of any cross-subsidy between classes of network user that results from having a single regulatory account. 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". We think network investment decisions should be done by the TSO (and not the NRA). 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, which are monitored by the respective NRA.

Chapter VI: Pricing of Bundled Capacity and Capacity at Virtual Interconnection Points
45. Do you agree with ENTSOG's proposal with regard to the way in 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?
Answer: Yes
46. Do you agree with ENTSOG's proposal with regard to the way in which 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?
Answer: Yes
Chapter VII: Payable Price
47. Are the mechanisms for fixed capacity prices described clearly enough in Section 7.1 of the Supporting Document?
Answer: see also q.27
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?
Answer: YES, however, whilst we welcome the inclusion of a fixed price option in addition to a floating price, ENTSOG should limit the fixed price options to just one of the options listed in the supporting document, e.g. fixed price + inflation (fixed real). NRAs/TSOs should also collaborate to ensure, wherever possible, that the payable prices applied on either side of an IP are consistent.
49. Do you have any further suggestions for calculating the fixed price premium referred to in Section 7.1 of the Supporting Document?
Answer: No
Chapter VIII: Incremental and New Capacity
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?
Answer: NR
Chapter IX: Final and Transitional Provisions
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?
Answer: NO, We support the joint statement of the associations EFET, Eurelectric, Eurogas and OGP to the Madrid Forum for a 'one-off capacity reset option'. We have seen considerable changes in EU gas

regulations: liberalisation, unbundling of TSOs, CMP NC and CMP. The TAR NC could also bring about fundamental changes to tariff setting, with a focus towards more short terms products (and favourable conditions for these products). As such there is a real risk that network users with long-term contracts are disadvantaged due to these new rules. We think the mitigating measures will be insufficient and we therefore propose to have an open-minded discussion to resolve this situation. We propose to investigate the integration of an 'one-off reset option' to allow network users to surrender existing capacity they hold at IPs prior to the date the TAR NC applies: - How can the reset clause be integrated in the TAR NC? - To which points should it apply and are exceptions from the possibility of reset justified? - What are the implications for other cross-border exit points? - What are the advantages of freeing up capacity for other users (i.e. more bundled capacity for new entrants which will lead to increased competition and/or more optimised flows between market areas and postponing the need for new incremental capacity,...). Such a 'one-off reset option' will help ease in the code with less burdens for long-term shippers in particular. We think there is little reason to think that it will destabilize the market or make tariffs more volatile. Provided the 'one-off reset option' is triggered prior to the TAR NC applying and that sufficient notice is given before resetting, the bookings will be adapted to the level of physical flows, and should then be stable (the reset option is a one time option). So TSOs can take account of any surrendered capacity in future tariffs and potentially smearing any significant tariff changes over a two years period, as per the mitigating measures. In addition, to ensure stability of tariff evolution beyond the mitigating period, we would like to explore further the option to fix the payable price a right for network users and thus an obligation for TSO to provide this option at any time also for market parties holding existing long term bookings (see also Q27).

52. Do you agree with the inclusion of the mitigating measures as set out in Article 47.2(a) and (b)?

Answer: NO, the mitigating measures are not sufficient (see Q51).

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?

Answer: Yes

54. Do you agree with the text that ENTSOG has included in Article 49 on the timing of implementation?

Answer: Yes

Chapter X: General Issues

55. Do you agree with the structure of the initial draft TAR NC?

Answer: Yes

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)?

Answer: NO, we do not think the level of detail used in describing the primary cost allocation methodologies

is sufficient to enable shippers to replicate the workings of a TSO's tariff model, or for NRAs, or the Commission, to confirm whether the tariffs are complied with the TAR NC. The NC should give more guidance (i.e. mathematical descriptions).

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?

Answer: YES, the reset option as described in Q51.

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.

Answer: Yes

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Chapter I: General Provisions	
1. Is the scope of the initial draft TAR NC as set out in Article 2 clear to you?	
Answer: Yes. The draft is clear but decisions at Member State level will influence the way in which it is implemented	
2 Do you agree with the scope of the initial draft TAR NC?	
Answer: Yes. However we have some reservations with Article 2.4 with reference to the specific nature of interconnectors. It is not clear what this may mean, how special rules may be agreed and the impact on charges at other points on the network. We suggest that some principles be identified as they are with respect to storage (Article 23) and for any special arrangements for charges at interconnection points be developed transparently with the full consultation of all stakeholders.	
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	
Answer: Yes. "However	
<ul style="list-style-type: none"> • it would be beneficial to better define Transmission Services – for example does it include compression costs? it states flexibility services are excluded? • Seasonal factors – what is meant by a season, is it 6 months, a quarter or a month?" 	
4. Are there any other definitions that should be included in the TAR NC?	
Answer: Yes. "There would be benefit from adding the following:	
<ul style="list-style-type: none"> • Complimentary revenue recovery charge • Dedicated services are referred to in Art 3.11 but are not defined, this needs to be defined in more detail recognising services that are not directly linked to transporting gas or are provided for a geographically 	

<p>limited area</p> <ul style="list-style-type: none"> • short-haul tariff – this should be defined as an example of a dedicated service, currently it is only referenced in the supporting document and it is an important service which is only explained in the supporting • There could be merit in including the definition of congestion as detailed in the CMP guidelines here for completeness."
<p>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?</p>
<p>Answer: No. There seems to be a lot of scope for discretion and different interpretation by Members States under the 'applicable national rules' which could lead to certain costs being kept outside of the transmission services revenue to which the cost allocation methodology applies or even vice versa. This could undermine the harmonisation aims and principles of the Tariff Code. A more detailed definition of Transmission Services is needed. The Supporting document identifies shorthaul as a dedicated service and therefore excluded from Transmission services for the application of the cost allocation methodology. However the term shorthaul is not used in the code, we consider that it should be referenced explicitly. We consider shorthaul services are important and needed to avoid inefficient by-pass of the transmission system.</p>
<p>Chapter II: Cost Allocation Approach</p>
<p>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?</p>
<p>Answer: Yes. However Art 4.5 states that any capacity charges for revenue recovery do not form part of the transmission services revenue to which the cost allocation methodology applies, so it is not clear how this is allocated. It needs to be clear within the code how this is allocated or if it is at the discretion of each Member State. There is no reference to the 5% threshold of allowed revenues for dedicated services as in FGs 3.1.1, whilst we accept that the 5% value seems to be arbitrary it may legitimately be too low for some networks but this needs to be explored more transparently. The absence of any threshold or mechanism to exceed it could lead to the cost allocation methodology applying only to a small fraction of total transmission allowed revenue. We suggest that where it may be appropriate to exceed the 5% threshold that TSO's consult with stakeholders to increase transparency on which services and charges should be considered as dedicated services and excluded from transmission services revenue. Oversight by ACER may be appropriate.</p>
<p>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?</p>
<p>Answer: Yes</p>
<p>8. Are you satisfied with the two approaches for calculating distance as outlined in Article 7.6 of the initial draft TAR NC?</p>

Answer: Yes
9. If you are not satisfied with the two approaches, could you suggest other approaches for calculating distance?
Answer: NR
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?
Answer: Yes. However there seem to be multiple references to costs and cost drivers that need more explanation given the context and to avoid confusion Art 6.3 refers to total observed costs and total incremental costs as cost drivers Art 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 Art 6) incremental costs, unit price for building new assets or investment plan costs. Art 12.1 d which describes GB methodology again mentions long run average incremental costs. Then Art 12. 3 c says identify the long run average incremental costs as the marginal costs related to the change inbut average and marginal are not the same thing YES agree that the code should not be prescriptive as to when technical capacity or contracted capacity are used in the cost allocation methodology.
11. Do you agree with the inclusion of the asset allocation methodology as set out in Article 15 of the initial draft TAR NC?
Answer: Yes
12. Do you agree with the secondary adjustments as described in Articles 16 – 18 of the initial draft TAR NC?
Answer: Yes. However we are 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 mis-match 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. We assume this is a drafting error ? It is also unclear if Art 16.3 and 16.1c are consistent if rescaling were to be the preferred option for avoiding negative charges. Is Art 16.3 needed, can it be deleted? Art. 16.2 should possibly come before Art. 16.1 as it's the explanation setting the scene. We also have concerns with Art 18.3 as to how tariffs at other points are increased if benchmarking is used and whether this may be discriminatory and increase cross subsidies.
13. Is it necessary to specify further criteria other than those outlined in Article 19 of the initial draft TAR NC?
Answer: No
14. If it is necessary, could you suggest additional criteria to those outlined in Article 19 of the initial draft TAR

NC?
Answer: NR
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?
Answer: No. The review should include a consultation to allow for stakeholder input irrespective of whether a change to the cost allocation approach is sought. A working tariff model should accompany the consultation so that market participants can understand tariff derivation and how tariffs will evolve in the future, the latter may require additional information provision of the input parameters for future years. 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. Energy UK has 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. It would be better if Art 20.2 e required consideration of two alternative approaches, one of which may be the postage stamp.
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?
Answer: No. However, the impact on this test of tariff benchmarking and any special arrangements arising from the specific nature of interconnectors should be considered explicitly
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?
Answer: Yes. This is consistent with the framework guidelines
Chapter III: Publication Requirements
18. Is the relationship between the regulatory period and tariff period, as defined in Article 3.7 and 3.10 clear to you?
Answer: Yes
19. Do you agree with the standardised format as set out in Article 26.1 of the initial draft TAR NC?
Answer: Yes but additionally a tariff model and relevant data should also be provided to enable market participants to determine future charges for the remainder of the regulatory period and as information becomes available the start of the next regulatory period. Market Participants will also need data and information to enable them to assess other charges that contribute to the total charges payable at a particular point. This would include dedicated services, flow based charges and likely revenue recovery

<p>charges. We wonder what 'to a reasonable extent' in Art 24.1 (a) which relates to the publication of charges for each tariff period within the regulatory period actually means, it is possible that TSOs and market participants could have a very different view as to what is reasonable. Changes to tariffs should also have a narrative to explain the reasons for the change.</p>
<p>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?</p>
<p>Answer: Yes</p>
<p>21. Are you concerned by the fact that tariffs are set / applied at different times of the year?</p>
<p>Answer: Yes. This creates a situation where tariffs for a particular route could continually be in a state of flux. This creates an administrative burden and adds to the complexity of assessing forward trades and route comparisons where options exist. Tariffs and other factors which affect charges such as multipliers should be published at least 60 days before the start of the annual auction and be valid for the entire relevant auction year.</p>
<p>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?</p>
<p>Answer: Yes. Ideally the tariff year should be aligned, and our Members have suggested October each year but this needs to be explored in more depth in the impact assessment</p>
<p>23. Could you identify the benefits of the harmonisation of the tariff setting year, if any, for your business, and could you quantify them?</p>
<p>Answer: Energy UK is a trade association. Our members have reported there would be less complexity for operations, traders and back room staff if the tariff year were harmonised, such that charges across the EU all changed at the same time. This would also improve competition and cross border trade as charges across markets could more easily be compared by market participants</p>
<p>24. Could you identify the costs of harmonisation of the tariff setting year, if any, for your business and could you quantify them?</p>
<p>Answer: As a trade association we are not well placed to comment but we recognise that costs will depend on which date the tariff year is harmonised to, since there is a diversity of tariff years across the EU. We consider October would be the most logical choice since this aligns with the capacity year.</p>
<p>25. If applicable, do you think the benefits would outweigh the costs?</p>
<p>Answer: The one off costs of implement would need to be assessed against enduring benefits</p>

26. Is the issue of knowing the tariffs for the relevant gas year before the auctions start very important to you?
Answer: Yes. Our Members report it is very important to know the tariffs for the relevant capacity year before the auctions start and this should include the multipliers and seasonal factors too. Participants need confidence in these charges in order to plan their auction strategy and have confidence in forward trading. 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 Code 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.
27. Are there any other issues or aspects that are more important than the issue specified in the previous question?
Answer: No, we consider knowing the prices in advance of the annual allocation process to be more important than aligning the tariff year.
Chapter IV: Reserve Prices
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?
Answer: In principle we agree 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.
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 I to Regulation (EC) No 715/2009?
Answer: Yes. We do not consider that Art 29.1 b is necessary as it could add more complexity and confusion
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?
Answer: No. The alternative links to % of capacity sold rather than congestion definition but it appears that this would lead to the multipliers being determined after the allocation process so we do not support it, since it is important that charges are known before the allocation process to allow bidding strategies to be developed and to support forward trading.
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?

<p>Answer: No. In the spirit of transparency and predictability, our preference is that tariff multipliers remain within the ranges set out in Article 29.2. However were there to be cases where higher multipliers could be justified we consider that this should be subject to NRA and ACER scrutiny. We recognise that a balance needs to be found between promoting long term bookings and short term flexibility but we would be concerned if higher multipliers were applied that could lead to escalating short term prices which may inhibit cross border trade and efficient market response to gas system flexibility requirements</p>
<p>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)?</p>
<p>Answer: No. Energy UK considers that ACER should have oversight of any proposal for higher multipliers.</p>
<p>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?</p>
<p>Answer: Yes. But the issues in Article 28.5 could be considered by a particular NRA to have different importance and weighting so could lead to a situation where any reform could be justified.</p>
<p>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?</p>
<p>Answer: Yes</p>
<p>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 as set out in Article 30.1(b) of the initial draft TAR NC?</p>
<p>Answer: Yes. The relationship between daily and hourly products at interconnection points needs to be clearly articulated and communicated to market participants</p>
<p>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?</p>
<p>Answer: No. It is important that multipliers are set once per year and published in advance of the annual capacity allocation process. Where it may be necessary to change the multipliers within year due to significant changes to the use of the transmission system in accordance with Art 31.5 this should be considered transparently through stakeholder consultation. Any revised multipliers should be notified 60 days before they take effect. We are not convinced about the use of the power term being set between 0-2 again stakeholder should be consulted about this value and it should be subject to NRA approval.</p>
<p>37. Do you agree with ENTSOG's proposal for the calculation of reserve prices for capacity products for</p>

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?
Answer: No. Energy UK does not support the ex-post discount approach, since selling a firm product with an associated risk and cost free option to buy it back at the price it was sold for does not encourage TSOs to maximise the firm capacity made available to the market via over selling as described in the CMP guidelines. In this respect 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. http://www.gasgovernance.co.uk/sites/default/files/Ofgem%20Decision%20Letter%200454.pdf
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?
Answer: Yes. We agree this should be published at the same time as the tariffs, which should be prior to the capacity allocation process
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?
Answer: Yes. Backhaul is an interruptible product therefore it should be priced on the same principles as interruptible capacity else it would not be consistent with the Regulation
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?
Answer: Yes. Energy UK acknowledges the use of factor A to reflect the estimated economic value of the type of standard capacity product for interruptible capacity being determined nationally. We consider the process for setting this should include consultation with stakeholders. However the whole process is rather complex and 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.
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?
Answer: Yes. This formula is in principle appropriate, albeit rather complex. However we have reservations in that the forecasts for many of the parameters are highly uncertain and defining a formula in this way can give

<p>the resulting probability undue credibility. We do however recognise that setting interruptible charges based on the probability of interruption is a requirement of the Regulation, that 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.</p>
<p>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?</p>
<p>Answer: Yes</p>
<p>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?</p>
<p>Answer: No. Do not support this see Q 37</p>
<p>Chapter V: Revenue Reconciliation</p>
<p>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?</p>
<p>Answer: No. We consider that sub-accounts should be mandatory and included in the reporting requirements. We would expect the sub accounts to separately track actual revenue vs expected revenue at domestic and interconnection points, aswell as at exit and entry points to assess the degree of cross-subsidisation between these points to give confidence to market participants that this is small as is intended by the tariff code package. This information would also inform future development of the Tariff Code if that became necessary</p>
<p>Chapter VI: Pricing of Bundled Capacity and Capacity at Virtual Interconnection Points</p>
<p>45. Do you agree with ENTSOG's proposal with regard to the way in 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?</p>
<p>Answer: Yes</p>
<p>46. Do you agree with ENTSOG's proposal with regard to the way in which 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?</p>
<p>Answer: Yes</p>
<p>Chapter VII: Payable Price</p>
<p>47. Are the mechanisms for fixed capacity prices described clearly enough in Section 7.1 of the Supporting Document?</p>

<p>Answer: No. The principles are clear but some of the details are not clear such as how revenue from the premium would be kept separate from allowed revenue, what indexation options might be allowed Energy UK considers that predictability of prices is important particularly when seeking support for participation in incremental or new capacity allocation processes when substantial commitment by shippers will be needed to ensure the economic test is met. Therefore we consider that fixed price options should be a feature of the tariff code, giving due consideration to the wider distributional impacts of fixing prices for some participants at least for incremental and new capacity.</p>
<p>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?</p>
<p>Answer: Yes</p>
<p>49. Do you have any further suggestions for calculating the fixed price premium referred to in Section 7.1 of the Supporting Document?</p>
<p>Answer: NR</p>
<p>Chapter VIII: Incremental and New Capacity</p>
<p>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?</p>
<p>Answer: NR</p>
<p>Chapter IX: Final and Transitional Provisions</p>
<p>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?</p>
<p>Answer: No. "The mitigating measures simply delay the impact of the Tariff Code, rather we would like to see the code include an option for a one-off capacity reset when the tariff code is implemented. Section 9 of the supporting document discusses the potential for this, which has widespread support from stakeholders but has not been included in the draft Code. We acknowledge that ENTSOG and TSOs do not favour this option. Energy UK considers that facilitating a reset option will more fully recognise that the gas market has changed since the 3rd package and CAM will introduce a more flexible capacity booking regime at IPs, yet there are many longer term capacity contracts that are not fit for purpose in this new regime. Such capacity holders may be unable to take advantage of profiled bookings and may suffer from restricted renominations or withdrawal of capacity if congestion occurs. Since the TAR code is expected to apply to existing contracts, reference prices in those contracts may well change in a way not foreseen when the contracts were agreed. This may well lead to legal challenge. Benefits of capacity reset:</p> <ul style="list-style-type: none"> ● relieve contractual congestion ● more rapid bundling of capacity at IPs ● more progress toward completion of the internal energy market ● increased possibility for cross border trade

<ul style="list-style-type: none"> • improved market functioning and competition • reduced need for mitigating measures • reduced likelihood of legal challenge which could delay implementation • earlier resolution of transitional issues – tariff instability etc. <p>Energy UK acknowledges that some parties have identified potential adverse consequences associated with the reset option, but considers it would be better to address these issues at the outset rather than them playing out over a number of years. If the principle of a capacity reset is accepted then its design can consider how to signal any step change in tariffs at the outset or to smooth their implementation. We also consider that TSO concerns about revenue recovery are unfounded since most operate in a regime where their revenue recovery is assured."</p>
52. Do you agree with the inclusion of the mitigating measures as set out in Article 47.2(a) and (b)?
Answer: Yes. The drafting needs checking in Article 47.2(a)
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?
Answer: Yes. 24 months would however give more time for changes to national arrangements and the associated systems development.
54. Do you agree with the text that ENTSOG has included in Article 49 on the timing of implementation?
Answer: Yes. Although ensuring implementation on the first day of a month may be appropriate.
Chapter X: General Issues
55. Do you agree with the structure of the initial draft TAR NC?
Answer: Yes
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)?
Answer: Yes
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?
Answer: Yes. See response to question 51
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.

Answer: Yes. There is a lot of material and discussion that has fed into the Tariff Code development process and the supporting document captures this well. 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. With respect to future consultations it would be helpful if there were a facility to save a draft response and to access this locally so that draft versions may be readily shared.

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Chapter I: General Provisions	
1. Is the scope of the initial draft TAR NC as set out in Article 2 clear to you?	
Answer: No. In general, the scope of the initial draft TAR NC is clear. However, more clarity should be provided with regards to article 2.4	
2 Do you agree with the scope of the initial draft TAR NC?	
Answer: Yes	
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	
Answer: No. See answer to Q5	
4. Are there any other definitions that should be included in the TAR NC?	
Answer: No	
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?	
Answer: No. In general, we believe that it is necessary to provide more clarity on the boundaries between transmission services and non-transmission services in TAR NC. In particular, TAR NC should avoid interventions, even at a national level, leading to a subsidy of non-transmissions services through the transmission tariff charged to network users.	
Chapter II: Cost Allocation Approach	

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?
Answer: No. Network users should be able to fully understand how tariffs are set and what will be their likely evolution. In this regard, in light to the answer to Q5, we think that a full comprehension of the tariff setting process should be guaranteed through a great transparency over the proportion of allowed or target revenue which does not constitute transmission services revenue, as well as over the other components that could be taken into consideration in the following steps of the process, i.e. commodity charges driven by gas flows and eventually complementary revenue recovery charges (with regard to the latest, recovery over multiple years should be allowed in order to avoid potential disproportionate impacts on the shippers). At the same time, it is important to underline that the level of allowed revenues should be aligned with the risk associated to the specific business. Moreover, we propose that TSOs shall publish a working model of the cost allocation methodology applied including a description of how it operates.
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?
Answer: Yes
8. Are you satisfied with the two approaches for calculating distance as outlined in Article 7.6 of the initial draft TAR NC?
Answer: Yes
9. If you are not satisfied with the two approaches, could you suggest other approaches for calculating distance?
Answer: n/a
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?
Answer: No. In consideration of the different cost allocation methodologies that TSOs could apply among EU, we believe that harmonization could be achieved through setting objective and comprehensive criteria for choosing the components of a primary cost allocation approach avoiding to leave too much discretion to the TSOs that would at the end lead to an unclear view of tariffs evolution by the shippers. In this respect, we sustain that TSOs should make available a working model for forecasting tariff evolution.
11. Do you agree with the inclusion of the asset allocation methodology as set out in Article 15 of the initial draft TAR NC?
Answer: Yes

12. Do you agree with the secondary adjustments as described in Articles 16 – 18 of the initial draft TAR NC?
Answer: No. Proposals for implementing secondary adjustments shall be duly justified and publicly consulted upon with stakeholders. In this regard, more clarity should be added in Article 20 concerning the inclusion of secondary adjustments in the consultation. With regards to Article 18, we believe that the benchmarking methodology should be limited to specific circumstances with a clear and periodically updated justification on the choice. Moreover, in case of rescaling we think that particular attention should be dedicated to the calculation methodology (“either by multiplying or by adding to these values a constant”).
13. Is it necessary to specify further criteria other than those outlined in Article 19 of the initial draft TAR NC?
Answer: No
14. If it is necessary, could you suggest additional criteria to those outlined in Article 19 of the initial draft TAR NC?
Answer: n/a
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?
Answer: No. 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.
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?
Answer: No
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?
Answer: No. In general, we believe that storages should be exempted from transmission entry/exit capacity charges, excepted in cases where effective costs are demonstrated.
Chapter III: Publication Requirements
18. Is the relationship between the regulatory period and tariff period, as defined in Article 3.7 and 3.10 clear to you?
Answer: Yes

19. Do you agree with the standardised format as set out in Article 26.1 of the initial draft TAR NC?
Answer: No. We agree that a standardised format must be able to guarantee full transparency and allow shippers to have the necessary information on the tariff definition and evolution. TSOs should also publish the working model used for tariff calculation. The standardised information to be published should also include all the relevant components to determine allowed/target revenues. This would improve the predictability of tariffs for network users.
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?
Answer: Yes
21. Are you concerned by the fact that tariffs are set / applied at different times of the year?
Answer: Yes. The application of different tariff periods is a complication for users booking capacity products, in particular in case of bundled products if tariff periods differ either side of an IP. This could undermine the efficiency of the capacity booking process and distort energy trading.
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?
Answer: Yes. We support the proposal to standardize the gas tariff year across the EU starting from the 1st of October, coherently with the yearly capacity products of the CAM NC. Multipliers and seasonal factors must also be set and apply consistently for each tariff year, and should not change throughout this period.
23. Could you identify the benefits of the harmonisation of the tariff setting year, if any, for your business, and could you quantify them?
Answer: n/a
24. Could you identify the costs of harmonisation of the tariff setting year, if any, for your business and could you quantify them?
Answer: No.
25. If applicable, do you think the benefits would outweigh the costs?
Answer: Yes
26. Is the issue of knowing the tariffs for the relevant gas year before the auctions start very important to you?

Answer: Yes. Shippers booking strategies could be developed only through the certainty on the tariffs, before the CAM NC yearly capacity auction in March, and in particular on the reserve prices, multipliers and seasonal factors for the first capacity year.
27. Are there any other issues or aspects that are more important than the issue specified in the previous question?
Answer: n/a
Chapter IV: Reserve Prices
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?
Answer: No. See answer to Q29.
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 I to Regulation (EC) No 715/2009?
Answer: No. It could be argued that if there is congestion, notwithstanding the value of the reserve price, the market would reveal the value of the product. However, we believe that linking the applicable ranges to the status of congestion, which is not the only parameter affecting the choice, is not appropriate and we think that the right solution could be to remove that link.
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?
Answer: No. This proposal would not allow users to know in advance (i.e. before the yearly capacity auction) multipliers for monthly and daily capacity.
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?
Answer: No. In order to avoid market distortions, we believe that discretion on the extensions of multipliers should not be left at national level.
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)?
Answer: No, I don't agree with the suggested options

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?
Answer: Yes
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?
Answer: Yes
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 as set out in Article 30.1(b) of the initial draft TAR NC?
Answer: Yes
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?
Answer: No. We believe that seasonal factors should not be changed within the tariff period and, as all other tariff components, should be made public 30 days in advance the yearly capacity auction. Moreover, the average seasonal factor over a year should be equal to 1 to avoid that it plays the role of an additional multiplier.
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?
Answer: No. We agree with the option of setting interruptible capacity reserve prices at an ex-ante discount to firm capacity which should reflect the risk of interruption in a transparent way. This approach is consistent with the provision contained in the Gas Regulation stating that "the price of interruptible capacity shall reflect the probability of interruption" while pursuing the objectives of cost-reflectivity and minimization of cross-subsidization. For the same reason, in general, we do not support an ex-post discount. In addition, this ex-post approach could incentivize TSOs to reduce the amount of firm capacity they make available by implementing more interruptible capacity rather than OS&BB which is more profitable to cross-border trade.
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?
Answer: No. In an effort to provide more transparency, it should include also the assumptions used by TSOs on flow scenarios and network configurations.

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?
Answer: No. As a way to incentivize its use, the reserve price of backhaul capacity should be set at a discount with respect to firm capacity. This discount should reflect (i) the risk of interruption and (ii) the fact that reverse flow do not originate fuel gas costs. Of course, we do not agree that interruptible capacity which is derived from non-physical back haul should be subject to ex-post discounts for the same reasons explained in our answer to Q37.
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?
Answer: Yes
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?
Answer: No. The formula described in Article 33 seems to be quite complex, in particular additional clarification for the calculation of the "A" parameter would be necessary.
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?
Answer: Yes
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?
Answer: No. See answer to Q37
Chapter V: Revenue Reconciliation
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?
Answer: Yes
Chapter VI: Pricing of Bundled Capacity and Capacity at Virtual Interconnection Points
45. Do you agree with ENTSOG's proposal with regard to the way in 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?
Answer: Yes

46. Do you agree with ENTSOG's proposal with regard to the way in which 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?
Answer: Yes
Chapter VII: Payable Price
47. Are the mechanisms for fixed capacity prices described clearly enough in Section 7.1 of the Supporting Document?
Answer: Yes
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?
Answer: No. We do not agree with the Supporting Document where it is stated that having the option to have a fixed price could be seen as an alternative to the introduction of a one-off reset option mechanism. In fact, fixed prices could be seen in general as an alternative to floating prices to be offered by TSOs for new agreements, even if an assessment of the impact of that option on the whole tariff framework being developed is necessary, in particular on the level of cross-subsidization caused by the redistribution of under/over recoveries. On the other hand, a one-off reset mechanism is intended to apply to existing contracts that would suffer from a discrimination driven by the new regulatory framework.
49. Do you have any further suggestions for calculating the fixed price premium referred to in Section 7.1 of the Supporting Document?
Answer: n/a
Chapter VIII: Incremental and New Capacity
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?
Answer: n/a
Chapter IX: Final and Transitional Provisions
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?
Answer: No. Eni fully support the introduction of a one-off capacity reset mechanism (to be implemented in advance of the entry into force of the TAR NC) that would re-establish a level playing field for all gas market players. See Q57
52. Do you agree with the inclusion of the mitigating measures as set out in Article 47.2(a) and (b)?

Answer: No. See answers to Q51 and Q57
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?
Answer: Yes
54. Do you agree with the text that ENTSOG has included in Article 49 on the timing of implementation?
Answer: Yes
Chapter X: General Issues
55. Do you agree with the structure of the initial draft TAR NC?
Answer: Yes
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)?
Answer: No. Details to be added have been suggested in the previous comments.
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?
<p>Answer: Yes. We believe that the mitigating measures proposed by ENTSOG are not sufficient to avoid adverse and discriminatory impacts resulting from the implementation of the TAR NC and are not in line with the objectives of creating rules that contribute to non-discrimination, effective competition and the efficient functioning of the market (as foreseen by the Regulation 715/2009). In this respect, eni fully support the introduction of a one-off capacity reset mechanism (to be implemented quite in advance of the entry into force of the TAR NC) that would re-establish a level playing field for all gas market players. We believe that the mitigating measures proposed by ENTSOG are not sufficient to avoid adverse and discriminatory impacts resulting from the implementation of the TAR NC and are not in line with the objectives of creating rules that contribute to non-discrimination, effective competition and the efficient functioning of the market (as foreseen by the Regulation 715/2009).</p> <p>The European gas market has been experiencing significant changes due to the effects of the implementation of the Third Energy Package and of the related Network Codes. This new framework is aimed at the harmonization of the market rules and - thus - at the establishment of the single European gas market. However, several long-term capacity contracts have been signed before this unexpectable and unpredictable changes and holders of those contracts risk to be discriminated by the new rules.</p> <p>In the specific, there are three crucial aspects that a reset mechanism should overwhelm.</p> <p>In particular, CAM NC strongly modified the approach and the strategy of the shippers with regards to capacity bookings, introducing more flexibility in the choice of booking profiles at IPs. However, it creates an</p>

environment where shippers with existing long-term capacity contracts are not able to take full advantage of profiled booking. At the same time, CMP NC, by introducing UIOLI measures, limits the use of existing capacity to what has initially been nominated, thus discriminating existing capacity holders compared to operators able to profile their bookings.

In such a context, TAR NC could significantly worsen this scenario introducing substantial changes to the tariff definition regime allowing TSOs and NRAs to offer discounted short-term capacity products (through the level of short-term multipliers) compared to long-term products. This would apply both to existing contracts and to new contracts, clearly introducing a disadvantage for shippers locked-in in existing long-term capacity contracts. In fact, favouring short term products, the TAR NC would discriminate the holders of existing long-term contracts to the benefit of network users who can easily adapt their booking strategy to the new rules. Moreover, the potential under-recovery caused by the combination of the possibility to profile capacity bookings thanks to CAM rules and the potential lower price of short term capacity compared to long-term products as a consequence of the multipliers introduced by the TAR NC, will be charged back on long-term capacity holders.

The combination of all these elements appears to create a discrimination between different network users of gas transmission capacity, thereby distorting competition and causing cross-subsidization to the benefit of short-term users and to the detriment of long-term users. All these elements could finally lead long-term capacity holders to evaluate legal actions with risks of delaying the implementation of the Code and worsening the possible distortions due to different legislative approaches in European countries.

In this regard, ENI fully support the introduction of a one-off capacity reset mechanism (to be implemented quite in advance of the entry into force of the TAR NC) that would re-establish a level playing field for all gas market players.

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.

Answer: Yes

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Chapter I: General Provisions	
1. Is the scope of the initial draft TAR NC as set out in Article 2 clear to you?	
Answer: Yes	
2. Do you agree with the scope of the initial draft TAR NC?	
Answer: No. We do not agree with the opt-out possibility for interconnectors provided for in Art. 2 (4). Although we agree with the assessment that without captive demand the application of some of the rules within the TAR NC could intensify (not create, because even captive demand will eventually turn to an alternative energy supply source if prices rise above a certain trigger level) a situation of under recovery being exacerbated by rising transport fees. But the consequence should not be to exclude such interconnectors from the EU NC on Tariffs, particularly not a general one. At the most, some specifically problematic rules might not be applied to interconnectors if the respective NRAs grant an exemption, which should be limited in time.	
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	
Answer: No. We do not agree with the definition of 'transmission service' provided for in Art. 3 (11). First and foremost the present definition in Art. 3 (11) of 'transmission service' - a term being central for the scope of the entire TAR NC - leaves its definition entirely to national rules when providing for a right to exclude any activities defined under the applicable national rules. This would contradict the concept and purpose of an EU NC, which in our view is the harmonisation of national rules for the sake of increasingly integrated European gas markets. We therefore support the definition used in the FG TAR including a precise list of services which are excluded. Such services should however only being excluded if they are optional. This is not/not everywhere the case with odourisation, depressurisation, quality conversion and metering. Secondly the last example of services which may be excluded seems to be not entirely clear to us: should 'any	

<p>other dedicated services or infrastructure' be subject to exclusion by national law? Finally, the supporting document refers to the fact that shorthaul should be considered as a dedicated service but this should be made more specific to avoid inefficient by-pass of the transmission system.</p>
<p>4. Are there any other definitions that should be included in the TAR NC?</p>
<p>Answer: No</p>
<p>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?</p>
<p>Answer: No. We do not agree with the definition of 'transmission service' provided for in Art. 3 (11). First and foremost the present definition in Art. 3 (11) of 'transmission service' - a term being central for the scope of the entire TAR NC - leaves its definition entirely to national rules when providing for a right to exclude any activities defined under the applicable national rules. This would contradict the concept and purpose of an EU NC, which in our view is the harmonisation of national rules for the sake of increasingly integrated European gas markets. We therefore support the definition used in the FG TAR including a precise list of services which are excluded. Such services should however only being excluded if they are optional. This is not/not everywhere the case with odourisation, depressurisation, quality conversion and metering. Secondly the last example of services which may be excluded seems to be not entirely clear to us: should 'any other dedicated services or infrastructure' be subject to exclusion by national law?</p>
<p>Chapter II: Cost Allocation Approach</p>
<p>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?</p>
<p>Answer: No. Again, the present draft NC does not deliver the expected harmonisation of tariff setting methodologies throughout Europe when it allows for capacity based and commodity based revenue recovery schemes likewise in Art. 4 (5). We urge ENTSOG to use the concept of the FG TAR 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.</p>
<p>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?</p>
<p>Answer: No. The reason why the present draft stipulates to use the same primary cost allocation methodology for all entry and exit points in an entry-exit system is not clear to us. Art. 5 (4) seems to unnecessary limit the flexibility of TSOs to use the most efficient cost allocation methodology – which for exit points because of their great numbers might be more often the postage stamp methodology than for entry</p>

points.
8. Are you satisfied with the two approaches for calculating distance as outlined in Article 7.6 of the initial draft TAR NC?
Answer: Yes
9. If you are not satisfied with the two approaches, could you suggest other approaches for calculating distance?
Answer: NR
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?
Answer: Yes
11. Do you agree with the inclusion of the asset allocation methodology as set out in Article 15 of the initial draft TAR NC?
Answer: No. We believe that this methodology transfers the concept of different pricing for 'transit' vs. 'domestic' system use. This is compliant with neither the spirit nor the letter of the third package.
12. Do you agree with the secondary adjustments as described in Articles 16 – 18 of the initial draft TAR NC?
Answer: No. We disagree with the option of benchmarking provided for in Art. 18. It is not compliant with Regulation 715/2009 and it will inevitably lead to price increases in network points where no competitive alternative is available. 'Benchmarking' as used in recitals 7 and 8 of Regulation 715/2009 is an eligible concept of defining the allowed revenues of an TSO, not a tool to reduce tariffs to a level at which they might match the tariffs of an alternative entry or exit point of an adjacent TSO. 'Benchmarking' in the sense of the Gas Regulation means benchmarking a TSO with the cost structure of an 'efficient and structurally comparable network operator', not the single tariff of one network point with another one.
13. Is it necessary to specify further criteria other than those outlined in Article 19 of the initial draft TAR NC?
Answer: No
14. If it is necessary, could you suggest additional criteria to those outlined in Article 19 of the initial draft TAR NC?
Answer: NR

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?
Answer: No. The alternative cost allocation approach required by Art. 20 (2e) should be the postage stamp methodology by default. We 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. We also believe the Working tariff model should accompany the consultation to allow Network users to understand the mechanics of tariff formulation and predict future charges. Additionally, all the relevant parameters of the primary cost allocation methodology should be published and updated regularly to provide the most accurate projection of future tariffs.
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?
Answer: No
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?
Answer: Yes
Chapter III: Publication Requirements
18. Is the relationship between the regulatory period and tariff period, as defined in Article 3.7 and 3.10 clear to you?
Answer: No
19. Do you agree with the standardised format as set out in Article 26.1 of the initial draft TAR NC?
Answer: No. We do not agree with the information to be published stipulated in Art. 25 (1). Standardised information published should include a working tariff model and explanatory guide of the chosen cost allocation approach. The TSOs must be able to demonstrate that tariffs are based on costs which are efficiently incurred, so cost and price control data need to be made clear enough to enable Network users to objectively compare TSOs capital and operational costs. For a network user to be able to estimate to a reasonable extent his exposure to future transport costs it

<p>would be necessary to not only publish the transmission service revenue – as this is, subject to applicable national law, only a fraction of costs linked to the use of a pipeline system – but also its allowed revenue in total, including costs that might be recovered by revenues from other services than transmission services. Additionally, tariff changes should be accompanied by supporting documentation explaining the reason for the change and the revenue changes underpinning them. We would also like to amend Art 25 (2b) with the words ‘but jointly on a central shared website’ as this would increase the ease of use of the published data enormously.</p>
<p>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?</p>
<p>Answer: Yes</p>
<p>21. Are you concerned by the fact that tariffs are set / applied at different times of the year?</p>
<p>Answer: Yes. We are concerned because Art 27 (2) requires the publication of tariffs applicable for the next tariff period only 30 days in advance of its application. As the default tariff period is the calendar year network users do not know the tariffs at the time they have to choose their booking strategy, i.e. deciding how to distribute their transportation needs on yearly, quarterly, monthly and daily products. In order to assess the underlying costs properly the tariffs would have to be known at least 30 days in advance of the yearly capacity auction, which according to NC CAM has to take place in early March and where network users acquire capacities valid from October of the relevant calendar year onwards. This means that 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.</p>
<p>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?</p>
<p>Answer: Yes. Ideally this would be the case as all TSOs offer the same set of standard products.</p>
<p>23. Could you identify the benefits of the harmonisation of the tariff setting year, if any, for your business, and could you quantify them?</p>
<p>Answer: For identification see response to Q 21, quantification is not possible.</p>
<p>24. Could you identify the costs of harmonisation of the tariff setting year, if any, for your business and could you quantify them?</p>
<p>Answer: No. For identification see response to Q 21, quantification is not possible.</p>
<p>25. If applicable, do you think the benefits would outweigh the costs?</p>
<p>Answer: Yes. Costs seem to be one-off costs whereas benefits will stay.</p>

26. Is the issue of knowing the tariffs for the relevant gas year before the auctions start very important to you?
Answer: Yes. See response to Q21.
27. Are there any other issues or aspects that are more important than the issue specified in the previous question?
Answer: NR
Chapter IV: Reserve Prices
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?
Answer: No. The level of multipliers should allow a zero multiplier at congested points. There is no reason for the forced application of a reserve price if a point is congested and therefore the respective TSO expects auction premia to guarantee a sufficient cost recovery.
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 I to Regulation (EC) No 715/2009?
Answer: Yes
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?
Answer: No. We share the view that the criteria for allowing different ranges of multipliers need to be clear and consistent. But because this is the case the NC TAR must use the same criteria for congestion used in other parts of Regulation 715/2009, may they 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.
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?
Answer: No. At best, higher multipliers may result in yearly bookings substituting 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. It would hamper the development of short term trading and the optimisation of flows across

balancing zones, thereby putting at risk the ability of the gas market to support the flexibility needs of the power market. And it would ultimately not even affect the TSO's revenue as this is guaranteed.
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)?
Answer: No, I don't agree with the suggested options. See response to Q31.
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?
Answer: No. ENTSOG's proposal does not reflect that short term gas trading in itself is a criterion to be balanced with the need to ensure cost-reflectivity and efficient and effective revenue recovery. Short term gas trading is a means to efficiently use gas transport infrastructure when its needed and available and it is a means to ensure price convergence between hubs wherever sufficient pipeline capacity exists. Short term gas trading should therefore not be taken into account only in balance with the need to provide long term signals for infrastructure investment but in its own right. We therefore suggest revising Art. 28 (5) as follows: (a) the need to facilitate short term gas trading; (b) the need for long term signals for efficient investment; (c) the need of effective revenue recovery; (d) the need to avoid cross-subsidisation. In this context, Art 28 (6) should be amended with '(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.
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?
Answer: Yes
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 as set out in Article 30.1(b) of the initial draft TAR NC?
Answer: No. We suggest deleting Art. 30 (1b i): within-day capacity offers less than a daily product and should therefore be priced accordingly.
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?
Answer: Yes
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?
Answer: No. We support the deletion of the alternative of ex-post discounting as the only way of discounting interruptible products. Interruptible capacity products offer the right to transport gas with a risk of not being able to execute this right. This is clearly a less valuable product than a firm capacity product and must therefore be priced with an ex-ante discount. Applying an ex-post discount only in the case of an actual interruption of the service does not reflect the additional costs a network user might have incurred in organising an alternative supply or being forced to balance its positions in a tight market. An ex-post only discount would therefore infringe the provision of R 715/2009 whereas interruptible capacity must be priced according to the probability of an eventual interruption, not the according to the actual interruption. Only if this probability is nil, interruptible capacity could be offered at the price of a firm product. But this would mean that it has turned into a firm product as well.
38. Do you agree with ENTSG'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?
Answer: Yes
39. Do you agree with ENTSG'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?
Answer: No. We support the concept used in the FG TAR which require TSOs to use the marginal cost approach to price non-physical backhaul capacity products. 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.
40. Do you agree with ENTSG'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?
Answer: Yes
41. Do you agree with ENTSG's proposal for the calculation of the probability of interruption, as set out in Article 33.2 of the initial draft TAR NC?
Answer: Yes
42. Do you agree with ENTSG'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?
Answer: Yes
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?
Answer: No
Chapter V: Revenue Reconciliation
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?
Answer: Yes
Chapter VI: Pricing of Bundled Capacity and Capacity at Virtual Interconnection Points
45. Do you agree with ENTSOG's proposal with regard to the way in 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?
Answer: No. 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 Art. 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.
46. Do you agree with ENTSOG's proposal with regard to the way in which 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?
Answer: Yes
Chapter VII: Payable Price
47. Are the mechanisms for fixed capacity prices described clearly enough in Section 7.1 of the Supporting Document?
Answer: Yes
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?
Answer: No. We do not agree with the provision set out in art. 41 (4).
49. Do you have any further suggestions for calculating the fixed price premium referred to in Section 7.1 of the Supporting Document?

Answer: No
Chapter VIII: Incremental and New Capacity
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?
<p>Answer: No. Our preference is for the payable price for bundled capacity products at IPs to be set on a fixed price basis, but giving TSOs the option to offer fixed prices as an alternative to purely floating prices is welcome. However, as regards new and incremental capacity, a harmonised fixed tariff approach should be mandatory so as to encourage longer term commitments by network users.</p> <p>Also, based on the current drafting of Article 27 of the TAR NC, shippers will not know the applicable prices for capacity in any annual auctions for new and incremental capacity until after the auction has taken place. This makes it highly unlikely that shippers will be able to make informed decisions about how much capacity to bid for, and thereby will undermine the functioning of the economic test. Whilst Article 46 of the draft TAR NC attempts to remedy this defect by requiring publication of prices for capacity based on “relevant assumptions” it is highly questionable how reliable such published prices will be as they rely on assumptions about capacity bookings and systems usage several years into the future.</p>
Chapter IX: Final and Transitional Provisions
51. Do you agree with ENTSG’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?
<p>Answer: No. A one-off option to reset existing capacity contracts must be part of the mitigating measures foreseen in Art. 47.</p> <p>Market liberalisation has brought choice to consumers expanding business opportunities for suppliers and traders, and consequently a shift to more flexible products including shortening the average term of supply contracts. The Capacity Allocation Network Code offers network users a range of short term standardised capacity products at IPs, enabling profiled bookings, whilst the Congestion Management guidelines encourage them to book only the capacity they need. It has also introduced the concept of mandatory bundling at IPs. Taken together these fundamental changes affect the business cases of many network users and, in conjunction with measures in the Tariff Network Code itself, could lead to more volatile pricing of transmission capacity.</p> <p>As a consequence, network users’ perspectives on capacity booking have changed significantly. A non-discriminatory framework is essential, therefore, to allow them to adapt their booking strategies to reflect this new market reality. To ensure a level playing field, it is vital that network users are given a one-off right to reset their existing capacity contracts at IPs, either wholly or partially.</p> <p>The NC TAR alone does not cause this change in booking perspective. But it should provide an opportunity to be forward looking by allowing network users to ensure their capacity holdings reflect changing market reality.</p>
52. Do you agree with the inclusion of the mitigating measures as set out in Article 47.2(a) and (b)?
Answer: No. See our response to Q 51. Additionally, mitigating measures smearing a significant price increase

<p>over a given period of time are clearly insufficient. At the very least price increases exceeding the increase in the relevant CPI must lead to an option to terminate the relevant contracts wholly or partially. This option is implemented in Germany and has proven to balance the needs of network users and TSOs likewise.</p>
<p>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?</p>
<p>Answer: Yes</p>
<p>54. Do you agree with the text that ENTSOG has included in Article 49 on the timing of implementation?</p>
<p>Answer: Yes</p>
<p>Chapter X: General Issues</p>
<p>55. Do you agree with the structure of the initial draft TAR NC?</p>
<p>Answer: Yes</p>
<p>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)?</p>
<p>Answer: No. We think the level of detail used in describing the primary cost allocation methodologies is not sufficient to enable shippers to replicate the workings of a TSO's tariff model, or for NRAs, or the Commission, to confirm whether the TAR NC is being complied with.</p> <p>Instead of complicated formulae and data solving procedures, TSO's should publish working versions of their tariff models so shippers would be able to raise any concerns they may have about its compliance with the descriptions in the TAR NC with the NRA, rather than being left completely in the dark unable to establish whether the tariffs that are published are valid or not.</p>
<p>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?</p>
<p>Answer: Yes. The proposed mitigating measures are clearly insufficient. ENTSOG must consider amending Art. 47 with a one-off reset right described in our response to Q 51.</p>
<p>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.</p>
<p>Answer: NR</p>

Respondent:	E.ON Gas Storage
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Chapter I: General Provisions	
1. Is the scope of the initial draft TAR NC as set out in Article 2 clear to you?	
Answer: NR	
2 Do you agree with the scope of the initial draft TAR NC?	
Answer: See our answer in 17	
3. Do you agree with ENTSG's proposal for amendments to the definitions foreseen by the TAR FG, as set out in Article 3 of the initial draft TAR NC	
Answer: NR	
4. Are there any other definitions that should be included in the TAR NC?	
Answer: NR	
5. Do you agree with ENTSG's proposal for the definition of transmission services as set out in Article 3.11 of the initial draft TAR NC?	
Answer: NR	
Chapter II: Cost Allocation Approach	
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?	
Answer: NR	

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?
Answer: NR
8. Are you satisfied with the two approaches for calculating distance as outlined in Article 7.6 of the initial draft TAR NC?
Answer: NR
9. If you are not satisfied with the two approaches, could you suggest other approaches for calculating distance?
Answer: NR
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?
Answer: NR
11. Do you agree with the inclusion of the asset allocation methodology as set out in Article 15 of the initial draft TAR NC?
Answer: NR
12. Do you agree with the secondary adjustments as described in Articles 16 – 18 of the initial draft TAR NC?
Answer: NR
13. Is it necessary to specify further criteria other than those outlined in Article 19 of the initial draft TAR NC?
Answer: NR
14. If it is necessary, could you suggest additional criteria to those outlined in Article 19 of the initial draft TAR NC?
Answer: NR
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?

Answer: NR
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?
Answer: NR
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?
Answer: No. In setting tariffs for entry and exit points from and to gas storage facilities, it shall be considered that gas storage is not a net source of supply or demand and users 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 by the benefits of gas storages contributing to the network system. EGS proposes a more specific wording on the methodology in setting tariffs at storage connection points taking into account the following principles: "In order to promote efficient investments and cost reflectivity and in order to avoid undue discrimination between network users, the TSO shall be compensated for all reasonable costs directly arising from the connection of storages to the transmission system and therefore cannot be duly born by other network users. Costs related to the connection of storages and the variable costs related to the transportation of gas to and from storage shall be substantiated in which network the storage is located. In a second step possible benefits of storages contributing to the network system (e.g. reduced investments regarding peak capacity of the transmission system and import facilities and reduced OPEX) have to be evaluated and to be taken into consideration. In setting the tariff for each storage connection point the benefits shall be subtracted from costs directly attributable to connect the storage facility to the system. The tariff should be charged only once either at when gas [enters/leaves] the storage facility."
Chapter III: Publication Requirements
18. Is the relationship between the regulatory period and tariff period, as defined in Article 3.7 and 3.10 clear to you?
Answer: NR
19. Do you agree with the standardised format as set out in Article 26.1 of the initial draft TAR NC?
Answer: NR
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?
Answer: NR
21. Are you concerned by the fact that tariffs are set / applied at different times of the year?

Answer: NR
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?
Answer: NR
23. Could you identify the benefits of the harmonisation of the tariff setting year, if any, for your business, and could you quantify them?
Answer: NR
24. Could you identify the costs of harmonisation of the tariff setting year, if any, for your business and could you quantify them?
Answer: NR
25. If applicable, do you think the benefits would outweigh the costs?
Answer: NR
26. Is the issue of knowing the tariffs for the relevant gas year before the auctions start very important to you?
Answer: NR
27. Are there any other issues or aspects that are more important than the issue specified in the previous question?
Answer: NR
Chapter IV: Reserve Prices
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?
Answer: NR
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 I to Regulation (EC) No 715/2009?
Answer: NR

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?
Answer: NR
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?
Answer: NR
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)?
Answer: NR
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?
Answer: NR
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?
Answer: NR
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 as set out in Article 30.1(b) of the initial draft TAR NC?
Answer: NR
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?
Answer: NR
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?
Answer: NR
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?
Answer: NR
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?
Answer: NR
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?
Answer: NR
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?
Answer: NR
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?
Answer: NR
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?
Answer: NR
Chapter V: Revenue Reconciliation
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?
Answer: NR
Chapter VI: Pricing of Bundled Capacity and Capacity at Virtual Interconnection Points

45. Do you agree with ENTSOG's proposal with regard to the way in 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?
Answer: NR
46. Do you agree with ENTSOG's proposal with regard to the way in which 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?
Answer: NR
Chapter VII: Payable Price
47. Are the mechanisms for fixed capacity prices described clearly enough in Section 7.1 of the Supporting Document?
Answer: NR
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?
Answer: NR
49. Do you have any further suggestions for calculating the fixed price premium referred to in Section 7.1 of the Supporting Document?
Answer: NR
Chapter VIII: Incremental and New Capacity
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?
Answer: NR
Chapter IX: Final and Transitional Provisions
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?
Answer: NR
52. Do you agree with the inclusion of the mitigating measures as set out in Article 47.2(a) and (b)?
Answer: NR

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?
Answer: NR
54. Do you agree with the text that ENTSOG has included in Article 49 on the timing of implementation?
Answer: NR
Chapter X: General Issues
55. Do you agree with the structure of the initial draft TAR NC?
Answer: NR
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)?
Answer: NR
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?
Answer: NR
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.
Answer: NR

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Chapter I: General Provisions	
1. Is the scope of the initial draft TAR NC as set out in Article 2 clear to you?	
Answer: Yes	
2 Do you agree with the scope of the initial draft TAR NC?	
Answer: Yes	
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	
Answer: Yes	
4. Are there any other definitions that should be included in the TAR NC?	
Answer: No	
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?	
Answer: No. The phrase "excluding the activities defined under the applicable national rules, such as..." allows for a lot of leeway for individual markets and NRAs to decide what is included as transmission and what is not. If there is an intended harmonised definition, this definition should be stated clearly, or there could be significant variation between markets which could cause issues in terms of distortion between markets and cross border cooperation (e.g. as foreseen under Incremental Capacity NC).	
Chapter II: Cost Allocation Approach	

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?
Answer: Yes. We question the application of a complementary revenue recovery fee at IPs. This appears distortionary as its application will be unilateral by NRAs and it could impact on competition and choice of route.
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?
Answer: Yes. Although use of the word “either” in 5.2 is unclear.
8. Are you satisfied with the two approaches for calculating distance as outlined in Article 7.6 of the initial draft TAR NC?
Answer: Yes
9. If you are not satisfied with the two approaches, could you suggest other approaches for calculating distance?
Answer: n/a
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?
Answer: Yes
11. Do you agree with the inclusion of the asset allocation methodology as set out in Article 15 of the initial draft TAR NC?
Answer: Yes
12. Do you agree with the secondary adjustments as described in Articles 16 – 18 of the initial draft TAR NC?
Answer: Yes
13. Is it necessary to specify further criteria other than those outlined in Article 19 of the initial draft TAR NC?
Answer: No.
14. If it is necessary, could you suggest additional criteria to those outlined in Article 19 of the initial draft TAR NC?

Answer: n/a
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?
Answer: No. It is not clear whether the 'indication of the relevant parameters' is sufficiently detailed to allow network users transparency of the selection and ongoing tariff calculations. The effect of this could be uncertainty and a reduction in the stability of the tariff setting framework from network users' perspectives.
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?
Answer: No
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?
Answer: Yes
Chapter III: Publication Requirements
18. Is the relationship between the regulatory period and tariff period, as defined in Article 3.7 and 3.10 clear to you?
Answer: Yes
19. Do you agree with the standardised format as set out in Article 26.1 of the initial draft TAR NC?
Answer: No. There should be transparency of the tariff calculation model and its parameters through provision of the calculation model used. This should allow network users to understand and adjust input variables, and help them to assess tariff development. There should be a harmonised standard for the transparency and quality of information that is input to the models
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?
Answer: Yes
21. Are you concerned by the fact that tariffs are set / applied at different times of the year?
Answer: Yes. The answer would be "No" - if it is done according to a known schedule, changes are limited in frequency (to say 1 or 2 changes per year, to maintain cost reflectivity) and in quantum, and information on

<p>indicative tariffs or sufficient tariff calculation material has been published to allow Shippers to understand tariff development. If tariffs at border points change at different times of year this can create issues with understanding which route is the most cost effective for moving gas cross border where alternatives are present. Stating tariffs only after an auction process is problematic, as capacity has been bid for and secured when the reserve price was unknown. This uncertainty results in uneconomic and inefficient purchases, which impact the end-user.</p>
<p>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?</p>
<p>Answer: Yes. It would be useful to harmonise the tariff year at border points where alternative routes exist. Consistency with the Gas Year would be useful, as the CAM products are based on the Gas Year timeline. The objective is to facilitate trade and to manage risk with market benefits, through increased liquidity, being passed through to the consumer following arbitrated prices. This stable framework would be necessary to deliver such gains forecast - the TSO cannot at will and to their own benefits deliver changes when it suits them and their regulated income to the detriment of the trade this is intended to facilitate.</p>
<p>23. Could you identify the benefits of the harmonisation of the tariff setting year, if any, for your business, and could you quantify them?</p>
<p>Answer: We already operate in markets where tariffs are set at different times and so our systems are able to cope with this, although input of the additional tariff change is required. Harmonisation of the tariff setting year Oct-Sep would provide greater certainty on transportation costs for the Gas Year.</p>
<p>24. Could you identify the costs of harmonisation of the tariff setting year, if any, for your business and could you quantify them?</p>
<p>Answer: Yes. As above, although the input of the additional tariff change would no longer be required - minimal cost/saving.</p>
<p>25. If applicable, do you think the benefits would outweigh the costs?</p>
<p>Answer: This is not totally clear as the costs potentially include a decrease in the efficiency and cost-reflectivity of the tariff setting itself, e.g. we 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.</p>
<p>26. Is the issue of knowing the tariffs for the relevant gas year before the auctions start very important to you?</p>
<p>Answer: Yes. There should be transparency on tariffs for every product, including multipliers and discounts for shorter-term products, before the yearly annual product auction in March (for October start). Shippers need to understand how to buy capacity in the most cost effective manner across the year, and this involves</p>

purchasing a portfolio of products. We should not be expected to bid for products that do not yet have a reserve price or indication of price level.
27. Are there any other issues or aspects that are more important than the issue specified in the previous question?
Answer: No
Chapter IV: Reserve Prices
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?
Answer: Yes
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 I to Regulation (EC) No 715/2009?
Answer: Yes
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?
Answer: No. Setting multipliers ex-post does not allow network users to assess the cost-effectiveness of their portfolio of bookings. This increases uncertainty and drives risk premia into end-user prices.
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?
Answer: No. The multipliers outlined in the FG appeared adequate. It would be of concern that high amplification of short-term capacity tariffs could affect the necessary practice of some groups of network user (and the functioning of the market in general). In several markets there is an increasing need for flexible operations in the generation sector due to provision of back up to cover the intermittency of renewables. Players should not be forced into inefficient and uneconomic behaviour, which will impact on end-user prices.
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)?
Answer: No, I don't agree with the suggested options. Unilateral, carte blanche NRA decisions would be of concern when the goal is to harmonise tariff setting across borders. The TSO and NRAs should not offset and undermine trades that have been struck between parties in good faith - this undermines the market and

confidence. See also response to Q31.
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?
Answer: Yes
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?
Answer: Yes
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 as set out in Article 30.1(b) of the initial draft TAR NC?
Answer: Yes
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?
Answer: No. Setting seasonal factors up to the power of 2, with the goal, as stated in the supporting document, to incentivise or penalise more clearly months which deviate most from flat usage appears not to take account of actual gas requirements and consumption patterns in some markets, where extremes exist, and 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. Paragraph 5, where recalculation of seasonal factors within the current tariff period is permitted in the case of the usage of the transmission system undergoing significant changes, can be questioned in several ways. Resetting within a tariff period may result in commercial difficulties for shippers and end-users, and provide cross border distortion. The options presented already make it very difficult for a shipper to assess the cost-effectiveness and efficiency of their capacity booking portfolios as they may not know prices; this then adds ex-ante changes of price to the uncertainty. The phrase 'usage... undergoes significant changes' is completely open to interpretation by the TSO and NRA. There should be some strengthening of the definition to provide a basis of fact for the decision or guidance for the NRA, the provision of transparent evidence should be required and also the opportunity for shippers to respond.
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?
Answer: No. Ex-post discounts imply that the capacity is in fact firm and puts all risk on the shipper for no benefit. When shippers buy interruptible capacity they take risk which they must manage and should be

compensated for that risk with ex-ante discounts.
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?
Answer: Yes
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?
Answer: No. Non-physical backhaul should be charged at marginal cost. This helps to optimise flexibility between market areas. Non-physical backhaul is dependent on physical flows and therefore subject to enhanced risk of interruption. Article 32 also mentions the provision for recalculation where the transmission system undergoes significant changes. This should be subject to a hurdle for proof, transparent provision of evidence and involvement of stakeholders in defining and recalculating the tariffs.
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?
Answer: Yes
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?
Answer: No. The formula suggests a level of science, objectiveness and standardisation which it is unlikely to provide, as TSOs will be taking views on forecast interruptions and interruption durations.
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?
Answer: Yes
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?
Answer: No. See Q37.
Chapter V: Revenue Reconciliation
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?

Answer: No. In the interests of transparency, regulatory sub-accounts should be required to track cross-subsidisation and increase the network user's understanding of revenue and tariff development.
Chapter VI: Pricing of Bundled Capacity and Capacity at Virtual Interconnection Points
45. Do you agree with ENTSOG's proposal with regard to the way in 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?
Answer: Yes
46. Do you agree with ENTSOG's proposal with regard to the way in which 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?
Answer: Yes
Chapter VII: Payable Price
47. Are the mechanisms for fixed capacity prices described clearly enough in Section 7.1 of the Supporting Document?
Answer: Yes
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?
Answer: Yes. The fixed price option is welcome as this allows network users (and TSOs) some certainty. The floating nature of the price should be limited to inflation. In addition, the methods on both side of an IP should be consistent. We do not support complementary revenue recovery charges as these could create distortions at borders.
49. Do you have any further suggestions for calculating the fixed price premium referred to in Section 7.1 of the Supporting Document?
Answer: No
Chapter VIII: Incremental and New Capacity
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?
Answer: Yes. The detail of the information and modelling in Art. 45 should be made transparent and available to stakeholders.
Chapter IX: Final and Transitional Provisions
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?

Answer: Yes
52. Do you agree with the inclusion of the mitigating measures as set out in Article 47.2(a) and (b)?
Answer: Yes
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?
Answer: Yes
54. Do you agree with the text that ENTSOG has included in Article 49 on the timing of implementation?
Answer: Yes
Chapter X: General Issues
55. Do you agree with the structure of the initial draft TAR NC?
Answer: Yes
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)?
Answer: Yes
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?
Answer: No
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.
Answer: Yes

Respondent:	Esso Nederland BV
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Chapter I: General Provisions	
1. Is the scope of the initial draft TAR NC as set out in Article 2 clear to you?	
<p>Answer: No. Articles 2.1 and 2.2 are unclear and appear inconsistent with the CAM NC. Perhaps what is meant is: "This Regulation shall apply to all entry and exit points. Chapters IV, VI and VII shall only apply to interconnection points and may also apply to entry points from and exit points to third countries, subject to the decision of the relevant national regulatory authority." Article 2.4 is unclear as it suggests that interconnectors are somehow not fully in the scope of this NC. It is also unclear which part of the TSO charges to network users is included in the scope.</p>	
2 Do you agree with the scope of the initial draft TAR NC?	
<p>Answer: no. We suggest to:</p> <ul style="list-style-type: none"> + replace Articles 2.1 and 2.2 with the text under question 1 above; + move Articles 2.3 and 2.4 to the Whereas-section, consistent with the CAM NC; + include a provision that this Regulation applies to all tariffs applied by the transmission system operators for network access, as referred to in Article 13 of Regulation 715/2009. 	
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	
<p>Answer: No. The definition of 'transmission services' is unclear and opens the door to exclude tariffs charged to network users from the scope of this network code. Definition of 'price cap regime' and 'non-price cap regime' would add clarity. Definition of 'locational signal' is unclear. Can the 'given time period' in the definitions of 'allowed revenue' and 'target revenue' be different from the 'tariff period'? If not, it would add clarity to specify this. It is unclear from the definition of 'tariff period' whether the transmission tariffs are fixed during this period or only the reference prices?</p>	

4. Are there any other definitions that should be included in the TAR NC?
Answer: Yes. See response to question 3. Also, the definition of 'transmission services revenue' in Article 4.1 could be moved to the Definitions section.
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?
Answer: No. The ENTSOG proposed definition of 'transmission services' opens the door to exclude tariffs charged to network users from the scope of this network code. The definition is fully open to national interpretation and there are no restrictions to the exclusion of activities from 'transmission services'. Since publication requirements in the draft TAR NC only apply to 'transmission services', there would be no transparency over the excluded activities. We believe this network code, and in particular the requirements on publication and transparency, should cover all non-discretionary tariffs that are charged to network users for access to the system.
Chapter II: Cost Allocation Approach
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?
Answer: No. While the text of Article 4.1 is clear, the definition of 'transmission services' is unclear and hence it is not clear which portion of allowed or target revenue is used as input to the cost allocation approach. Moreover it is not clear how the allowed revenue from other regulated activities is allocated and how over- and under-recovery thereof is managed.
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?
Answer: No. Using the term 'cost allocation approach' in addition to 'cost allocation methodology' only adds confusion to the draft TAR NC and makes the code less understandable. It would make more sense to use the term cost allocation methodology to cover all non-discretionary TSO charges consistent with the Framework Guidelines.
8. Are you satisfied with the two approaches for calculating distance as outlined in Article 7.6 of the initial draft TAR NC?
Answer: No. While we understand the differences between the two approaches, it is unclear from the text in Article 7.6(b) when to use the shortest distance and when to use the average distance. Also the draft TAR NC does not provide guidance on when to use the airline approach and when the path approach.
9. If you are not satisfied with the two approaches, could you suggest other approaches for calculating distance?

Answer: We do not suggest adding another approach, but would prefer that the NC specifies that the airline approach should always be used unless it is demonstrated that this would lead to a substantial distortion of the cost allocation.
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?
Answer: No. 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. When incremental costs are used, a merit order based on the availability of data should be defined with a preference for long run average incremental costs, followed by standardized cost and finally investment plan based costs only when the previous two cannot apply.
11. Do you agree with the inclusion of the asset allocation methodology as set out in Article 15 of the initial draft TAR NC?
Answer: No. The proposed text is too broad as it fails to set criteria for 'the homogenous groups of network users'. We understand that the methodology is currently used to distinguish between domestic use and export use. 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.
12. Do you agree with the secondary adjustments as described in Articles 16 – 18 of the initial draft TAR NC?
Answer: No. The proposed text is too vague. The adjustments as described in Articles 16 - 18 are not objective criteria. Also rescaling should not allow for differential treatment among points. Benchmarking should not result in tariff increases at other points but should be justified on the basis that lowering the tariff at the point affected by benchmarking will increase revenue to the transmission system operator at that point. The proposal to apply secondary adjustments should be justified on a case-by-case basis, should be fully transparent, subject to public consultation and should be approved by the national regulatory authority.
13. Is it necessary to specify further criteria other than those outlined in Article 19 of the initial draft TAR NC?
Answer: Yes. The proposed criteria are too vague. When the TAR NC is to provide criteria for using the primary methodology and secondary adjustments, the result should be predictable. If this is not achievable the added value of this article is questionable.
14. If it is necessary, could you suggest additional criteria to those outlined in Article 19 of the initial draft TAR NC?
Answer: See the response to question 13.

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?
Answer: No. The process referred to in Article 20 should apply every time the cost allocation method is reviewed, also when no changes are proposed.
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?
Answer: Yes. 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. The draft TAR NC uses the words 'equal or proportionate' which introduces ambiguity and should be clarified. We want to note that 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.
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?
Answer: No. The proposed considerations do not provide clear guidance. The default entry and exit tariffs from and to gas storage facilities should be zero, with the possibility to deviate on a case-by-case basis where the location of a storage facility within the transmission system causes specific additional costs to the transmission system operator.
Chapter III: Publication Requirements
18. Is the relationship between the regulatory period and tariff period, as defined in Article 3.7 and 3.10 clear to you?
Answer: No. It is unclear from the definition of 'tariff period' whether the transmission tariffs are fixed during this period or only the reference prices? Also it would help to specify that the 'allowed revenue' and the 'target revenue' are set for a tariff period instead on an undefined 'given time period'. It is also unclear whether or not the periodic review of the cost allocation approach (specified in Article 21) coincides with the regulatory period. The review of the cost allocation approach should be based on actual realisations covering at least two tariff years.
19. Do you agree with the standardised format as set out in Article 26.1 of the initial draft TAR NC?
Answer: No. We welcome a standardised format, but this should be accompanied by a harmonised list of definitions of all the data and parameters published via this template to ensure all transmission system operators and network users have the same understanding of what is published. The information to be published should also include the parameters for setting the allowed or target revenue (such as RAB, WACC,

depreciation and cash costs) and a tariff model that enables network users to simulate how individual tariffs would change when changing the input parameters.
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?
Answer: Yes
21. Are you concerned by the fact that tariffs are set / applied at different times of the year?
Answer: Yes. It is most important that the reference prices, seasonal factors and multipliers for CAM NC points are set and published before the annual March auction. Network users need this information to be able to determine their booking behaviour in this auction. We are concerned about harmonisation of the tariff year with no alignment to the CAM NC auction calendar.
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?
Answer: Yes. Please refer to answer 21. Alignment of the tariff setting period is most important for CAM NC points. Tariffs for entry and exit point that are not subject to CAM auctions could be set at different times (similar to DSO tariffs).
23. Could you identify the benefits of the harmonisation of the tariff setting year, if any, for your business, and could you quantify them?
Answer: NR
24. Could you identify the costs of harmonisation of the tariff setting year, if any, for your business and could you quantify them?
Answer: No
25. If applicable, do you think the benefits would outweigh the costs?
Answer: NR
26. Is the issue of knowing the tariffs for the relevant gas year before the auctions start very important to you?
Answer: Yes. Please refer to answer 21.
27. Are there any other issues or aspects that are more important than the issue specified in the previous question?

Answer: No
Chapter IV: Reserve Prices
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?
Answer: No. We are concerned about the lack of guidance regarding the function of multipliers. The draft TAR NC may be consistent with the Framework Guidelines in this respect, but does not support a harmonised approach. In our view the function of multipliers is to balance the price for short term products with the annual reference price. A multiplier <1 means that short-term capacity gets a discount and this should be avoided. Multipliers <1 introduce cross-subsidisation, are discriminatory and undermine the investment climate. We would welcome a provision in the code 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. 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.
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 I to Regulation (EC) No 715/2009?
Answer: No. Please refer to answer 28.
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?
Answer: No. Please refer to answer 28. Also, under ENTSOG's proposal the multiplier would not be known at the time of the annual CAM auction in March. We consider it essential that the multipliers are known at that time. Instead of using the CMP definition of congestion, we could support the following alternative: when all available annual capacity at an IP for the 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 multipliers may be higher, up to 1.5 (or an agreed higher number).
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?
Answer: No. Please refer to answer 28. We are open to a higher multiplier than 1.5, because there is no proper justification given for this number, but the higher limit should be included in the code. We invite ENTSOG to justify this higher cap. The requirements of article 28.5 are too vague to be used as a safeguard instead of a cap.

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)?
Answer: No, I don't agree with the suggested options. Please refer to answers 28 and 31.
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?
Answer: No. Please refer to answer 28. We believe the criteria set out in Article 28.5 are too vague to be used for setting the multipliers. We would welcome a provision in the code 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.
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?
Answer: Yes
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 as set out in Article 30.1(b) of the initial draft TAR NC?
Answer: No. The pricing of within-day capacity should reflect the usability of the product. We understand that which of the two options is to be used is set by whether the TSO requires a daily nomination (option i) or hourly nominations (option ii).
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?
Answer: No. The proposed method to calculate seasonal factors is overly complicated. In our view a seasonal factor should on average over a year be equal to 1. In the proposed method the average seasonal factor can be higher than 1 and becomes an additional multiplier. We could agree to combine 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.
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?
Answer: No. We believe that TSOs should maximise the offer of firm capacity products. When all firm capacity is sold out day-ahead, TSOs are required to offer interruptible capacity which should be offered at a zero

reserve price. 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.
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?
Answer: No. We do not support that TSOs offer a suite of interruptible products and in doing so transfer the risk of interruption to network users. 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.
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?
Answer: No. We support the provisions of the Framework Guidelines on non-physical backhaul capacity.
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?
Answer: No. Please refer to answer 37.
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?
Answer: No. Please refer to answer 37. 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.
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?
Answer: No. Please refer to answer 41.
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?
Answer: No. We do not agree with the proposal of an ex-post discount. This would transfer all risk to network users without an appropriate reward.
Chapter V: Revenue Reconciliation
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?
Answer: No. The provisions of Article 37 are clear, but the draft TAR NC is not clear about how any over- or under-recovery of revenue from other regulated activities (as described in Article 4.6) is handled.
Chapter VI: Pricing of Bundled Capacity and Capacity at Virtual Interconnection Points
45. Do you agree with ENTSOG's proposal with regard to the way in 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?
Answer: No. The network code on CAM requires that VIPs are established only if they facilitate the economic and efficient use of the system. The proposals for setting the VIP tariff replace existing different tariffs with a single 'average' tariff and this works contrary to the economic and efficient use of the system. In addition, the creation of a VIP may affect network users with existing capacity contracts and their interests should be taken into account.
46. Do you agree with ENTSOG's proposal with regard to the way in which 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?
Answer: No. Please refer to answer 45. We 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).
Chapter VII: Payable Price
47. Are the mechanisms for fixed capacity prices described clearly enough in Section 7.1 of the Supporting Document?
Answer: No. We welcome ENTSOG's efforts to include the possibility of a fixed price in the draft TAR NC. The text of the Supporting Document is clear, but differs from the text of the draft TAR NC. Article 41.2(d) introduces a fixed price with an additional variable charge. From the Supporting Document we understand that the additional variable charge can also be applied to floating prices, which cannot be found in the draft TAR NC. Also the option of fixed + indexation is described in the Supporting Document but not in the draft TAR NC.
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?
Answer: No. This proposal is very much appreciated because it takes into account the importance of a fixed tariff to allow network users to book long-term capacity and underpin new investments. It is important to take account of the specifics of the relevant project when deciding on the best tariff option(s) to use.
49. Do you have any further suggestions for calculating the fixed price premium referred to in Section 7.1 of the Supporting Document?

<p>Answer: 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. Also for dedicated investments the possibility of a fixed price might reduce financing costs to the transmission system operators and offset the risk premium.</p>
<p>Chapter VIII: Incremental and New Capacity</p>
<p>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?</p>
<p>Answer: No. The provisions on incremental and new capacity rely on network users making long-term commitments to underpin investments. The other Chapters of the draft TAR NC are biased in favor of short term capacity products and this undermines the basis for incremental and new capacity.</p>
<p>Chapter IX: Final and Transitional Provisions</p>
<p>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?</p>
<p>Answer: No. The mitigating measures proposed in the draft TAR NC do not address the key issue that network users with existing long-term capacity contracts can be faced with an unexpected and unfair tariff increase because this network code favours short-term capacity products. We prefer a tariff network code that would incentivise network users with a sustained demand to book annual capacity, but since this cannot be guaranteed we support a one-time reset option as mitigating measure. Giving network users the possibility to cancel all or part of the existing capacity contracts will avoid discrimination and cross-subsidisation when this code enters into force.</p>
<p>52. Do you agree with the inclusion of the mitigating measures as set out in Article 47.2(a) and (b)?</p>
<p>Answer: No. Please refer to answer 51.</p>
<p>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?</p>
<p>Answer: Yes. We expect that the implementation period will be set by the time needed to align national legislation with the network code. However, it should be possible to apply the code from October 2017, considering the possibility of an additional 24 months transitional period.</p>
<p>54. Do you agree with the text that ENTSOG has included in Article 49 on the timing of implementation?</p>
<p>Answer: No. 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. We also question whether 1 October is the best day to implement this network code.</p>

Chapter X: General Issues
55. Do you agree with the structure of the initial draft TAR NC?
Answer: No. The 'Whereas' section of the draft TAR NC fails to address what the issue is that this code is intended to resolve. The scope of the draft TAR NC is unclear and covers only part of the transmission tariffs. The provisions do not provide clear rules, but offer many options and possible backdoors. Finally the draft TAR NC provides hardly any solutions for cross-border and market integration issues.
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)?
Answer: No. We have concerns in 2 areas. Article 4 of the draft TAR NC is not clear without having the benefit of figure 5 of the Supporting Document. Too many different terms are described without giving a clear context why this is needed. Secondly, the description of the cost allocation methods may be clear for the TSOs using a specific method, but to be part of EU legislation it should be easy to understand for 'everyone'.
57. After reviewing the initial draft TAR NC, do you find that there are other material issues that ENTOSOG should consider for the purpose of the refined draft TAR NC?
Answer: No. The draft TAR NC does not provide the level of transparency needed by network users. TSOs should make a tariff model available that enables network users to calculate the effect of changes to input parameters on tariffs at individual entry and exit points. Confidentiality should not be used as an excuse for not providing transparency. ENTOSOG should consider addressing cross-border issues specifically and include more guidance where tariff issues hamper market integration. As an example we refer to the German conversion charge that acts as a barrier to market integration. The tariff network code should apply to all compulsory charges on network users. 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. ENTOSOG should consider including the reset option as mitigating measure. Flow-based charges should always be expressed in monetary terms, not in kind, to avoid conflicts with the bundling of capacity products.
58. Do you find the Supporting Document for consultation to be 'respondent-friendly' in terms of its readability, style, etc.? Please outline how ENTOSOG could improve future consultation documents.
Answer: No.

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Chapter I: General Provisions	
1. Is the scope of the initial draft TAR NC as set out in Article 2 clear to you?	
Answer: n/a	
2 Do you agree with the scope of the initial draft TAR NC?	
Answer: n/a	
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	
Answer: n/a	
4. Are there any other definitions that should be included in the TAR NC?	
Answer: n/a	
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?	
Answer: n/a	
Chapter II: Cost Allocation Approach	
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?	
Answer: n/a	

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?
Answer: n/a
8. Are you satisfied with the two approaches for calculating distance as outlined in Article 7.6 of the initial draft TAR NC?
Answer: n/a
9. If you are not satisfied with the two approaches, could you suggest other approaches for calculating distance?
Answer: n/a
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?
Answer: n/a
11. Do you agree with the inclusion of the asset allocation methodology as set out in Article 15 of the initial draft TAR NC?
Answer: n/a
12. Do you agree with the secondary adjustments as described in Articles 16 – 18 of the initial draft TAR NC?
Answer: n/a
13. Is it necessary to specify further criteria other than those outlined in Article 19 of the initial draft TAR NC?
Answer: n/a
14. If it is necessary, could you suggest additional criteria to those outlined in Article 19 of the initial draft TAR NC?
Answer: n/a
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?

Answer: n/a
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?
Answer: n/a
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?
<p>Answer: Whilst we agree that the storage transmission benefits principle is a very necessary and important one, (see the Waters Wye Associates report on the benefits of GB gas storage: http://www.eua.org.uk/sites/default/files/WWA-Gas-Transmission-Benefits-of-GB-Gas-Storage-Report.pdf) GSOG does not consider that the consideration outlined in Article 23 is sufficient for gas storage. Whilst we agree with ENTSOG that NRAs are best placed to consider any net benefit storage facilities may provide the transmission system as well as minimising any adverse effect on cross-border trade, GSOG believes that the NC should include key principles for setting gas transmission tariffs for entry and exit in respect of gas storage facilities in an appropriate and sufficiently consistent manner across the single European gas market. The recently published WWA report clearly demonstrates a significant diversity of transmission charging arrangements among EU Member States in relation to gas storage. Given the key harmonisation objective of TAR NC as set out in the ACER Framework Guideline and related IA, includes specific reference to ACER's view that the basic principles adopted in setting transmission tariffs for gas storage should be harmonised, we consider it essential that the NC should go further than the current draft in this respect, by providing more explicit guidance to European gas TSOs and NRAs. First, GSOG considers that the principle of no double recovery of transmission costs in the relevant storage-related tariffs should be included. As ENTSOG is aware, gas storage users already pay entry and exit tariffs when gas is brought onto or taken off the gas transmission system. Secondly, GSOG considers that tariffs for entry and exit points from and to gas storage should reflect only those specific, additional transmission costs (if any) which relate directly to the connection and use of the gas storage facility, after taking into account the benefits provided to the transmission system. Our proposal in this respect is set out below. Article 23 Storage of the current draft NC includes the following:</p> <p>When the national regulatory authority sets or approves the transmission tariffs for the storage facilities, the following shall be taken into consideration:</p> <ol style="list-style-type: none"> (1) the net benefits that the storage facilities may provide to the transmission system; (2) the need to promote efficient investment in the transmission system; (3) the need to minimise detrimental effects on cross-border trade. <p>GSOG proposed additions to Article 23 are as follows:</p> <ol style="list-style-type: none"> (4) the principle of "no double recovery" of transmission costs in the tariffs applicable at a storage connection point. (5) tariffs for entry and exit points from and to gas storage shall have a default price of zero and shall reflect only those specific, additional transmission costs (if any) which relate directly to the connection and use of the gas storage facility, after taking into account the benefits mentioned in Art. 23 (1).

<p>GSOG also notes there is widespread support for these principles among European gas stakeholders, including both EFET and GSE. These views have been clearly expressed to ENTSOG during the prior informal consultation process, as well as during the development of related business rules, and we are at a loss to understand on what policy grounds ENTSOG has chosen to ignore them.</p>
<p>Chapter III: Publication Requirements</p>
<p>18. Is the relationship between the regulatory period and tariff period, as defined in Article 3.7 and 3.10 clear to you?</p>
<p>Answer: n/a</p>
<p>19. Do you agree with the standardised format as set out in Article 26.1 of the initial draft TAR NC?</p>
<p>Answer: n/a</p>
<p>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?</p>
<p>Answer: n/a</p>
<p>21. Are you concerned by the fact that tariffs are set / applied at different times of the year?</p>
<p>Answer: n/a</p>
<p>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?</p>
<p>Answer: n/a</p>
<p>23. Could you identify the benefits of the harmonisation of the tariff setting year, if any, for your business, and could you quantify them?</p>
<p>Answer: n/a</p>
<p>24. Could you identify the costs of harmonisation of the tariff setting year, if any, for your business and could you quantify them?</p>
<p>Answer: n/a</p>
<p>25. If applicable, do you think the benefits would outweigh the costs?</p>
<p>Answer: n/a</p>

26. Is the issue of knowing the tariffs for the relevant gas year before the auctions start very important to you?
Answer: n/a
27. Are there any other issues or aspects that are more important than the issue specified in the previous question?
Answer: n/a
Chapter IV: Reserve Prices
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?
Answer: n/a
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 I to Regulation (EC) No 715/2009?
Answer: n/a
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?
Answer: n/a
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?
Answer: n/a
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)?
Answer: n/a
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?
Answer: n/a

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?
Answer: n/a
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 as set out in Article 30.1(b) of the initial draft TAR NC?
Answer: n/a
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?
Answer: n/a
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?
Answer: n/a
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?
Answer: n/a
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?
Answer: n/a
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?
Answer: n/a
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?

Answer: n/a
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?
Answer: n/a
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?
Answer: n/a
Chapter V: Revenue Reconciliation
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?
Answer: n/a
Chapter VI: Pricing of Bundled Capacity and Capacity at Virtual Interconnection Points
45. Do you agree with ENTSOG's proposal with regard to the way in 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?
Answer: n/a
46. Do you agree with ENTSOG's proposal with regard to the way in which 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?
Answer: n/a
Chapter VII: Payable Price
47. Are the mechanisms for fixed capacity prices described clearly enough in Section 7.1 of the Supporting Document?
Answer: n/a
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?
Answer: n/a
49. Do you have any further suggestions for calculating the fixed price premium referred to in Section 7.1 of the Supporting Document?

Answer: n/a
Chapter VIII: Incremental and New Capacity
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?
Answer: n/a
Chapter IX: Final and Transitional Provisions
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?
Answer: n/a
52. Do you agree with the inclusion of the mitigating measures as set out in Article 47.2(a) and (b)?
Answer: n/a
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?
Answer: n/a
54. Do you agree with the text that ENTSOG has included in Article 49 on the timing of implementation?
Answer: n/a
Chapter X: General Issues
55. Do you agree with the structure of the initial draft TAR NC?
Answer: n/a
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)?
Answer: n/a
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?
Answer: n/a

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.

Answer: n/a

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Chapter I: General Provisions	
1. Is the scope of the initial draft TAR NC as set out in Article 2 clear to you?	
Answer: Yes	
2 Do you agree with the scope of the initial draft TAR NC?	
Answer: Yes	
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	
Answer: No, The definition of allowed revenue should make it clear that this is set or approved by the NRA, as per the definition in the Framework Guidelines.	
4. Are there any other definitions that should be included in the TAR NC?	
Answer: No	
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?	
Answer: No, The definition allows for a lot of individual NRA interpretation, potentially allowing activity which should be included in TSOs allowed revenue to be excluded, and vice versa. Rather than try and list the dedicated services that should be excluded from the definition, as "transmission" is defined in the Gas Regulation we suggest the definition could simply be "services relating to transmission which a TSO provides to all of the network users connected to its transmission system". We note also that the supporting document refers to the fact that short haul should be considered as a dedicated service, and therefore	

excluded from the definition. If the definition continues to specifically refer to excluded dedicated services, short haul should be added to the list.
Chapter II: Cost Allocation Approach
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?
Answer: Yes, However, as a consequence of how ENTSG has developed the parameters of the cost allocation approach, dedicated services which are excluded from transmission revenue can now exceed the 5% restriction included in the FG. Also the complementary revenue recovery charge can apply to IPs as well as national entry/exit points. Whilst we accept that the 5% threshold should not be a firm restriction, we would be concerned if allowed revenue from excluded services significantly exceeded this threshold. We suggest therefore that if a TSO's revenue from dedicated services exceeds 5% of its allowed revenue, it should justify why this is and consult on whether such dedicated services should continue to be excluded from transmission services. Where separate charges for dedicated services are in place, at least 30 days' notice should be applied to any changes in these charges and the changes should be fully explained. As for allowing a complementary recovery charge to apply at IPs, we do not support. It creates potential barriers or distortions to cross-border trade, particularly when it is used to recover costs unrelated to transmission activities as currently happens in some systems. Increasing amounts of intermittent renewable generation will increase the need to transfer flexibility between gas markets. Applying a separate flow based commodity charge or top-up capacity levy at IPs will stifle this transfer of flexibility, discouraging cross-border within day trading opportunities.
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?
Answer: Yes
8. Are you satisfied with the two approaches for calculating distance as outlined in Article 7.6 of the initial draft TAR NC?
Answer: Yes
9. If you are not satisfied with the two approaches, could you suggest other approaches for calculating distance?
Answer: N/A
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?
Answer: Yes

11. Do you agree with the inclusion of the asset allocation methodology as set out in Article 15 of the initial draft TAR NC?
Answer: Yes
12. Do you agree with the secondary adjustments as described in Articles 16 – 18 of the initial draft TAR NC?
Answer: No, Where rescaling is applied we think the constant should be used on a multiplicative basis not an additive basis, as this would better preserve the extent of the tariff variability generated by the primary cost allocation methodology. Also, we have concerns about the use of benchmarking as a secondary adjustment because of its potential cross-subsidisation effects. As such, an ACER opinion should be sought on each occasion benchmarking is used, in addition to the consultation and justification foreseen in the TAR NC.
13. Is it necessary to specify further criteria other than those outlined in Article 19 of the initial draft TAR NC?
Answer: Yes, See Q14 below.
14. If it is necessary, could you suggest additional criteria to those outlined in Article 19 of the initial draft TAR NC?
Answer: We think that a general criterion to further stability of transmission tariffs should be taken into account when choosing a primary cost allocation methodology
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?
Answer: No, In addition to a four year review, all the relevant parameters of the primary cost allocation methodology should be published and updated regularly throughout the regulatory period. This will enable network users to understand the general direction of future tariffs. For example, TSOs should publish how investments that are included in their network development plans will impact their RAB and therefore their allowed revenues going forward.
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?
Answer: No
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?
Answer: Yes, Eurelectric agrees that any benefits to the transmission system arising from storage facilities should be taken into account by NRAs when setting their transmission tariffs. Establishing a clear distinction

<p>between injection and withdrawal capabilities which have positive effects for the transmission system, and those which do not, will be crucial in this respect.</p>
<p>Chapter III: Publication Requirements</p>
<p>18. Is the relationship between the regulatory period and tariff period, as defined in Article 3.7 and 3.10 clear to you?</p>
<p>Answer: Yes</p>
<p>19. Do you agree with the standardised format as set out in Article 26.1 of the initial draft TAR NC?</p>
<p>Answer: No, TSOs should be required to publish working models of their cost allocation approach along with a user guide, both in the national language and in English. The model should be structured in such a way as to allow network users to change the parameters which act as drivers of the underlying reference prices (e.g. allowed revenue, capacity and flow assumptions), so that they can use it effectively to forecast future tariff changes. In addition, TSOs should regularly publish forward looking views of tariffs for the remainder of the regulatory period which represent their best estimation based on available data. Whilst TSOs' price control arrangements are outside the scope of the TAR NC, TSOs must be able to demonstrate that the tariffs they charge are based on costs which are efficiently incurred. So cost and price control data needs to be published, and made clear enough to enable network users to objectively compare TSOs' capital and operational costs with those of other TSOs, or 3rd party providers.</p>
<p>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?</p>
<p>Answer: Yes</p>
<p>21. Are you concerned by the fact that tariffs are set / applied at different times of the year?</p>
<p>Answer: Yes, Frequent and irregular tariff changes are an administrative burden and truly bundled capacity should have a common tariff period either side of the IP. If tariffs change at different times of the year network users will not be able to effectively compare which is the most cost effective route to transport gas.</p>
<p>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?</p>
<p>Answer: Yes, Tariffs that apply at IPs should be set and applied subject to a harmonised tariff year. The tariff year should be consistent with the capacity year defined in the CAM NC, i.e. October – September. Whilst it may not be strictly necessary for the same harmonised tariff year to apply to all non-IP entry and exit points, TSOs and NRAs may find it easier to adopt a harmonised approach for all entry and exit points, rather than having different tariff years for different classes of entry/exit points. In addition to harmonising the tariff year for IPs, it is important that the reserve prices, multipliers and seasonal factors applicable to the first tariff year are published in advance, i.e. at least 30 days before the annual capacity auction in March. This is</p>

necessary to enable network users to determine their commercial booking strategies. If this information is not available at this time, or it changes after the auction has closed, network users won't know the overall price of the capacity they are bidding for. Nor will they know what the relative prices of annual, quarterly, monthly, daily and within day capacity are. So they cannot objectively determine whether to profile their capacity bookings or the relative proportions of short term capacity to book.
23. Could you identify the benefits of the harmonisation of the tariff setting year, if any, for your business, and could you quantify them?
Answer: Eurelectric cannot quantify the benefits of its member associations.
24. Could you identify the costs of harmonisation of the tariff setting year, if any, for your business and could you quantify them?
Answer: No, Eurelectric cannot quantify the benefits of its member associations.
25. If applicable, do you think the benefits would outweigh the costs?
Answer: As we are not able to quantify the benefits or costs we cannot answer this question.
26. Is the issue of knowing the tariffs for the relevant gas year before the auctions start very important to you?
Answer: Yes, See Q22 above. It is a key pre-requisite for network users to commit and participate in the CAM Network Code capacity auctions.
27. Are there any other issues or aspects that are more important than the issue specified in the previous question?
Answer: No
Chapter IV: Reserve Prices
28. Do you agree with ENTSG's proposal for the conditions for determining the allowed multiplier ranges, as set out in Article 29 of the initial draft TAR NC?
Answer: Yes
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 I to Regulation (EC) No 715/2009?
Answer: Yes, Linking multipliers to congestion is appropriate provided the definition of congestion is based on whether one of the four criteria in 2.2.3(1) of Annex 1 has been met, not whether firm day-ahead UIOLI has been applied. This is because some countries (Germany/Austria) have implemented firm day-ahead UIOLI

<p>regardless of whether one or more of these criteria have been met. It is also unclear whether firm day-ahead UIOLI would ever be dis-applied if any of the criteria in 2.2.3 (1) ceased to apply. Inclusion of the extra criteria of <10% of technical capacity being offered on a daily basis on average over the year, could help to guard against the concern expressed above and so we could support its inclusion.</p>
<p>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?</p>
<p>Answer: No, This would mean multipliers for quarterly and monthly products would not be known until after the annual and quarterly CAM NC auctions respectively. So network users wouldn't be able to determine the relative costs of short term capacity when bidding in the annual CAM NC auctions, and so couldn't assess the commercial benefits of profiling their bookings.</p>
<p>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?</p>
<p>Answer: No, We believe the multipliers in the FG strike a fair balance between the interests of network users booking capacity on a short term and long term basis. If NRAs have discretion to set multipliers higher than the range set out in the FG, we fear that the price of within day capacity will become prohibitively high and prevent efficient optimisation of gas flexibility between market areas.</p>
<p>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)?</p>
<p>Answer: No, I don't agree with the suggested options. If the opportunity for NRAs to set higher multipliers is allowed, ACER should also give an opinion on the range and justification before they are applied due to the potential for adverse impact on cross-border trade and flow flexibility.</p>
<p>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?</p>
<p>Answer: Yes</p>
<p>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?</p>
<p>Answer: Yes</p>
<p>35. Do you agree with ENTSOG's proposal for the two options for calculating reserve prices for within-day</p>

standard capacity products in absence of seasonal factors as set out in Article 30.1(b) of the initial draft TAR NC?
Answer: Yes
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?
Answer: No, The combination of multipliers and seasonal factors on average over the year must be able to be < 0.5, otherwise NRAs will not be able to adopt multipliers for day-ahead and within day products which are less than 0.5. In order to facilitate the efficient use of cross-border flows for balancing purposes multipliers less than 0.5 should be allowed, particularly for within day capacity. Zero multipliers will also be necessary for any future application of implicit capacity allocation, which the CAM NC allows for. We are not convinced seasonal factors should be allowed to be set to the power of 2, and in any case the application of both seasonal factors and multipliers should be subject to NRA approval.
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?
Answer: No, We do not support ex-post interruptible discounts as this implies the risk of interruption is zero, in which case the capacity should be firm. By simply refunding equivalent firm capacity costs in the event of an interruption, TSOs avoid having to make an objective assessment of the risk of interruption. Ex-post discounts disincentivise TSOs to oversell firm capacity under CMP and transfers risk from TSOs to network users. Also, whenever interruptible capacity offered is offered and firm capacity has sold out it should have a nominal reserve price.
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?
Answer: Yes
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?
Answer: No, We support the approach in the FG whereby backhaul reserve prices are based on the actual (marginal) price of providing the service. This will help to ensure flexibility is fully optimised between market areas based on price signals.
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?

Answer: Yes
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?
Answer: No, The formula is complicated and, in reality, TSOs will not be able to anticipate specific durations of interruption, or what proportion of capacity will need to be interrupted.
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?
Answer: 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.
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?
Answer: No, See Q37 above.
Chapter V: Revenue Reconciliation
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?
Answer: No, We are pleased that the Framework Guideline recognised the need for the single regulatory account to include sub-accounts for tracking under/over recovery. However, the TAR NC should: a) require sub-accounts to be mandatory as it is very important for network users always to be able see the extent of any cross-subsidy between classes of network user that results from having a single regulatory account; b) include discretion for NRAs to target a proportion of the under/over recoveries accrued within these sub-accounts back to the network users responsible for generating them if they exceed a certain materiality threshold (to be consulted upon at national level).
Chapter VI: Pricing of Bundled Capacity and Capacity at Virtual Interconnection Points
45. Do you agree with ENTSOG's proposal with regard to the way in 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?
Answer: Yes
46. Do you agree with ENTSOG's proposal with regard to the way in which 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?
Answer: Yes

Chapter VII: Payable Price
47. Are the mechanisms for fixed capacity prices described clearly enough in Section 7.1 of the Supporting Document?
Answer: Yes, We welcome the inclusion of a fixed price option in addition to a floating price at IPs, particularly for incremental capacity. ENTOSOG may wish to consider limiting the fixed price options listed in the supporting document in order to ensure the best compromise between tariff stability for network users and cost reflectivity for TSOs. NRAs/TSOs should also collaborate to ensure, wherever possible, that the payable prices applied either side of an IP are consistent. As previously stated in Q6, fixed payable prices at IPs with a complementary commodity or capacity based revenue recovery charge risk distorting cross-border flows. We do not support this option therefore.
48. Do you agree with ENTOSOG's proposal for the inclusion of different mechanisms for fixed capacity prices in the refined draft TAR NC, as outlined in the Supporting Document?
Answer: Yes
49. Do you have any further suggestions for calculating the fixed price premium referred to in Section 7.1 of the Supporting Document?
Answer: No
Chapter VIII: Incremental and New Capacity
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?
Answer: Yes, The economic test compares the respective share of the present value of binding commitments of network users and the respective share of the present value of the increase in regulated revenues. In order for network users to understand how the increase in regulated revenues has been determined, network users will need full transparency of the elements of a TSO's price control which determine regulated revenues, such as the increase in RAB, depreciation period, WACC, discount factor etc. Network users should not simply be quoted a number for the present value of the increase in regulated revenues and be expected to take this on trust. They need to understand how it is calculated so as to be able to make a judgement on whether the TSO's investment is considered efficient.
Chapter IX: Final and Transitional Provisions
51. Do you agree with ENTOSOG'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?
Answer: Yes
52. Do you agree with the inclusion of the mitigating measures as set out in Article 47.2(a) and (b)?

Answer: No, We think that imposing 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. NRAs should have discretion to apply mitigation beyond this limit, subject to stakeholder consultation and notification to ACER.
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?
Answer: Yes
54. Do you agree with the text that ENTSOG has included in Article 49 on the timing of implementation?
Answer: Yes
Chapter X: General Issues
55. Do you agree with the structure of the initial draft TAR NC?
Answer: Yes
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)?
Answer: Yes
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?
Answer: Yes, As per our joint statement with other trade associations to the Madrid Forum, we think the TAR NC should include a one-off reset option to allow network users to surrender existing capacity they hold at IPs prior to the date the TAR NC applies. The last few years have seen considerable change in EU gas demand and in capacity booking arrangements following the introduction of CMP and the CAM NC. The TAR NC could also bring about fundamental changes to tariff setting in many Member States, the impact of which is difficult to predict at this stage. As such there is a real risk that existing capacity contracts are no longer fit-for-purpose. In much the same way as suppliers are in the process of renegotiating their long term supply contracts to reflect changing gas market conditions, we think TSOs should provide network users with a one-off opportunity to revise their existing capacity contracts to make them fit-for-purpose. Reset will free up more capacity for bundling which can be allocated on a short term basis to optimise flows between market areas, cutting contractual congestion at a stroke. If the reset option is triggered prior to the TAR NC applying, TSOs can take account of any surrendered capacity in future tariffs, potentially smearing any significant tariff changes over two years, as per the mitigating measures.

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.

Answer: Yes

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Chapter I: General Provisions	
1. Is the scope of the initial draft TAR NC as set out in Article 2 clear to you?	
Answer: Yes	
2 Do you agree with the scope of the initial draft TAR NC?	
Answer: No, Eurogas feels that the current draft does not provide for a clear solution for all tariff issues for bundled capacity products on IP's, which it should. Especially if shippers receive an offer to fix their tariffs by only one (or none) of the TSO's at IP's, no method of increasing tariff predictability/stability is currently provided. An easy solution for this problem would be to give shippers the right to fix the price for capacity products (see 47, 51 and 57). As such the possibility to fix the payable price for bundled capacity products on IP's would be guaranteed for all network users	
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	
Answer: No, The changes to the wording of the FG definitions as such do not present any real issues for Eurogas (although there may be eventual issues to be taken up depending on the outcome of the discussions on the range of multipliers), but we do not wish to signal endorsement of the package of definitions. We comment on particular points below.	
4. Are there any other definitions that should be included in the TAR NC?	
Answer: Yes, Eurogas has answered Yes to this question to reflect a high degree of concern among members that there has to be more clarity on what are non-transmission services, that could then end up on an unregulated basis feeding into the tariff components. Therefore it would make sense to define non-transmission services, and ensure an appropriate level of regulatory oversight over these and in order to limit	

the scope of what can be charged at an IP.
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?
Answer: No, The concern of Eurogas therefore is less with the wording of the definition of transmission services, but that it is unclear where the boundaries lie between transmission and non-transmission services; Eurogas would be concerned if this led to uncontrolled allocation of a large part of the total allowed revenues from non-transmission services. Therefore as mentioned above there not only needs to be clarity on this but rules to ensure the charging for non-transmission services do not lead to cross-subsidies, that their recovery is fully justified, where they can be billed and how the cost allocation test in Article 22 is conducted. The previously discussed idea of a cap should be evaluated again, e.g. a default rule of 5 percent could be considered. ACER should have a supervision role and NRAs have to consult users.
Chapter II: Cost Allocation Approach
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?
Answer: No, The sequential steps set out in 5.1 are clear but that does not mean that the provisions will give shippers a clear forward view on the outcome of the tariff setting process, which is what they need. In particular they will wish to have more visibility on revenue recovery and therefore a better opportunity to understand the revenue accounts (see 44). Also the concern of Eurogas on the potential impact from the charges of non-transmission services activities used to generate undue revenues is relevant here. The handling of this issue needs to be improved, in line with the goals of transparency and cost reflectivity. Ideally a model should be developed (respecting the necessary confidentiality) that will allow shippers to have better foresight of tariff evolution.
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?
Answer: No, Feedback is that even if the wording is clear (although complicated by references to primary cost allocation methodology which when complemented by a secondary adjustment becomes cost allocation methodology), it is not clear how the tariffs will evolve (see 6), especially when considerations mentioned under related points are factored in.
8. Are you satisfied with the two approaches for calculating distance as outlined in Article 7.6 of the initial draft TAR NC?
Answer: No, There are different levels of concern within Eurogas underlying this negative answer ranging from a view that neither approach takes into account economies of scale and therefore will not contribute to adequate cost-reflectiveness of the overall cost-allocation methodology, to a suggestion to delete the airline route.

9. If you are not satisfied with the two approaches, could you suggest other approaches for calculating distance?
Answer: At the very least pipeline network dimensions need to be considered.
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?
Answer: No, The criteria should not be exclusive as there is no guarantee in any case of the extent to which the TSO will work with them and in future different ones might be preferable. Another general point in line with concerns expressed about is that these parameters give too much discretion to the TSO; and will not allow shippers to have foresight of likely tariff evolution. TSOs should provide a clear model upfront of tariff evolution, with adequate transparency to help shippers improve their foresight. As the criteria are not fixed, the TSOs should issue for comment scenarios and underlying hypotheses, and discuss the principles they intend to apply. If no investment is planned for example, then incremental costs need not be an input.
11. Do you agree with the inclusion of the asset allocation methodology as set out in Article 15 of the initial draft TAR NC?
Answer: Yes, Notwithstanding the concerns expressed above on broad points concerning allocation methodology and the need for greater clarity notably on cross-border implications, Eurogas has answered positively to this question, because we recognise the issue needs to be addressed in the longer term of how narrowing and changing markets, affecting the unitary tariff base outlook for some TSOs in particular, and it is probably difficult to deal with is as a sub-point of one of the other methodologies. However, somehow or other the underlying problems will need to be tackled, and in the approach the principles of cost-reflectiveness, avoidance of cross-subsidisation and fairness have to be observed. (price cap).
12. Do you agree with the secondary adjustments as described in Articles 16 – 18 of the initial draft TAR NC?
Answer: No, Eurogas would as a starting point ask that the TSOs clearly explain their choices of secondary measures. Such an explanation should be part of the consultation document described under Article 20. Now the points on the individual measures. On rescaling Eurogas would on balance have preferred to see multiplication by a constant as this better respects locational signals than adding a constant. Eurogas does not agree with benchmarking unless limited to shorthaul in which circumstances building a direct line could be less costly than the impact on tariffs overall. A wider approach to benchmarking would lead to significant cross-subsidies and distortions.
13. Is it necessary to specify further criteria other than those outlined in Article 19 of the initial draft TAR NC?
Answer: No, It is not clear why the material in this Article cannot be distributed through the specific articles referring to either the primary cost allocation methodologies or the secondary adjustments.
14. If it is necessary, could you suggest additional criteria to those outlined in Article 19 of the initial draft TAR

NC?
Answer: NR
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?
Answer: No, In general the procedure is clear but the four year period should be referenced and the parties involved in the consultation clarified and the transparency of the process improved. In addition, the application of secondary measures should also be explained (see 12). Furthermore if the postage stamp methodology is selected, then a counterfactual justification would be needed, so that shippers and NRAs will be able to assess whether that is a more cost-reflective option than the alternatives.
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?
Answer: No, But there has to be a possibility for NRAs after consultation with shippers to adjust the approach if a better way is identified. Indeed Eurogas asks if there is not a way in which 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.
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?
Answer: Yes, But there will be different answers among the Eurogas membership depending on national concerns. Therefore the main messages from Eurogas is that as storage markets are different in different Member states, then discretion should rest with the NRAs regarding the setting of transmission tariffs for storage (or other flexibility sources).
Chapter III: Publication Requirements
18. Is the relationship between the regulatory period and tariff period, as defined in Article 3.7 and 3.10 clear to you?
Answer: No, The wording in 3.7 and 3.10 is clear enough but Eurogas has concerns about the timing of the tariff setting (see below) and therefore prefers to signal this with a negative answer.
19. Do you agree with the standardised format as set out in Article 26.1 of the initial draft TAR NC?
Answer: No, The template is suitable for a standardised format and no changes are proposed in that regard. The transparency it offers is welcome, but members’ comments also reflect concerns that in practice it will be of limited use. A main question identified by Eurogas members is whether the information will be available when it is needed, and this should also be a major concern of ACER’s. The availability of the necessary

information will be crucial to successful implementation.
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?
Answer: Yes, Apart from the timing issue, Eurogas would question if shippers can be confident of the necessary information being available when it is needed, and this should also be a major concern of ACER. TSOs should therefore confirm that there are no obstacles to the publication of this (or any) information as required by the NC Tariffs.
21. Are you concerned by the fact that tariffs are set / applied at different times of the year?
Answer: Yes
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?
Answer: Yes, Eurogas would favour having a standard gas tariff year across the EU starting on 1 October. This could ease back-office work and be consistent with the long-term capacity auctions which sell yearly capacity products starting on 1 October; In particular, with the introduction of bundled products, the application of different tariff years would aggravate complications.
23. Could you identify the benefits of the harmonisation of the tariff setting year, if any, for your business, and could you quantify them?
Answer: NR
24. Could you identify the costs of harmonisation of the tariff setting year, if any, for your business and could you quantify them?
Answer: NR
25. If applicable, do you think the benefits would outweigh the costs?
Answer: NR
26. Is the issue of knowing the tariffs for the relevant gas year before the auctions start very important to you?
Answer: Yes, Furthermore, a shipper needs to know the tariffs of all the capacity products at least one month before the auctions for the yearly product bid in March in order to be able to build his booking strategy. Therefore, multipliers and seasonal factors must also be known before this auction as well as tariff components that will be applied to transmission capacity for a given year (e.g. charges to cover non-

transmission services etc.).
27. Are there any other issues or aspects that are more important than the issue specified in the previous question?
Answer: In addition Eurogas would like to reinforce its view that in addition to floating tariffs, it should be possible to have fixed tariffs. The different ways mentioned by ENTSG to introduce this possibility are all worth exploring further, and members within Eurogas 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 fluctuation due to under or over-recovery or changes in the allowed TSO revenue.
Chapter IV: Reserve Prices
28. Do you agree with ENTSG's proposal for the conditions for determining the allowed multiplier ranges, as set out in Article 29 of the initial draft TAR NC?
Answer: No, This is a difficult issue, and Eurogas is well aware of the debate which has led to this compromise. The provisions are much preferable to earlier thinking on this difficult subject Nonetheless, Eurogas has some concerns. While we agree that the level of congestion should be a valid input we would not want to see it as the only or the predominant criterion in determining multipliers. The NRA should take a view on the particular range. Eurogas continues to be 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.
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 I to Regulation (EC) No 715/2009?
Answer: No. See 28. We would be concerned that the proposed approach could give the wrong signals on the levels of multipliers. Therefore we would prefer that the congestion is a factor taken into account, but not an automatic determinant. The congestion threshold that determines the multiplier to be applied should be decided by the NRA.
30. Do you agree with ENTSG'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?
Answer: No, This is a preferable approach and will also be more transparent so to that extent Eurogas supports it, but it still would not allow users to know in advance of the annual auction multipliers for monthly and daily capacity.
31. Do you agree with ENTSG'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?

Answer: Yes, Provided that the decision-making process is transparent, involves market consultation, and is overseen by the NRA. In view of the concern of Eurogas about maintaining a balanced approach to making easier short-term trade and long-term signals for investment, 28.5a is especially important and b and c are necessary adjuncts.
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)?
Answer: Yes, I support the 1st option. But are the two considered alternatives or is a mix possible. You may find that the question has been interpreted differently.
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?
Answer: Yes, See 31. Also this process should contribute to the availability of multiplier tariffs before the annual auction.
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?
Answer: Yes, Also this process should contribute to the availability of multiplier tariffs before the annual auction.
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 as set out in Article 30.1(b) of the initial draft TAR NC?
Answer: No, There are different views on this but the negative answer is given because there are concerns that the first option is not cost-reflective enough and this should be explored further with those holding that view.
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?
Answer: Yes, The methodology is ok although it might have been simpler to impose an arithmetic mean of 1 for seasonal factors, but Eurogas does not agree with the recalculation option (31.5). The Seasonal factors once set should not be changed within the tariff period.
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?
Answer: No, Eurogas does not support the ex post discount as this is unlikely to cover the full costs to shippers of being interrupted. The main consideration should be to link in the probability and the eventual actual costs of interruption. Back-up options have to be in place regardless of the actual interruption that happens and therefore the ex-post method is not an adequate method.
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?
Answer: No, It does not go far enough, and if there were more transparency e.g. on network configurations and flow scenarios, then shippers could make their own assessment of interruption.
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?
Answer: No, 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 Eurogas has answered in the negative.
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?
Answer: Yes
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?
Answer: Yes
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?
Answer: Yes, But the meaning of the question is not well understood. It is also important to have the same methodology either side of a border point.
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?

Answer: No, See above. Eurogas does not support an ex-ante approach.
Chapter V: Revenue Reconciliation
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?
<p>Answer: No, Eurogas is concerned that with only one regulatory account and sub-accounts, a fundamental lack of transparency could lead to significant cross-subsidies, especially since it is unclear where and how the data would be split. To limit this risk, the introduction of more regulatory accounts is favoured, at least two e.g. one for cross-border and one for national users should be prepared.</p> <p>Other points are:</p> <ul style="list-style-type: none"> • The single regulatory account should not include any charges arising from under-recovery of revenues linked to non-transmission charges. • 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. • In article 37.4, it is stated that the NRA may decide to use this auction premia (sic) for reducing physical congestion. It is, however, not for the NRA to decide on investment, but instead to look to its responsibility of setting an appropriately incentivised framework for the TSO to invest when necessary.
Chapter VI: Pricing of Bundled Capacity and Capacity at Virtual Interconnection Points
45. Do you agree with ENTISOG's proposal with regard to the way in 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?
Answer: Yes
46. Do you agree with ENTISOG's proposal with regard to the way in which 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?
Answer: Yes
Chapter VII: Payable Price
47. Are the mechanisms for fixed capacity prices described clearly enough in Section 7.1 of the Supporting Document?
<p>Answer: No, Eurogas understands the explanations of the mechanisms, but members will point out individual points in relation to their interest in fixed capacity prices and their preferences, and suggest ways to improve the code. Therefore Eurogas has answered in the negative to give scope for further thought on the provisions. An important general point Eurogas would like to make is that the code should provide users with the right to determine the tariff in discussion with the TSOs and not leave it up to TSOs to provide or not the option to users. Furthermore it should be clearer that the fixed price should apply to the end of the booking. Moreover, the issue of whether to offer available bundled capacity on a fixed price basis also needs to be</p>

<p>considered in context of any existing floating price long-term capacity contracts and the need to prevent undue discrimination. The fixed price, however, should not be considered as a sufficient mitigation measure, and as an option may not compensate fully for the expected price volatility. Therefore Eurogas has asked along with other important network users for a reset option (see2, 51 and 57).</p>
<p>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?</p>
<p>Answer: Yes, Eurogas supports the possibility to have a fixed price (see above) and related alternative options as presented by ENTSOG.</p>
<p>49. Do you have any further suggestions for calculating the fixed price premium referred to in Section 7.1 of the Supporting Document?</p>
<p>Answer: As members will come forward with more detailed suggestions, this should be a topic of more in-depth discussion.</p>
<p>Chapter VIII: Incremental and New Capacity</p>
<p>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?</p>
<p>Answer: Yes</p>
<p>Chapter IX: Final and Transitional Provisions</p>
<p>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?</p>
<p>Answer: No, Eurogas is among the proponents of a one-off capacity reset option because it considers that the mitigating measures will be insufficient and involve economic penalties for long-term shippers. Among other issues, there is concern that if currently proposed mitigation measures led to significant under-recovery in 2018-19, holders of long-term capacities would be faced with paying the bill in 2020 onwards. There should be an open-minded discussion on how this reset clause could be integrated, the points to which it should apply and the extent to which its application may be limited. In the interests of a well-functioning European gas market, such a discussion should take into account among other considerations changes in circumstances since the contracts were signed and the implications for some national systems. Then the implications for other cross-border exit points further along the route need to be considered, in particular in the case of cross-border flows that cannot be recovered. It should not be overlooked that some assets will have fully depreciated. In order to limit adverse consequences for shippers concerned by this exclusion, their tariffs should be fixed with a possible indexation, but with no risk premiums. Shippers are asking for a fair outcome with fair tariffs underpinned by the principles of non-discrimination and avoidance of cross-subsidies. Shippers would have to indicate with an appropriate notice period (18 months?) for each point the level of capacities they want to reset, in order to allow TSOs to calculate the new tariff without uncertainty. Such a one-off option will help ease in the code with fewer burdens for long-term shippers in</p>

<p>particular. There is no reason to think that it will destabilize the market or make tariffs more volatile. Provided that sufficient notice is given before resetting, bookings will be adapted to the level of physical flows, and should then be stable. Eurogas maintains its wish for a framework to promote long-term emphasis in network use, but if the volatility of the tariffs that could arise with the entry into force of the code damages suppliers' interests to the detriment of the gas market and gas customers, then some way to remedy this other than the mitigating options already proposed and for which users have the right to ask is needed. Resetting capacity will also free up capacity for new entrants. Because TSOs will recover their allowed revenues it should not damage their finances, although as mentioned above discussions may be appropriate on exemptions. In addition to the one-off capacity reset option and to complement mitigating measures as these are inadequate on their own, shippers should also have the option to fix the payable price of capacity bookings (current and future), and it should not be left to the TSOs to provide or not this opportunity (see 2, 47 and 57). Therefore the option provided for in the code should become an obligation on TSOs to meet shippers' requests. This will be a sure way of allowing shippers to insure themselves against future changes in the cost allocation methodology.</p>
<p>52. Do you agree with the inclusion of the mitigating measures as set out in Article 47.2(a) and (b)?</p>
<p>Answer: No</p>
<p>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?</p>
<p>Answer: Yes, But we would like to see a road-map to ensure timely and full implementation of the code and work to facilitate this should start as soon as possible among TSOs and NRAs.</p>
<p>54. Do you agree with the text that ENTSG has included in Article 49 on the timing of implementation?</p>
<p>Answer: Yes</p>
<p>Chapter X: General Issues</p>
<p>55. Do you agree with the structure of the initial draft TAR NC?</p>
<p>Answer: Yes</p>
<p>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)?</p>
<p>Answer: No</p>
<p>57. After reviewing the initial draft TAR NC, do you find that there are other material issues that ENTSG should consider for the purpose of the refined draft TAR NC?</p>
<p>Answer: Yes, A possibility of a one-off reset option should be included, and also the issues around non-</p>

transmission services may need focused treatment, as it is a material issue. An obligation on TSOs to provide shippers with the right to fix their transmission tariffs should be introduced (see 2, 47 and 51). Finally it has to be clear how TSOs licensed to carry out transmission services can use the tariff system to cover non-transmission services.

58. Do you find the Supporting Document for consultation to be 'respondent-friendly' in terms of its readability, style, etc.? Please outline how ENTASOG could improve future consultation documents.

Answer: Yes, The Supporting Document is ok but the questionnaire could have been more user friendly. Questions requiring Yes/No answers are always difficult to handle, especially for Associations. Very often the question taken on one level might merit one answer, but when taken with related concerns or a view that the question is not the right one, necessarily elicits another response. Many questions are open to different interpretations as Eurogas has seen in discussions with members. At the very least, therefore, there should be an opportunity to give fuller explanations whether the answer is yes or no, which is the case with only some points.

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Chapter I: General Provisions	
1. Is the scope of the initial draft TAR NC as set out in Article 2 clear to you?	
Answer: Yes	
2 Do you agree with the scope of the initial draft TAR NC?	
Answer: Yes	
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	
Answer: Yes	
4. Are there any other definitions that should be included in the TAR NC?	
Answer: No	
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?	
Answer: Yes	
Chapter II: Cost Allocation Approach	
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?	
Answer: Yes	

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?
Answer: Yes
8. Are you satisfied with the two approaches for calculating distance as outlined in Article 7.6 of the initial draft TAR NC?
Answer: No. The “airline approach” is not cost reflective. We just see this approach valid in really meshed networks with changing flows. We propose to omit this approach as gas travels through actual pipelines.
9. If you are not satisfied with the two approaches, could you suggest other approaches for calculating distance?
Answer: NR
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?
Answer: Yes. However, it is the NRA the one to decide which costs should be considered when calculating the access tariffs.
11. Do you agree with the inclusion of the asset allocation methodology as set out in Article 15 of the initial draft TAR NC?
Answer: No. The asset allocation methodology as set out in Article 15 distinguishes between different network categories which could be discriminatory. An alternative methodology should be used instead.
12. Do you agree with the secondary adjustments as described in Articles 16 – 18 of the initial draft TAR NC?
Answer: No. Regarding the “rescaling” adjustment (Art 16) should be made by multiplying a constant instead of adding a constant. Otherwise, the impact in each point will differ. Regarding the “benchmarking” adjustment (Art 18), it implies an increase in other points of the system. The selection of these points can be discriminatory. For this reason, we consider that 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.
13. Is it necessary to specify further criteria other than those outlined in Article 19 of the initial draft TAR NC?
Answer: Yes
14. If it is necessary, could you suggest additional criteria to those outlined in Article 19 of the initial draft TAR NC?

Answer: It is necessary to have the all data to apply the methodology.
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?
Answer: No. We consider that the postage stamp methodology should be used as the counterfactual methodology. It will also provide information of the TSO efficiency.
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?
Answer: No
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?
Answer: Yes
Chapter III: Publication Requirements
18. Is the relationship between the regulatory period and tariff period, as defined in Article 3.7 and 3.10 clear to you?
Answer: Yes
19. Do you agree with the standardised format as set out in Article 26.1 of the initial draft TAR NC?
Answer: No. It is vitally important that alongside information published in a standardised format, as set out in Article 26, TSOs publish a working tariff model of their cost allocation approach. This should make it clear how reference prices applicable at specific entry and exit points have been determined, and be formatted in such a way to enable network users to adjust the model's relevant parameters (e.g. allowed revenues, entry/exit split, projected capacity bookings) to forecast how reference prices may change accordingly.
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?
Answer: Yes
21. Are you concerned by the fact that tariffs are set / applied at different times of the year?
Answer: Yes
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?
Answer: Yes
23. Could you identify the benefits of the harmonisation of the tariff setting year, if any, for your business, and could you quantify them?
Answer: NR
24. Could you identify the costs of harmonisation of the tariff setting year, if any, for your business and could you quantify them?
Answer: NR
25. If applicable, do you think the benefits would outweigh the costs?
Answer: Yes
26. Is the issue of knowing the tariffs for the relevant gas year before the auctions start very important to you?
Answer: Yes. It is essential to develop commercial booking strategies.
27. Are there any other issues or aspects that are more important than the issue specified in the previous question?
Answer: No
Chapter IV: Reserve Prices
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?
Answer: No. We consider that reserve prices for annual products should be lower than for quarterly, monthly and daily capacity products.
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 I to Regulation (EC) No 715/2009?
Answer: Yes. According to the CMP Network Code, ACER is responsible for the definition of congestion following several rules (existence of premiums during previous auctions or absence of offer for firm monthly capacity at least). However, these definitions is not enough restrictive. Indeed, even if monthly capacities are offered to the market, it can happen that yearly capacities are fully booked for several years. In that case, the IP is not considered as congested according to the rules defined in CMP Network Code whereas it is not possible to have access to the capacity at a yearly tariff which impair the development of any competitive commercial activity in

<p>the zone. To avoid this kind of situation, the second solution proposed in the Supporting Document based on the percentage of booked capacity for product of longer duration seems better.</p>
<p>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?</p>
<p>Answer: No. The proposal including in section 4.1 relies on an ex-post assessment after the yearly and quarterly auctions. This fact implies that the multipliers would not be known prior to these auctions and it will be difficult to develop a proper commercial booking strategy.</p>
<p>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?</p>
<p>Answer: Yes</p>
<p>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)?</p>
<p>Answer: Yes. We think that the first request of shippers is to have visibility and stability on the future tariff. As it is presented in the Supporting Document, the limitation of the multiplier could lead to a systematic under-recovery of the allowed revenue. The mandatory increase of the next tariff will impact every category of users: short term trader as well as long term shippers who enable the triggering of investment thanks to their long term commitments. We agree with the proposal of the ENTSOG to authorize multiplier higher than 1.5 under certain circumstances and after validation of the NRA. However, we don't support the inclusion of the provision in the TAR NC.</p>
<p>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?</p>
<p>Answer: Yes. We agree with the process. In case of willingness to change the multiplier, a consultation must be launched to understand the possible impact on shippers (possible change of behavior).</p>
<p>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?</p>
<p>Answer: Yes</p>
<p>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 as set out in Article 30.1(b) of the initial draft TAR NC?</p>

Answer: Yes. For Within-Day capacity in an hourly system, we would prefer the second option where the price is based on a prorata temporis of the daily tariff because it better reflects the real value of the product. The main argument for the first option, which is its simplicity of application, will not help the development of the Within-Day market... Moreover, a system where the capacity would be treated as a swap of gas would simplify things.
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?
Answer: Yes
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?
Answer: Yes. We favor ex-post discounts.
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?
Answer: No
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?
Answer: No. We support the initial position described in the Framework Guidelines where the tariff for non-physical backhaul capacity should be based on the marginal costs. The argument of ENTSOG against this proposal is that it could lead to an arbitrage between IP with non-physical backhaul and IP with bi-directional flows. We think that this arbitrage is the best way to decrease the price differential between hubs because it 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.
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?
Answer: Yes
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?
Answer: Yes

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?
Answer: Yes
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?
Answer: Yes
Chapter V: Revenue Reconciliation
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?
Answer: Yes
Chapter VI: Pricing of Bundled Capacity and Capacity at Virtual Interconnection Points
45. Do you agree with ENTSOG's proposal with regard to the way in 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?
Answer: Yes
46. Do you agree with ENTSOG's proposal with regard to the way in which 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?
Answer: We do not have enough information.
Chapter VII: Payable Price
47. Are the mechanisms for fixed capacity prices described clearly enough in Section 7.1 of the Supporting Document?
Answer: Yes
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?
Answer: NR
49. Do you have any further suggestions for calculating the fixed price premium referred to in Section 7.1 of the Supporting Document?
Answer: NR

Chapter VIII: Incremental and New Capacity
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?
Answer: No. We have concerns regarding the level of transparency with respect to the level of the investment costs that will be used in the economic test. Funds or subsidies should be considered also in the economic test.
Chapter IX: Final and Transitional Provisions
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?
Answer: No. Whilst the mitigating measures described reflect the provisions of the Framework Guideline we do not think they are sufficient. This issue is one of the major challenges of the Regulation and in this sense the mitigation and transitional provisions should be defined clearly. The other relevant factor is the time to implement the mitigation measures, the Regulation should provide enough deadlines to be implemented in order to protect the existing gas transmission capacity contracts and to avoid discriminatory practices.
52. Do you agree with the inclusion of the mitigating measures as set out in Article 47.2(a) and (b)?
Answer: No. Whilst the mitigating measures described reflect the provisions of the Framework Guideline we do not think they are sufficient. Article 47 1. (a) and (b) are very broad, both imposed the burden of proof in the TSO, what means that for the implementation of the mitigation measures the TSO has to demonstrate that the application of the Regulation results (i) "in undue negative impacts" which is a very broad and vague concept. (ii) "in an increase of the transmission tariffs applicable for the next tariff period at an individual entry or exit point by more than twenty percent as compared to the current tariff period", which might be a high percentage.
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?
Answer: NR
54. Do you agree with the text that ENTSOG has included in Article 49 on the timing of implementation?
Answer: NR
Chapter X: General Issues
55. Do you agree with the structure of the initial draft TAR NC?
Answer: Yes
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)?

Answer: No. We do not think the level of detail used in describing the primary cost allocation methodologies is sufficient to enable shippers to replicate the workings of a TSO's tariff model
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?
<p>Answer: "Yes. There are other issues we would believe need further discussion:</p> <p>Article 5: Complementary revenue recovery charge. It can be discretionary. We prefer to adjust it through the rescaling.</p> <p>Article 6: In order to replicate the model further information is needed: (4)(c) For the scenarios considered :</p> <ul style="list-style-type: none"> • Localization of offer and demand in each node of the system. o Justify the conventional demand considered. o Assumptions made when allocating the electricity demand in each exit point. o Criteria considered to distribute the offer in each entry point (for example proportional to the capacity booked). • Flows and gas direction in each segment justifying the alternative selected when there are more than one possibility (For example: turning on a compressor station). (4)(e) Length and diameter of each segment. Article 7.7.b (weighted average approach). The weight in each point should be defined. Article 12 y 13: no examples in the supporting documentation For all methodologies more realistic examples should be included. The explanations are more confusing than the FG. Article 12 The methodology is not clear, mainly paragraphs (3)(b) y (3)(c). (3)(a) It should be made explicit that the selection of the reference node has no impact. (3)(b) Not clear how the distance from one segment to the reference node is calculated. (3)(b) According to ACER, peak flows reduce the distance x flow for the system. However, ENTSOG methodology differs from this assumption with no justification. Article 14 Counterflow segment with a factor <1 are penalised no matter the use (even if the segment is under-utilised). An alternative will be to penalised just congested segments using a factor >1. Article 16. As mentioned before, we consider that all points should be adjusted with the rescaling and not with the complementary revenue."
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.
Answer: NR

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Chapter I: General Provisions	
1. Is the scope of the initial draft TAR NC as set out in Article 2 clear to you?	
Answer: Yes	
2 Do you agree with the scope of the initial draft TAR NC?	
Answer: Yes	
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	
Answer: yes	
4. Are there any other definitions that should be included in the TAR NC?	
Answer: No	
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?	
Answer: No, The definition is open-ended. It may lead to surprise tariffs*, such as recently introduced tariffs for existing connection in The Netherlands. It is fine to have some specific services that are not supplied to all users (in a similar manner), but these tariffs have to be as transparent as the normal transmission service. * See EFET presentation during SJWS5 on 9 April 2014, http://www.entsog.eu/public/uploads/files/publications/Tariffs/2014/SJWS%205_TAR%20NC%20Presentations_09%2004%2014.pdf	

Chapter II: Cost Allocation Approach
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?
Answer: Yes
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?
Answer: Yes
8. Are you satisfied with the two approaches for calculating distance as outlined in Article 7.6 of the initial draft TAR NC?
Answer: No answer – VGN is inconclusive at this moment. 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, this is not the case.
9. If you are not satisfied with the two approaches, could you suggest other approaches for calculating distance?
Answer: Not at this moment, however VGN is willing to discuss further.
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?
Answer: NR
11. Do you agree with the inclusion of the asset allocation methodology as set out in Article 15 of the initial draft TAR NC?
Answer: NR
12. Do you agree with the secondary adjustments as described in Articles 16 – 18 of the initial draft TAR NC?
Answer: Secondary adjustments should be carefully handled by NRAs to avoid too huge deviation from primary cost based allocation. Secondary adjustments, specifically benchmarking may be a way of harmonizing specific transmission tariffs for gas storages across the EU
13. Is it necessary to specify further criteria other than those outlined in Article 19 of the initial draft TAR NC?
Answer: No
14. If it is necessary, could you suggest additional criteria to those outlined in Article 19 of the initial draft TAR NC?

Answer: NR
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?
Answer: Yes
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?
Answer: NR
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?
<p>Answer: No, "Double payment problem from FG should be reflected in NC In setting tariffs for entry and exit points from and to gas storage facilities, it shall be considered that gas storage is not a net source of supply or demand and users already paid entry- and exit tariffs at import/ production and at end consumption. The text in the network code disregards this problem that was already flagged in ACER's draft initial impact assessment of 17 September 2012. In this ACER document, it was stated "that in countries with an entry- and exit system the way that tariffs are calculated may result in tariffs paid for transporting gas using storages that are not cost reflectivity because tariffs are not allowed to depend on contractual paths. This may typically result in gas storage users paying entry- and exit twice". The tariff at these points shall cover incremental costs if not compensated by the benefits of gas storages contributing to the network system. Benefits are proven in various reports, such as the November 2012 report by Pöyry* and the April 2014 report by Waters & Wye Associates (WWA)**. Gas Storage Netherlands proposes a more specific wording on the methodology in setting tariffs at storage connection points:</p> <p>*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</p> <p>**http://www.waterswye.co.uk/resources/wwa%20gas%20transmission%20benefits%20of%20gb%20gas%20storage%20reportfinal230414v4.pdf</p> <p>Draft NC does not harmonise transport tariffs for storages enough. As stated in the April 2014 WWA report, the specific transport tariffs for storages vary very much between Member States. In order to improve the EU gas market, the NC should give direct guidance in this matter, by stating that transport tariffs should ensure both efficient investment in as usage of gas storages.</p> <p>We propose an alternative text for the article: Article XX Transmission tariffs for gas storages</p> <ol style="list-style-type: none"> 1. Tariff structures shall ensure that users of gas storages do not pay full entry and exit tariffs more than once without substantiation. 2. Transmission tariffs for gas storages shall be set at a level that ensures efficient investments in and usage of gas storages, whilst taking into account the need to avoid discrimination between network users and distortion of the single internal European energy market.

<p>3. The transmission tariffs for gas storages shall be cost-reflective and based on the substantiated costs that arise directly from the connection of storages to the transmission system, set off against the various benefits that gas storages provide. These benefits include, but are not limited to:</p> <ul style="list-style-type: none"> (a) the reduced need for investments in, inter alia, peak capacity of the transmission system; (b) the reduced need for investment in import facilities; (c) the reduced operational expenditure of the transmission system operator; (d) the increased security of supply of gas through reduced dependency on potentially disruptable supply routes; (e) the increased ability to facilitate integration of intermittent renewable energy into the EU's energy mix; and (f) the increased functioning and liquidity of the EU internal energy market."
Chapter III: Publication Requirements
<p>18. Is the relationship between the regulatory period and tariff period, as defined in Article 3.7 and 3.10 clear to you?</p>
<p>Answer: Yes</p>
<p>19. Do you agree with the standardised format as set out in Article 26.1 of the initial draft TAR NC?</p>
<p>Answer: Yes</p>
<p>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?</p>
<p>Answer: Yes</p>
<p>21. Are you concerned by the fact that tariffs are set / applied at different times of the year?</p>
<p>Answer: NR</p>
<p>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?</p>
<p>Answer: NR</p>
<p>23. Could you identify the benefits of the harmonisation of the tariff setting year, if any, for your business, and could you quantify them?</p>
<p>Answer: Gas storage users suffer from differences in tariff structures between Member States in general. These differences hamper cross-border trade. They create inefficiency if gas storage in country A is used to supply a customer in country B.</p>

24. Could you identify the costs of harmonisation of the tariff setting year, if any, for your business and could you quantify them?
Answer: NR
25. If applicable, do you think the benefits would outweigh the costs?
Answer: NR
26. Is the issue of knowing the tariffs for the relevant gas year before the auctions start very important to you?
Answer: NR
27. Are there any other issues or aspects that are more important than the issue specified in the previous question?
Answer: NR
Chapter IV: Reserve Prices
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?
Answer: Yes, however <ul style="list-style-type: none"> Gas Storage Netherlands does not agree with Article 29(5). Granting exceptions to the rule will not lead to proper harmonisation. Also seasonal factors and multipliers of domestic entry- and exit points should be taken into account, at least those of gas storages as they compete in an international flexibility market It should be considered that gas 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.
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 I to Regulation (EC) No 715/2009?
Answer: Yes, Gas Storage Netherlands agrees with the general principle to link multipliers with the usage at an IP or the level of congestion. However, 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.
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?

Answer: NR
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?
Answer: No, Gas Storage Netherlands does not agree with Article 29(5). Granting exceptions to the rule will not lead to proper harmonisation.
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)?
Answer: No, Gas Storage Netherlands does not agree with Article 29(5). Granting exceptions to the rule will not lead to proper harmonisation.
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?
Answer: Yes
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?
Answer: NR
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 as set out in Article 30.1(b) of the initial draft TAR NC?
Answer: NR
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?
Answer: NR
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?
Answer: Yes

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?
Answer: Yes
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?
Answer: No. 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.
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?
Answer: Yes
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?
Answer: Yes
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?
Answer: NR
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?
Answer: NR
Chapter V: Revenue Reconciliation
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?
Answer: Yes, the respective article is clear for Gas Storage Netherlands. Although Gas Storage Netherlands would prefer two more than one account, as a second best solution the tracking via sub-accounts is useful but it requires consistent implementation meaning a reconciliation based on tracking. Besides, it is not clear how often the regulatory account would be reconciled. Gas Storage Netherlands considers reasonable to make possible a reconciliation of the regulatory account every year to allow for a timely cost recovery and to avoid sharp

adjustment of tariffs, in line with the TAR FG.
Chapter VI: Pricing of Bundled Capacity and Capacity at Virtual Interconnection Points
45. Do you agree with ENTSOG's proposal with regard to the way in 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?
Answer:
46. Do you agree with ENTSOG's proposal with regard to the way in which 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?
Answer:
Chapter VII: Payable Price
47. Are the mechanisms for fixed capacity prices described clearly enough in Section 7.1 of the Supporting Document?
Answer: Yes
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?
Answer: Yes
49. Do you have any further suggestions for calculating the fixed price premium referred to in Section 7.1 of the Supporting Document?
Answer: NR
Chapter VIII: Incremental and New Capacity
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?
Answer: Yes
Chapter IX: Final and Transitional Provisions
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?
Answer: No, there is no reason to delay full implementation up to 24 months. It would be better to enable users to change booked capacity as a result of changes in transmission tariffs. Moreover, we have concerns of using a 25% tariff increase as a threshold for mitigating measures. If for instance a network user has benefited from very low transmission tariffs a 25% change of a transmission tariff of almost nothing will still not be a significant increase in

absolute values, so tariff deviations may persist for a longer period than intended.
52. Do you agree with the inclusion of the mitigating measures as set out in Article 47.2(a) and (b)?
Answer: No
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?
Answer:
54. Do you agree with the text that ENTOSOG has included in Article 49 on the timing of implementation?
Answer: No, there is no reason to delay full implementation up to 24 months. It would be better to enable users to change booked capacity as a result of changes in transmission tariffs.
Chapter X: General Issues
55. Do you agree with the structure of the initial draft TAR NC?
Answer: NR
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)?
Answer: NR
57. After reviewing the initial draft TAR NC, do you find that there are other material issues that ENTOSOG should consider for the purpose of the refined draft TAR NC?
Answer: NR
58. Do you find the Supporting Document for consultation to be 'respondent-friendly' in terms of its readability, style, etc.? Please outline how ENTOSOG could improve future consultation documents.
Answer: NR

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Chapter I: General Provisions	
1. Is the scope of the initial draft TAR NC as set out in Article 2 clear to you?	
Answer: Yes	
2 Do you agree with the scope of the initial draft TAR NC?	
Answer: No, GasTerra considers the TAR NC of great importance for the clarity and predictability of transport tariffs across the European Union market area. The TAR NC as such is the capping stone of the Network Codes (NC's) that are developed, and that are still under development/review. GasTerra considers it crucial that the TAR NC addresses clear guidance on all tariff related issues on Interconnection Points (IP's). As such one of the issues currently not addressed in the draft TAR NC is how the payable price for bundled capacity products at IP's can be fixed if that option is only offered by one TSO on one side of the IP. Article 39 of the draft TAR NC should thus be complemented to give guideline on how to address this issue. However, a more recommendable approach would be to give network users the right to fix the payable price, which would make the option available at both sides of the border at all time.	
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	
Answer: Yes	
4. Are there any other definitions that should be included in the TAR NC?	
Answer: Yes, A definition of reserve price could be included: the minimum price to be paid for a standard capacity product in an auction.	
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?
Answer: Yes, However, the phrase “any other dedicated services or infrastructure” is rather vague which blurs the boundary between what is part of the transmission services and what is not. To enhance cost reflectivity, harmonisation, and transparency of the overall tariff structure GasTerra considers it important that a cap is applied on the part of the total allowed revenues that can be attributed to these “dedicated services”. This cap should be sufficiently motivated and approved by the NRA, taking into account that short-haul should be considered as a dedicated service.
Chapter II: Cost Allocation Approach
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?
Answer: No, See also our answer to question 5. GasTerra welcomes the definition of transmission services as set out in article 3.11 and the services that are excluded from this definition. However, without a clear cap for dedicated services (as originally set out in article 3.1.1 of the Framework Guideline) we feel that the overall goals of cost reflectivity, harmonisation, and transparency of the tariff structure could be jeopardised. Otherwise TSO’s might use this freedom to shift an increasing amount of revenue away from the cost-allocation methodology and towards undefined dedicated services. GasTerra is not in favour of the concept of a complementary revenue recovery charge. In our view the reconciliation of the regulatory account is a sufficient mechanism to reimburse any under-recovery of the allowed revenue to the TSO. See also our answers to question 47 and question 48.
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?
Answer: Yes, GasTerra would also promote a cost allocation approach that allows for the application of a mix of the primary cost allocation methodologies detailed in Articles 10 to 15, subject to the approval of the NRA, if that would improve the cost reflectivity of the tariff structure.
8. Are you satisfied with the two approaches for calculating distance as outlined in Article 7.6 of the initial draft TAR NC?
Answer: No, GasTerra considers an airline approach for calculating distances as inappropriate with a view to cost reflectivity and thus this approach should be deleted. With regard to the (second) path approach, according to Article 7.6 (b) distance may be determined on the basis of transmission costs. If our understanding is correct that this approach would allow taking into account economies of scale (such as pipeline diameters), then we would strongly support this approach. However, the current description of the “path approach” needs to be clarified in the final TAR NC.
9. If you are not satisfied with the two approaches, could you suggest other approaches for calculating distance?

<p>Answer: See our answer to question 8. Any methodology to calculate distance should take into account the dimensions of the pipeline network in place.</p>
<p>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?</p>
<p>Answer: Yes, However, we do not think that this should be an exhaustive set of principles, as more cost effective principles/considerations might emerge in the future.</p>
<p>11. Do you agree with the inclusion of the asset allocation methodology as set out in Article 15 of the initial draft TAR NC?</p>
<p>Answer: Yes</p>
<p>12. Do you agree with the secondary adjustments as described in Articles 16 – 18 of the initial draft TAR NC?</p>
<p>Answer: No, GasTerra recognizes that rescaling and equalisation may help to achieve a better fit with the full set of objectives of the cost allocation approach, although we note that equalisation does not contribute to cost reflectivity nor is it likely to foster competition or to contribute to security of supply. However, we decidedly do not agree with benchmarking as this would lead to cross-subsidisation. If pipe-to-pipe competition occurs, the risk should be borne by the TSO's and not by shippers in other parts of the transmission system. The increased cooperation between NRA's called for by the TAR NC should help to avoid unnecessary investments in transmission infrastructure and limit the risks associated for TSO's.</p> <p>Furthermore, we would like to see the mitigation of considerable tariff increases as described in Article 47.2 also included in the list of secondary adjustments that can be part of the cost allocation approach. This would mean that mitigating severe tariff changes should not only be considered at the entry into force of the network code, 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.</p> <p>In addition, GasTerra considers it of crucial importance that the TSO/NRA clearly motivates the choice for secondary adjustments, and as we understand such motivation shall be explicitly part of the consultation and approval process of the cost allocation approach as described under Article 20 of the draft TAR NC.</p> <p>Finally, although secondary adjustments can help to increase tariff stability, GasTerra thinks that a proper option for network users to fix their payable prices is the best way to serve this objective. See also our answers to Q27/Q47/Q48.</p>
<p>13. Is it necessary to specify further criteria other than those outlined in Article 19 of the initial draft TAR NC?</p>
<p>Answer: No, GasTerra observes that the criteria outlined in Article 19 must be considered as non-exhaustive and that on a case-by-case basis other criteria may also be relevant, subject to judgement of the NRA. Properly motivated alternative criteria should be allowed, while the final choice of the primary cost allocation methodology and secondary adjustments should be left to the NRA, after due consultation with the TSO, transmission system users and neighbouring NRA's. Criteria that enhance cost reflectivity should be given</p>

particular consideration.
14. If it is necessary, could you suggest additional criteria to those outlined in Article 19 of the initial draft TAR NC?
Answer: n/a
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?
Answer: No, GasTerra considers that Article 21 of the TAR NC is the actual subject of this question, instead of Article 20, but we will answer for both Article 20 and 21. GasTerra considers transparency a cornerstone of the TAR NC, and as such the limitations on the publication of the assessments mentioned in Article 21 are not appropriate. As network users cannot consider whether significant changes in the network have taken place, this would infringe on their consumer rights. Furthermore, review by the NRA of the cap on dedicated services (see our answers on question 5 and 6) should also be part of the review as outlined in Article 21.2. With regard to Article 20, we strongly object to Article 20.3 and would like to stress that a counterfactual should also be published when selecting the postage stamp methodology, as there is no other way for network users to assess whether cost reflectivity has been given sufficient weight when selecting this cost allocation methodology.
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?
Answer: No
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?
Answer: Yes, GasTerra thinks that these considerations are relevant and sufficient. However, we would expect these considerations to be part of any cost reflective cost-allocation methodology. In addition, we would expect these considerations to be applied non-discriminatory to other flexibility options in the market.
Chapter III: Publication Requirements
18. Is the relationship between the regulatory period and tariff period, as defined in Article 3.7 and 3.10 clear to you?
Answer: Yes
19. Do you agree with the standardised format as set out in Article 26.1 of the initial draft TAR NC?
Answer: Yes, GasTerra considers the transparency measures in this TAR NC of overwhelming importance for

the cost-reflective, stable and predictable development of transmission tariffs.
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?
Answer: Yes
21. Are you concerned by the fact that tariffs are set / applied at different times of the year?
Answer: Yes, GasTerra considers it helpful if the tariff setting year would be aligned with the timing for the yearly standard capacity products as defined in the CAM NC, i.e. from 1 October to 30 September.
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?
Answer: Yes, GasTerra would like this to happen simultaneously for all products offered by all TSO's.
23. Could you identify the benefits of the harmonisation of the tariff setting year, if any, for your business, and could you quantify them?
Answer: A benefit of harmonisation of the tariff setting year will be increased stability of the payable price for bundled products. To make the option to fix the payable price available to network users in practice a harmonised tariff setting year (from 1 October to 30 September) across all TSO's would be even more preferred (we refer to our answers to questions 2, 12, 27, 47, 48 and 51).
24. Could you identify the costs of harmonisation of the tariff setting year, if any, for your business and could you quantify them?
Answer: No
25. If applicable, do you think the benefits would outweigh the costs?
Answer: Yes
26. Is the issue of knowing the tariffs for the relevant gas year before the auctions start very important to you?
Answer: Yes, GasTerra considers it important that the reference prices for all standard capacity products for the next tariff setting year and any subsequent tariff setting years, within the remainder of the tariff period, are set before the annual capacity auctions take place. This allows network users to optimize their capacity portfolio while taking into account the various profiling alternatives they have. For the option to fix the payable price knowing all reference prices before yearly auctions start in March is also indispensable.

27. Are there any other issues or aspects that are more important than the issue specified in the previous question?
Answer: We would like to reiterate our preference for an option to fix tariffs along with floating tariffs. GasTerra agrees that a floating payable price will be used as the default method to set the payable price. The consequence is that all network users, whatever their booking strategies are, will be exposed to tariff variations due to under- or over-recovery or changes in the allowed TSO revenue. However, if this would be 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. This option is currently provided in the supporting document of the draft TAR NC (Chapter 7.1 Page 74 option 2). However, the current draft TAR NC does not make it mandatory for TSO's to offer such an option to network users. GasTerra would like Article 41 of the draft TAR NC, to explicitly provide this obligation to TSO's. Another benefit of such an obligation is that this will simultaneously solve the issues with fixing the price of bundled capacities as foreseen in our answer under question 2.
Chapter IV: Reserve Prices
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?
Answer: No, GasTerra considers the level of congestion a valid input-factor in determining the desired level of multiplier. We would suggest leaving the decision whether to link the applicable range of multiplier to congestion or not, up to the NRA. Any congestion thresholds percentages determining the applicable multiplier level should also be decided upon by the NRA. GasTerra agrees with the applicable ranges as set out in Article 29, taking into account the possibility to set higher multipliers as set out in Article 29.5. With respect to Article 29.4 we think that the multipliers in this Article 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.
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 I to Regulation (EC) No 715/2009?
Answer: No, See our answer to question 28.
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?
Answer: No, GasTerra refers to our answer under question 28. Nevertheless, if this methodology is to be applied, it should be on an ex-ante basis, in order to ensure that all reference prices for the next tariff setting year are set before the annual capacity auctions take place.
31. Do you agree with ENTSOG's proposal for the possibility to set higher multipliers than those within the

<p>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?</p>
<p>Answer: Yes, GasTerra can see a justification for setting higher multipliers if necessary for reasons as set out in Article 28.5. Such an exception should at all times be subject to transparent considerations, market consultation and NRA approval.</p>
<p>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)?</p>
<p>Answer: Yes</p>
<p>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?</p>
<p>Answer: Yes</p>
<p>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?</p>
<p>Answer: Yes</p>
<p>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 as set out in Article 30.1(b) of the initial draft TAR NC?</p>
<p>Answer: No, GasTerra only supports the second option (ii) because this is most cost-reflective.</p>
<p>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?</p>
<p>Answer: Yes, However, GasTerra does not favour the recalculation option (as stated in 31.5) within the current tariff period. Seasonal factors should remain unchanged during the tariff period to ensure tariff stability within the tariff period. For the avoidance of doubt, that should also be the case for multipliers. We do not understand why Article 31.4 should also apply for daily and within-day standard capacity products. The sequential steps in Article 31.2 are sufficient to keep the arithmetic mean of the product of the multiplier, and the relevant seasonal factors within a range of no less than 0 and no more than 1,5. That is, unless steps (f), (g) and (h) were meant to be applied only to the multiplier corresponding to the monthly standard capacity product. In that case, this should be clarified in the text of Article 31.2.</p>
<p>37. Do you agree with ENTSOG's proposal for the calculation of reserve prices for capacity products for</p>

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?
Answer: No, GasTerra does not support the ex-post approach as the ex-ante approach is the only correct way of reflecting expected chance of interruption and duration. If a network user books interruptible capacity, the risk of interruption has to be covered by other backup options. These backup options have to be in place regardless of the interruption(s) that might take place, and therefore the ex-post method is not an adequate method of pricing interruptible capacity. In addition, we do not favour the recalculation option (as stated in 32.4) within the current tariff period to ensure tariff stability within this period.
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?
Answer: Yes
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?
Answer: Yes, GasTerra supports Article 32.2, but it should be an ex-ante approach as outlined in our answer to question 37.
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?
Answer: Yes
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?
Answer: Yes
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?
Answer: Yes, However, GasTerra considers it 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.
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?

Answer: No, GasTerra considers, for the reasons mentioned in our answer to question 37, that 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. Finally, 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

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?

Answer: No, GasTerra needs ENTSOG to be more specific about the method of reconciliation. 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. In addition, 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". GasTerra does not consider the NRA a fit for purpose authority to make network investment decisions. This is clearly a role for the TSO. 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, which are monitored by the respective NRA.

Chapter VI: Pricing of Bundled Capacity and Capacity at Virtual Interconnection Points

45. Do you agree with ENTSOG's proposal with regard to the way in 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?

Answer: Yes

46. Do you agree with ENTSOG's proposal with regard to the way in which 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?

Answer: Yes

Chapter VII: Payable Price

47. Are the mechanisms for fixed capacity prices described clearly enough in Section 7.1 of the Supporting Document?

Answer: Yes, However, GasTerra considers it essential (for the reasons stated in our answers to questions 2, 12, 23, 27, 48 and 51) that the TAR NC provides network users with a right to fix the tariff rather than giving the TSO the option to provide network users with this option. An obligation on TSO's will guarantee tariff stability for all network users in the long-term, while an option makes it dependent on national TSO/NRA

<p>preferences. In addition, we fully agree with the remark in ENTSOG's TAR NC Supporting Document that: "Some advantages of having the option to have a fixed price are greater choice for network users, ...".</p>
<p>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?</p>
<p>Answer: No, GasTerra considers the first and second mechanism (as described in the first paragraph of section 2 on page 74 of the Supporting Document) as the only appropriate methods for fixing the payable price for capacity as these provide sufficient margin certainty for network users. The other two mechanisms (3 and 4) do not provide such certainty, which defeats the objective of fixing the payable price (a variable charge very obviously defeats the purpose of price fixing and tariff stability). In addition, GasTerra considers it essential (for the reasons stated in our answers to questions 2, 12, 23, 27, 47 and 51) that the TAR NC provides network users with a right to fix the tariff rather than giving the TSO the option to provide network users with this option. An obligation on TSO's will guarantee tariff stability for all network users in the long-term, while an option makes it dependent on national TSO/NRA preferences. Finally, we fully agree with the remark in ENTSOG's TAR NC Supporting Document that: "Some advantages of having the option to have a fixed price are greater choice for network users, ...".</p>
<p>49. Do you have any further suggestions for calculating the fixed price premium referred to in Section 7.1 of the Supporting Document?</p>
<p>Answer: No</p>
<p>Chapter VIII: Incremental and New Capacity</p>
<p>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?</p>
<p>Answer: Yes</p>
<p>Chapter IX: Final and Transitional Provisions</p>
<p>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?</p>
<p>Answer: No, GasTerra considers the mitigating measures drafted in Article 47 to be insufficient and will involve economic penalties for long-term network users. As to avoid these penalties, GasTerra insists on changing the option for TSO's to provide network users with the possibility to fix prices into an obligation. This would provide network users with the right to choose, and the freedom to manage their long-term capacity portfolio risks according to their respective priorities. We also refer to our answer to question 12, second paragraph.</p>
<p>52. Do you agree with the inclusion of the mitigating measures as set out in Article 47.2(a) and (b)?</p>
<p>Answer: Yes, However, GasTerra finds that these mitigating measures cannot compensate network users</p>

fully. We propose an additional obligation for TSO's to allow network users to fix the payable price.
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?
Answer: Yes
54. Do you agree with the text that ENTSOG has included in Article 49 on the timing of implementation?
Answer: Yes
Chapter X: General Issues
55. Do you agree with the structure of the initial draft TAR NC?
Answer: Yes
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)?
Answer: No, GasTerra suggests, with respect to the primary cost allocation methodologies detailed in Articles 10 to 15, to include exhaustive mathematical descriptions of all cost allocation methodologies allowed in the TAR NC.
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?
Answer: Yes, GasTerra considers it of the utmost importance that there is an obligation for TSO's to provide shippers with the option to fix the payable price of their capacity bookings. We have the following observations/reservations with respect to the primary cost allocation methodologies detailed in Articles 10 to 15: 1) To improve overall cost reflectivity of the tariff structure the entry-exit split referred to in Article 6.2 (b) should be the outcome of the model, as opposed to a predefined input. GasTerra welcomes the fact that ENTSOG has defined in its initial draft TAR NC most of the primary cost allocation methodologies in a way that allows for the entry-exit split being an output parameter of the methodology. However, for this purpose Article 11.2 (c) should be adapted: "... by multiplying the transmission services revenue from capacity-based charges from all entry points and/or from all exit points ...". 2) In principle we consider variant A of the virtual point based methodology as particularly appropriate for use with incremental cost. However, in our view the calculation step as described in Article 12.3 (b) does not reflect correctly the corresponding description in Article 3.3.1.3 of the Framework Guidelines. Furthermore we consider the arbitrary choice of the reference node as a flaw of this variant, which should be repaired by using the variant B approach of calculating a virtual point/reference node based on the capacity weighted geographical locations of all entry and exit points. Again, we do not see a need for an adjustment in order to achieve a predefined entry-exit split. Finally, in order to be really appropriate for use with incremental cost, the calculation should be based on the concept of marginal distance (or change in gas flow distances associated with a marginal change of the peak flow), a

concept that is mentioned, but unfortunately not defined, in the (final version of the) Framework Guidelines.
3) The final calculation steps of variant B of the virtual point based methodology (Article 13.4 (e) and (f) are unclear to us: how should “taking account of the distance” in (e) be understood and how should the adjustment in (f) be done? Finally, GasTerra agrees with the five primary cost allocation methodologies, however in order to create a methodology that is cost reflective, TSO’s and/or NRA’s should have the possibility to use a mix of these methodologies.

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.

Answer: Yes, GasTerra fully appreciates the supporting document. It has helped us considerably to understand the content of the initial draft TAR NC.

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Chapter I: General Provisions	
1. Is the scope of the initial draft TAR NC as set out in Article 2 clear to you?	
<p>Answer: No. The scope of the code is defined both within Article 2 and more widely throughout the draft initial TAR NC. Our substantive comments on scoping are therefore provided in the response to Question 2. Article 2.1 makes reference to all chapters with the exception of Chapter VIII Incremental Capacity. It is not clear why Chapter VIII is not referenced in Article 2.1</p>	
2. Do you agree with the scope of the initial draft TAR NC?	
<p>Answer: No. The primary intent of the network codes being developed within the Regulation (EC) 715/2009 umbrella is to deliver the single internal energy market (IEM). The tariff code is of critical importance since it will determine network access charges – effectively the cost of moving gas on the European transmission grid. We describe our detailed concerns throughout the response, but provide a summary in this section. According to Regulation EC 715/2009 Article 13 tariffs or tariffs methodologies should be:</p> <ul style="list-style-type: none"> • Transparent • Reflect the actual costs incurred • Applied in a non-discriminatory manner • Facilitate efficient gas trade and competition • Avoid cross subsidies between network users • Provide incentives for investment • Non discriminatory • Set separately for every entry point or exit point • Neither restrict market liquidity nor distort trade across borders. <p>During the development of the code there has been insufficient analysis of how the code meets the above criteria, and where there are trade-offs between the different criteria, how these have been resolved. Nor has there been a detailed analysis of how the code improves matters compared to existing approaches. The code is based on the flawed assumption that harmonisation of tariff methodologies will improve competition; however it is not possible to know this unless the proposed methodologies have been tested against the</p>	

conditions faced by specific networks and TSOs.

The draft code will result in non-transparent tariffs because its provisions only cover some of the elements of the final tariffs payable by shippers, and it is not clear how different elements of the code interact to produce the final tariff. In particular, the focus on the cost allocation methodologies is misplaced, because they only cover part of the final tariff and are so vague as to enable many different interpretations.

The lack of precise description of the cost allocation methodologies, coupled with numerous means of modifying the resultant tariffs (secondary adjustment factors, multipliers, seasonal factors, levies and charges not covered by the methodology) means that there is no way for shippers to understand how the final tariff they pay is derived, much less predict the evolution of tariffs in the future. This will hamper trade and competition across the EU as shippers will not know what costs they will face except in the short term.

A number of the cost allocation methodologies used do not attribute costs to different entry and exit points, but are used to describe how revenues should be raised from those points. Therefore it is not clear how the code enables tariffs to reflect the actual costs incurred. Furthermore, because the methodologies do not cover significant elements of tariffs paid by shippers, such as charges and levies, the code does not ensure that these elements reflect costs incurred. For the same reason the code cannot ensure that tariffs are applied in a non-discriminatory manner, or that tariffs facilitate efficient gas trade and competition.

The code actually enables discrimination and cross subsidies between network users because the floating tariff regime will penalise those shippers who have booked capacity across several years compared to those who book capacity only on a short term basis.

The inclusion of fixed price options will provide incentives for investment by enabling shippers to make longer duration bookings and pass the economic test for incremental capacity. However the code will fail in this regard if ACER rejects fixed tariff options.

The best way to ensure that TSOs tariffs meet the criteria in the Gas Regulation is to ensure that there is full transparency of the derivation of all tariffs and their component part. TSOs should be required to publish, free of charge, a detailed model, such as a spreadsheet, to enable shippers to calculate tariffs based on their own assumptions of inputs. In addition to the model, TSOs should provide all algorithms and other programmes needed to enable shippers to forecast tariffs. TSOs and NRAs should be required to justify the approach chosen and show how it meets the criteria of the Gas Regulation. This should include use of counterfactual examples to illustrate the trade-offs that are inevitably made when setting tariffs. ACER and the EU Commission, as well as shippers, could then use the information provided by TSOs and NRAs to judge if tariffs meet the Gas Regulation criteria.

The alternative approach of making the code ever more prescriptive is not desirable, unless there is detailed analysis of how the code will impact tariffs payable by shippers in each entry exit zone, and hence whether the proposals improve the functioning of the internal energy market. However this is unlikely to be practical in the time frame envisaged for the development of the code.

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

Answer: No. 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. Consideration should be given to establish a common pool of definitions within the Regulation (EC) 715/2009 suite with a correlation table to indicate where the individual definitions are used within the various regulations. A master definition list and correlation table will enhance the coherence of the Gas Regulation

and its associated network codes. Furthermore, in the narrower context of this network code, ENTSOG should enhance and concentrate definitions in Article 3 rather than to disperse the definitions throughout the code. Whilst much of the terminology appears familiar it generates a problem in so far as definitions in common use are frequently not interpreted in the same way in different Member States; precise definitions help ensure common understanding and implementation.

As illustration we note the following as examples where definitions need to be refined or definitions added.

Term	Comment
Allowed Revenue	<p>This is limited to regulated services. In some countries levies (unrelated to the TSOs services or costs) are charged additional to those used to recover regulated revenues. A new definition is required to recognise this component of network user charges so that such charges are also covered by the code.</p> <p>We notice different formulations used within the document: “allowed revenue”, “transmission services revenue” and “allowed revenue from transmission services”. Given that our understanding is that (other than for price cap regimes) allowed revenues correspond to all regulated activity it is not clear if there are any differences in the underlying concepts associated with “transmission services revenue” and “allowed revenue from transmission services”. This requires clarification.</p> <p>If the regulatory account only corresponds to transmission service revenue, and not all revenue earned by TSOs, then ENTSOG should declare how revenue under or over recovery will be dealt with regard to other revenue components. The code needs to be clear on the approach to revenue reconciliation of <u>all</u> elements of the final tariff paid by shippers.</p>
Costs	<p>It is not clear that the concept is understood or consistently used in the code. The methodologies within the draft code only refer to approximation of costs attributed to different activities, rather than the more exact attribution that might be used in a financial accounting approach. This leads to the potential for distortion when deciding how much revenue should be raised from tariffs applied at different entry and exit points. For example the approximate approach used in the methodologies may not recognise economies of scale associated with larger pipes in the network.</p>
Cost Allocation Methodology	<p>As noted above the methodologies only refer to approximation of costs; the methodologies are more a way of determining how revenues should be raised from different entry and exit points rather than determining which points generate which costs. As such the definitions in the code are confusing. The consultation document itself is confused about the difference between revenues and costs. For example Question 6 asks: “Is it clear which portion of the allowed revenue 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?” Revenues cannot be an input to a cost allocation approach as revenues are a derivation of capacity sold and the unit price at which the capacity is sold. This is not the same as the cost of providing pipeline capacity. Revenue is an output of the process if the price of capacity sold equals the underlying cost of that capacity.</p>
Cost Driver	<p>The concept is unclear. It is essential that whatever cost driver is used it is an adequate proxy for underlying cost generation within the transmission system. The code should require TSOs to explain and justify fully how they determine which cost drivers they use. Costs are likely to be attributed to more than one variable e.g. distance and capacity. For</p>

	example a simple capacity / distance approach does not take account of the different costs of laying pipe through difficult terrain compared to other pipelines. Relevant variables will need to be combined to deliver a single cost driver e.g. distance * (capacity) ^{0.5} . We also request examples so that revised drafting can be assessed in the context of the examples.
Multiplier	A more rigorous algebraic formulation would make the code clearer. The same approach should be used for Seasonal Factors. The two could be combined in a single Article.
Regulatory Period	The revised definition links the period to transmission tariffs. However for many countries the regulatory period corresponds to the period for which allowed revenue is determined over a number of years. This needs to be clarified. The revised definition makes reference to other charges. The rest of the code needs to address the associated issues about transparency and predictability of those charges. The definition of “transmission tariff” is also inadequate – please see below. The code needs an additional definition to enable shippers to have a view of how TSOs Allowed Revenue will evolve over a longer rolling period (including across regulatory periods / price control periods) to enable them to estimate how floating tariffs may evolve if they are to book capacity on more than a year ahead basis.
Revenue Reconciliation	It is necessary to make more explicit how revenue recovery and revenue reconciliation will take place for charges other than those related to transmission services revenue. If the Revenue Reconciliation concept is limited to transmission services revenue then it is necessary to define how revenue reconciliation will occur for other charges. Shippers need to understand how all the elements of the tariff they pay are calculated, not just those relating to transmission services revenue.
Tariff Period	This definition is contradicted within the section about Seasonal Factors. Article 31.5 indicates Seasonal factors can be amended during the tariff year. This contradicts the “at least one year” part of the definition of Tariff Period.
Tariff Structure	The code is incomplete because it does not include clarity on <u>all</u> the elements of the final tariff that shippers pay. These elements include not only the transmission services related elements but other levies and charges, such as conversion levies applied in Germany, that shippers are required to pay when using the network. Thus the “tariff sheet” might be considered to contain the “tariff structure”; the application of the “tariff methodology” then determines the numeric values that appear within the “tariff structure” as seen on the “tariff sheet”.
Transmission Service	The definition is acceptable <u>provided</u> all of the non-transmission services revenue elements of all of the charges faced by network users are adequately addressed elsewhere in the code. Currently the draft code does not do this, so substantial revisions will be required. In many countries the “excluded part of allowed revenues” will be substantial. Excluded services should be defined to ensure that all elements of the tariffs paid by shippers are transparent and subject to the code.
Transmission Tariff	This definition requires revision so it is clear that network users pay TSOs for a much wider range of charges and that all of these must be addressed in the code.
Definitions should be used to define common concepts and processes within the various cost allocation	

<p>methodologies, and explain where the concepts are different. For example the Distance to Virtual Point A and Matrix methodologies appear to include some concepts which are common to both but may be used differently. For example both include a requirement for a network model but the descriptions are different; both use forecast flow scenarios and directions of flow within the network but it is not clear whether such scenarios are used in the same way.</p>
<p>4. Are there any other definitions that should be included in the TAR NC?</p>
<p>Answer: Yes. See answer to question 3.</p>
<p>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?</p>
<p>Answer: No. See answer to question 3 with regard to definition of transmission services and excluded services. The current drafting of the code raises significant risks that large parts of the final tariffs payable by shippers will not be covered by the code, and therefore will not be transparent to shippers.</p>
<p>Chapter II: Cost Allocation Approach</p>
<p>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?</p>
<p>Answer: No. The consultation asks no questions about Article 4 Composition of transmission services revenue. It is not possible to answer Question 6 without reference to Article 4 which is one of the inputs to Article 5. Article 4 is not clearly drafted and raises the risk that substantial elements of the final tariff payable by shippers will not be covered by the code.</p> <p>To illustrate the problems we make reference to Figures 4 (Parameters of a cost allocation approach) and 5 (Composition of allowed or target revenue and interaction between transmission services revenue and various charges) from the ENTSOG consultation document [Supporting Document for Public Consultation on Initial Draft Network Code on Harmonized Transmission Tariff Structures for Gas (TAR300-14)] as well as to the draft code.</p> <p>Figure 4: Parameters of a cost allocation approach</p>

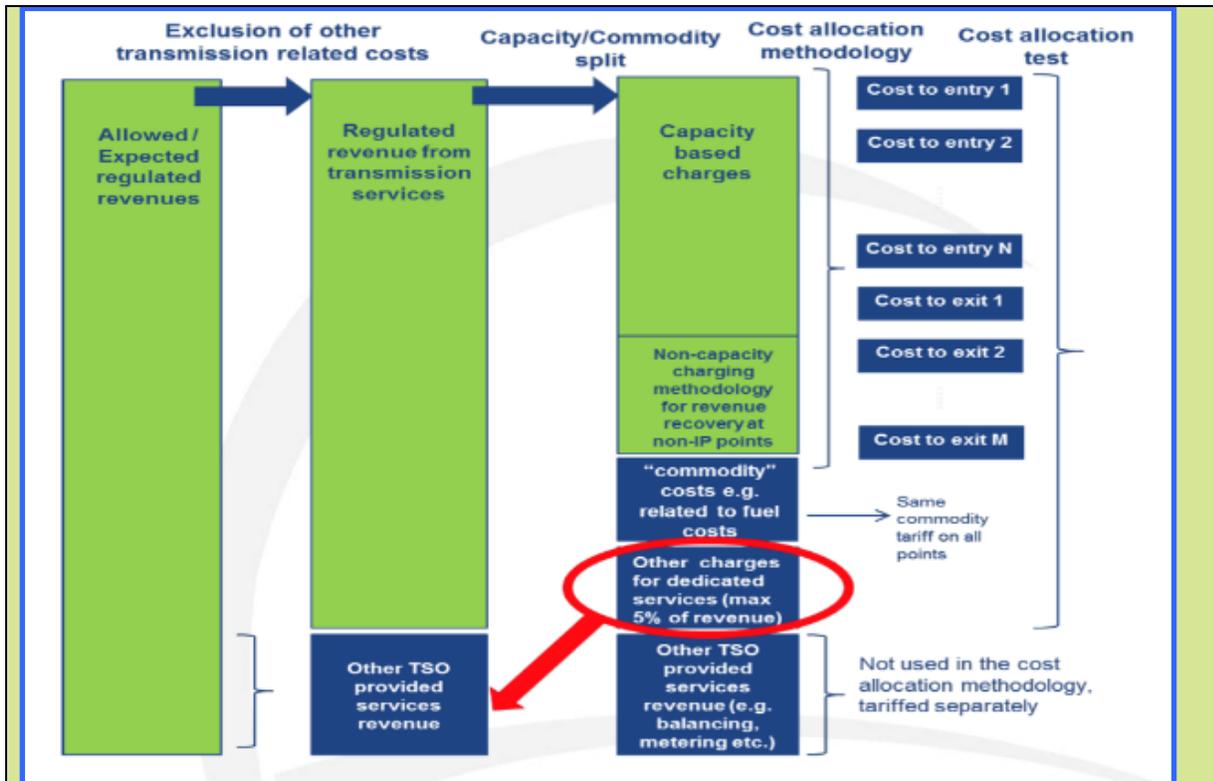


Figure 4 (above) shows how elements of the tariff payable by shippers are not adequately covered by the code. If *Other TSO provided services revenue* corresponds to those service elements introduced in Article 3.11 the code requires further elaboration of how such service costs are to be apportioned across users so that shippers can understand how their final payable tariffs are calculated.

The Framework Guideline stipulates that non capacity based revenue should be limited to only 5% of revenues. However there has been no analysis of different systems that has been published to substantiate this requirement. Given different uses of compression, for example, across networks it may be that the 5% limit is too low in some cases but too high in others. Therefore the code should require TSOs to provide a clear justification for such charges but not stipulate a limit.

We do not understand why the *Other charges for dedicated services (max- 5% of revenues)* has been aligned with the green block of the *Regulated revenue from transmission services* in the previous column but with a red arrow associating it with *Other TSO provided service revenue*. Given the scale of some of these services and revenue recoveries in some countries these confusions prevent a proper assessment of the impact of the code.

Care also needs to be taken before short-haul is regarded as a dedicated service given that it may be impossible to determine whether relevant assets can be regarded as separable. Thus we conclude that it would be dangerous to prescribe European rules in this respect. The precise treatment must be determined locally based on particular circumstances.

Figure 4 confirms that the outcome of the *cost allocation approach* is a cost-pool for each of the relevant entry or exit points. How this cost pool is then used to derive the reference price is not clear in many of the methodologies. This is a gap in the articulation of the end-to-end process associated with several of the primary methodologies.

Figure 5: (Composition of allowed or target revenue and interaction between transmission services revenue and various charges)

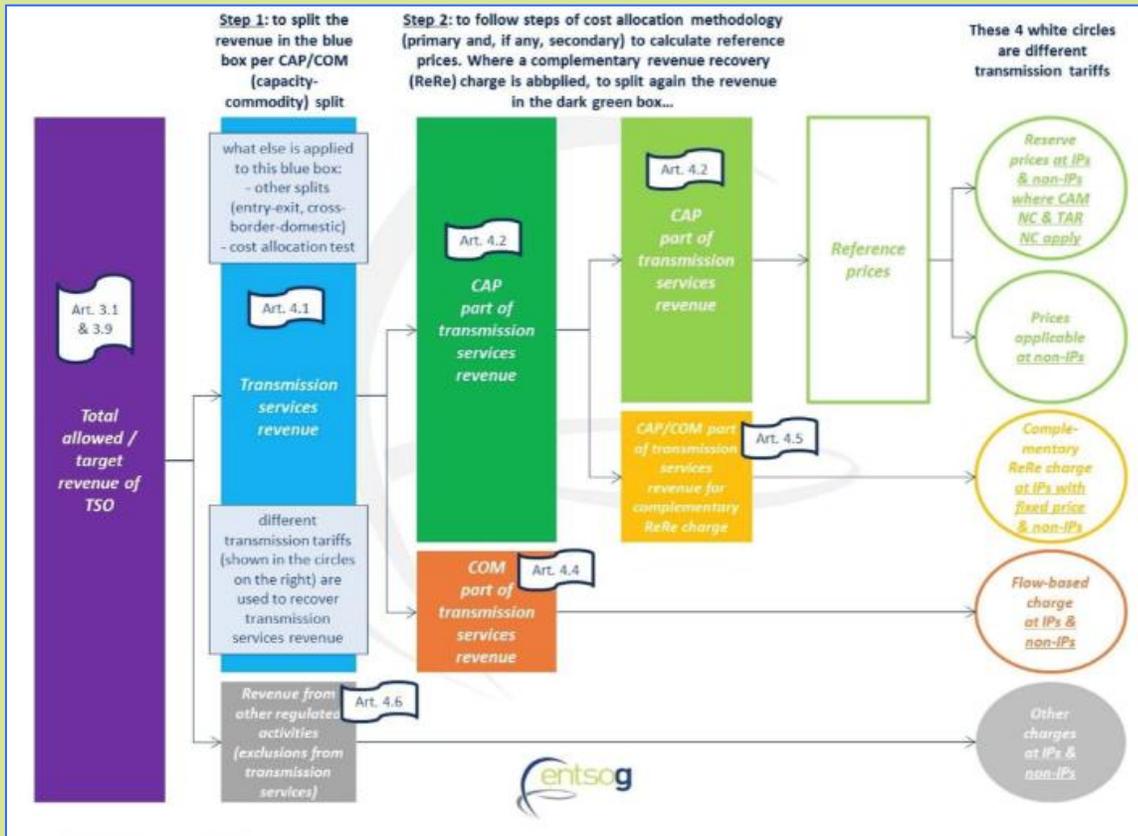


Figure 5 provides further details about the various tariffs that need to apply, many of which will require greater articulation in the code. That the third and fourth columns of the diagram feature two commonly labelled blocks (Article 4.2 CAP part of transmission service revenue) but of different sizes is testimony to the lack of clarity within the code in general and specifically within Article 4. A matrix describing the different charges would help clarity. The definition of each charge item is essential, together with a description of the class of points to which they apply, and the basis for charging should be established. Such a matrix should be established before the next release of the code to support understanding of the next version of the code. and is illustrated below:

Charge Item	CAM points	LNG	Storage	Domestic
Levies				
Revenue reconciliation <ul style="list-style-type: none"> Transmission services revenue Other (broken down as necessary) 				
Excluded services <ul style="list-style-type: none"> (Broken down as necessary) 				
Transmission services revenue - Flow-based charges				
Transmission services revenue - core charge				
Transmission services revenue - revenue recovery charge				

In addition we have the following comments about Article 4.

- The scope of Article 4.1 should refer to **The** or **That** *part of the allowed or target revenue of the TSO which is related to the provision of transmission services shall be referred to as the transmission services revenue* rather than **A** part. If the A is retained then the code would allow an opportunity to reduce the applicability of the cost allocation approach to less than the transmission service revenue, further reducing transparency of tariffs.
- Article 4.3 indicates that *transmission services revenue may also be recovered by charges other than those referred to in paragraph 2*. Those charges may need to be limited to the capacity-based charges from Article 4.2 unless the drafting is deliberately being kept open to allow the invention of other charge types at the national level. An explicit reference to capacity-based charges in Article 4.3 should be introduced between *those* and *referred to in paragraph 2*.
- Article 4.4 requires further clarification:
 - The text indicates this *charge may be applied at IPs and at other points but shall be levied for the purpose of covering the costs mainly driven the quantity of the gas flow*. ENTSOG should confirm whether a flow-based charge approach is mandatory where the TSO/NRA consider that costs are driven by the quantity of gas flow. At present the reference to *may* be applied appears to contradict the *shall* be levied.
 - 4.4 (a) indicates that *its value is the same at all entry points and the same at all exit points*. The drafting used for the options in relation to flow-based charges in Article 4 is different to that used in Article 5.2 for reference prices. We do not understand why different formulations are necessary. Relevant formulations from Article 5.2 should be used in Article 4.4 to avoid misunderstanding unless new ideas and concepts are being introduced.
 - A description of what is meant by “in-kind” would be helpful. If the only envisaged approach is by supply of gas then this should be made explicit.
- Article 4.5 requires further clarification:
 - The complementary revenue recovery charge should be defined. See response to Question 3.
 - The second *this* (*This charge ...at start of fourth sentence*) could refer to the commodity-based charge or to the complementary revenue recovery *charge*.
 - 4.5. (c) requires the NRA to make an assessment. However, without assessment criteria and publication of the analysis and rationale, the assessment would have no merit. Furthermore the assessment is to be submitted to the Agency but for what purpose or outcome is not defined. The code should clarify this.

Article 4.6 provides that *a part of the allowed or target revenue, other than transmission services revenue, shall be outside of the cost allocation approach as set out in Article 5(1)*. This is only reasonable if all parts of the charges payable by network users are transparent, replicable and predictable.

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?

Answer: No. The consultation uses a definition of the two terms (page 29) which could be used in the code. However these definitions exclude significant elements of the final tariff payable by shippers. Therefore Article 20 would need to be redrafted to ensure TSOs have to explain how they derive all elements of the tariffs payable by shippers.

8. Are you satisfied with the two approaches for calculating distance as outlined in Article 7.6 of the initial draft TAR NC?
<p>Answer: No. The approach for calculating distance is acceptable. However, as noted in the comments on costs in the response to question 3 above, distance may not be the only driver of costs. Whichever approach is used sufficient data should be available to enable replication of calculations.</p> <p>Furthermore other parts of Article 7 need to be strengthened. All inputs to tariff calculations should be justified. For example in some methodologies forecast capacity bookings are relevant. The rationale and justification for the approaches used and the numeric projections should be provided. This is necessary because actual bookings are likely to be based upon a network users' commercial response to the relative prices of capacity for different durations (annual, quarterly, monthly and daily) which in turn will be dependent upon multipliers, seasonal factors and the expected flow profile of individual network users.</p> <p>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. TSOs should reflect such considerations in the consultation on their choice of methodology.</p>
9. If you are not satisfied with the two approaches, could you suggest other approaches for calculating distance?
Answer: See response to Question 8 above.
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?
<p>Answer: No. In this section we also provide comments on Article 6, 9, 10, 11, 12, 13 and 14 as these also relate to the cost allocation methodologies.</p> <p><u>Article 6:</u></p> <p>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 readability of Article 6 once this is completed.</p> <p><u>Article 8:</u></p> <p>It is not clear how the use of observed (current) or incremental (expansion costs) fits with the cost allocation methodologies. As noted in our response to Question 3, the cost allocation methodologies are concerned with attribution of revenue to different entry and exit points, rather than the allocation of costs. For example postage stamp and capacity weighted distance make no references to costs at all.</p> <p>Article 8.3 recognises a situation that if gas flow patterns are unstable then technical or contracted capacity</p>

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. If this is the case then it may render the use of such methodologies unsuitable in some networks. This should be explained and justified by the TSO in the consultation foreseen in Article 20.

Article 9

This provides for an entry/exit split is 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 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.

This seems to represent the current Italian methodology as it applies to a small part of Italian TSO revenues. 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, 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.

11. Do you agree with the inclusion of the asset allocation methodology as set out in Article 15 of the initial draft TAR NC?

Answer: Yes. Given the overall requirement that tariffs should be cost-reflective we consider there is merit in considering the asset allocation methodology.
The ACER Justification Document did not demonstrate why the number of primary methodologies should be limited to those chosen in the Framework Guideline. As noted above, there has been no substantive analysis comparing the proposed methodologies in the code to those currently in use, nor the appropriateness of those methodologies. It is therefore difficult to make a detailed assessment.

12. Do you agree with the secondary adjustments as described in Articles 16 – 18 of the initial draft TAR NC?

Answer: No. We have reservations that the approaches could be used to distort rather than necessarily enhance outcomes. The criteria justifying the use of secondary adjustments, and the way in which such adjustments are applied need to be clear and transparent so that shippers can replicate the calculation of the final payable tariff. The use of secondary adjustments must be justified as part of the consultation envisaged under Article 20.

If scaling results in significant changes to the original tariffs, it raises questions about the original methodology. The following example is in the ACER Justification Document:

	Tariffs (before rescaling)	Tariffs (scaled for revenues)	Tariffs (scaled for E/E split)
En1	4.32	67.51	50.21
En2	6.93	108.18	80.45
En3	7.84	122.32	90.97
Ex1	3.3	51.46	78.53
Ex2	4.65	72.52	110.66
Ex3	6.9	107.69	164.33
Ex4	4.3	67.16	102.48

Source: ACER-JD_2014_G_01331 March 2014

Whilst this is only an example we would doubt if any approach that required a scaling factor of 15.64 (i.e. 1564%) could be considered credible. Similarly any approach that required such large adjustments to the entry and exit prices to achieve a desired entry/exit split would cast doubt on the primary methodology or the desired entry/exit split itself.

Furthermore care needs to be taken with regard to benchmarking. The code permits prices to be reduced at competitive points although this opens the door to potential non-cost-reflective charges at both benchmarked and other points. It is not clear how this fits with the cost allocation test. The cost allocation test is designed to limit the scope for distortions. The test must therefore act as a constraint to benchmarking unless the TSO/NRA is able to justify the benchmarking adjustment, following consultation with adjacent TSOs/NRAs and stakeholders. Additionally the code should not be used to grant any additional rights that might contradict other objectives (e.g. cost reflectivity) in respect of LNG entry to the European grid.

The intent of Article 16.3 is not clear. This should be explained and a numerical example provided to illustrate the constraint being introduced in Article 16.3.

13. Is it necessary to specify further criteria other than those outlined in Article 19 of the initial draft TAR NC?

Answer: No. As noted elsewhere in this response the primary methodologies and the various adjustment factors allow for considerable variation in how tariffs will be calculated by each TSO. This makes the use of criteria for choosing the primary methodology less relevant as two TSOs could use the same methodology but charge very different tariffs to shippers. No analysis as to the appropriateness of the different methodologies, or how they relate to existing tariffs, has been presented to shippers by TSOs or NRAs.

The drafting of Article 19 needs to be clarified.

Article 19.1 (b) (i) refers to *virtual point based methodology* although the code refers to three types; variants A and B (B having two sub-variants). Furthermore it refers to a *reference node or a single dominant node where the majority of the gas flow converges*. If this condition applies to the reference node it may limit the virtual point based 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

<p>choice of reference node. This issue needs to be properly considered before it is finalised in the code. We do not understand the circumstances defined in Article 19.2 (a) (i). ENTSOG should provide examples of where a chosen secondary adjustment contradicts a primary cost allocation methodology.</p>
<p>14. If it is necessary, could you suggest additional criteria to those outlined in Article 19 of the initial draft TAR NC?</p>
<p>Answer: See response to Q13.</p>
<p>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?</p>
<p>Answer: No. The consultation by TSOs on the choice of methodology is key, because of the lack of analysis to date of the proposed methodologies compared to the existing arrangements, and the scope for variation in the application of the methodology and other factors (e.g. adjustment factors, multipliers, seasonal factors) impacting the final tariffs payable by shippers. The outcome of the consultation must include not only the preferred methodology outcome but also the rationale why its detailed application, including all factors impacting tariffs, is the most appropriate.</p> <p>Article 20 should be strengthened to provide a justification of the choice of a particular methodology and to explain the detailed process of tariff derivation. In addition it is not clear how allowing the TSO to compare to any other methodology as the counter-factual helps shippers understand the choice of methodology, since it will simply illustrate how different methodologies lead to different tariffs. A better approach would be to compare the chosen methodology to the postage stamp methodology to show how the chosen methodology better meets the requirements of the Gas Regulation.</p> <p>The terms cost allocation approach and cost allocation methodology are not adequately defined in the code, and 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. For the avoidance of doubt, the consultation should include explanation and justification of all elements of the final tariffs payable by shippers.</p> <p>Consequently the scope of Article 21 is too narrow, and should be strengthened to require the review all aspects of the tariff methodology impact final payable tariffs. The review should mirror the strengthened consultation envisaged in article 20 in terms of scope.</p>
<p>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?</p>
<p>Answer: Yes. The test is a key part of the code to ensure equitable charging between domestic and cross-border flows since the code provides few other protections. Both Germany (conversion charges) and Italy (LNG support levy) have charges which can disadvantage some cross-border flows.</p> <p>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</p>

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.

Careful consideration also needs to be given to which other charges and revenues should be considered to be part of the cost allocation test.

ENTSOG has not provided any examples of how the test would work and specifically what account is taken of:

- Revenue reconciliation charges.
- Excluded services.
- Other levies or charges.

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. 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. This requires that the precise definition of which items to include in the test should be defined as part of the consultation used to define the tariff derivation process. Given the importance of the cost allocation test further work is necessary to understand how it will be implemented. For example 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 expressions CDDM and CDCB also require clarification. This value of cost driver(s) is likely to require a function of the identified cost drivers (e.g. distance and technical capacity) that defines an appropriate “weight” for each cost driver. For example a composite cost driver might be calculated as the product of distance multiplied by the square root of technical capacity. The rationale for the selection of the components and the appropriate mapping to a single metric must be explained together with all the necessary data to be able to replicate the ratios calculated for use in the test. The code needs to be strengthened so that TSOs provide all the relevant information to shippers.

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. Furthermore it should be explicit that the cost allocation test will be performed each time the tariff is amended.

The cost allocation test seems to adopt a more sophisticated approach to cost attribution than the primary cost allocation methodologies described in the code. 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 $\text{distance} * \text{capacity}^p$ 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.

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?
Answer: Yes. However guidance on how the criteria might be interpreted would be welcomed and how the trade-offs between the three considerations might be assessed.
Chapter III: Publication Requirements
18. Is the relationship between the regulatory period and tariff period, as defined in Article 3.7 and 3.10 clear to you?
Answer: No. The “regulatory period” is expected to be the time for which the basis of the TSO’s allowed revenue (or in the case of price-cap regulation, the overall pricing level) is determined. The “tariff period” definition is not entirely clear; it says that the period must last at least a year although this contradicts the fact that the code affords an opportunity to amend seasonal factors within the year (Article 31.5).
19. Do you agree with the standardised format as set out in Article 26.1 of the initial draft TAR NC?
Answer: No. Further information should be published to that already required in Articles 25 and 26. For example Article 25 is limited to transmission services revenue elements of tariffs, which does not represent all of the final tariffs payable by shippers. The code should require that TSOs publish a working spreadsheet model which calculates tariffs based on the TSOs chosen methodology, and including all elements which impact the final tariffs payable by shippers (e.g. multipliers, seasonal factors, secondary adjustments, excluded services, other charges and levies, revenue reconciliation). Shippers should be able to use such a model to make their forecasts of how tariffs may evolve in future years based on different assumptions for the inputs (e.g. TSO Allowed Revenue, future capacity bookings etc.). TSOs should be required to publish supporting documentation as necessary to enable shippers to use such models, including explanation of the approaches used, for all the different elements of the final tariffs payable by shippers.
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?
Answer: No. It is not clear why the standardised list should be divided into two parts. Please see also our response to Question 19.
21. Are you concerned by the fact that tariffs are set / applied at different times of the year?
Answer: Yes. The fact that tariff setting and application are not standardised creates an additional administrative burden and variations in pricing level that complicate forward gas trading. More important, however, are the implications of the standardisation of capacity booking process introduced by the Capacity Allocation Mechanisms code (CAM) [As defined in Commission Regulation 984/2013]. This prescribes that annual capacities will be auctioned in March for the upcoming October-September capacity years. CAM also defines the table for the release of quarterly, monthly and daily capacities. The March

<p>annual auctions are the last occasion that annual capacity tranches can be purchased for the next October to September period, the capacity year to which the first annual capacity tranche corresponds. Subsequent to this quarterly, monthly and daily capacities can be purchased for that same period. In order to optimise a network users capacity bookings it is essential that the reserve prices associated with the annual, all quarters (for quarterly products), all months (for monthly products) and all days (for daily products) are known before the March auctions.</p> <p>One of the objectives of the capacity auctions is to reveal shippers “willingness to pay” for different capacity products. It is not possible for shippers to do this if they do not know what the payable price will be. Thus the objectives of both CAM and the tariff code can only be realised if all prices applicable during the upcoming October to September capacity year are known ahead of the last preceding March auction. Alignment of the tariff period with the capacity year would therefore be helpful. If this is not possible then TSOs will need to find a way of ensuring that shippers know all the reserve prices for all auctions in a capacity year ahead of the March annual capacity auction.</p>
<p>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?</p>
<p>Answer: Yes. If this is not the case the pricing of bundled capacity is problematic, as it means that the tariffs making up part of the bundled product may change at different times, leading to greater unpredictability for shippers.</p>
<p>23. Could you identify the benefits of the harmonisation of the tariff setting year, if any, for your business, and could you quantify them?</p>
<p>Answer: See our response to Question 21.</p>
<p>24. Could you identify the costs of harmonisation of the tariff setting year, if any, for your business and could you quantify them?</p>
<p>Answer: Cost may occur if changes to existing related commercial contracts are required.</p>
<p>25. If applicable, do you think the benefits would outweigh the costs?</p>
<p>Answer: This is difficult to quantify. However 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.</p>
<p>26. Is the issue of knowing the tariffs for the relevant gas year before the auctions start very important to you?</p>
<p>Answer: Yes. It is essential that the final tariff to be paid by shippers are known before they bid for capacity in</p>

an auction. Shippers need to know the prices for all capacity products for a capacity year in order to make reasoned decisions when deciding to buy the different capacity products (annual, quarterly, monthly, daily), as the relative tariffs for the different products will influence their buying decisions. This also requires that multipliers and seasonal factors are not amended during a capacity year. This means that tariffs need to be published before the March annual capacity auctions. 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.

Furthermore the code drafting which indicates that 60 days' notice is required for large tariff changes, whereas otherwise only 30 days' notice is needed, seems perverse. In order 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 breached 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.

27. Are there any other issues or aspects that are more important than the issue specified in the previous question?

Answer: Yes. See our response to Question 3 for the key issues which need to be addressed by the code.

Chapter IV: Reserve Prices

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?

Answer: No. The relative tariffs for different capacity bookings will determine the pattern of bookings made by shippers. For example if it is cheaper for shippers to book short term products and profile their capacity bookings in line with their expected usage, shippers will tend to book short term products. Projections of capacity bookings will impact the level at which TSOs set the annual reference price. Therefore multipliers are a means of enabling the TSOs to recover their allowed revenues. However it is not possible for shippers to understand how the range of multipliers in the draft code will impact the final payable tariff, as there are so many other elements. In addition to the non-transmission services revenues elements of the tariffs, there are the adjustment factors (scaling, benchmarking, and equalization) and seasonal factors.

This potential for different applications of multipliers by TSOs makes it essential that TSOs should justify their choices of multipliers during the consultation envisaged in Article 20. 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.

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 I to Regulation (EC) No 715/2009?

Answer: No. The approach to multipliers should be not be linked to the Congestion Management Procedures (“CMP”) definition of congestion. The use of the CMP definition confuses the issues of congestion and revenue recovery. As noted in our answer to Question 28 the role of multipliers is to enable TSOs to recover their allowed revenue.

The CMP definitions are also not helpful because they cover a wide range of levels of capacity booking. Based on the definitions the following levels of capacity booking are possible:

2.2.3 (1)(a) at least 3 firm capacity products for a duration of one month for use in either that year or one of two subsequent years.

This means that if only 3 months of capacity out of a possible 36 months is fully booked, then the point is congested.

OR

2.2.3 (1)(b) at least 2 firm capacity products for a duration of one quarter for use in either that year or one of two subsequent years.

This means that if only 2 quarters (6 months) of capacity out of a possible 12 quarters (36 months) is fully booked, then the point is congested.

OR

2.2.3 (1)(c) at least 1 firm capacity products for a duration of one year for use in either that year or one of two subsequent years.

This means that if only 1 year (12 months) of capacity out of a possible 3 years (36 months) is fully booked, then the point is congested.

OR

2.2.3 (1)(d) where no firm capacity product with a duration of one month or more has been offered

The different levels of capacity booking described above could have very different impacts on shippers’ booking behaviour, and therefore the need for multipliers. This is because shippers will take into account the likely demand for capacity at the various auctions for capacity for a capacity year and their preference for short term or longer term products. The CMP definitions above cover such a wide range of capacity bookings that it is unlikely that the same multipliers will be appropriate in all the circumstances described, and could therefore increase the need for revenue reconciliation charges.

We understand that one of the reasons behind the proposal is to encourage shippers to book short term capacity where there is congestion. However this does not take account of shippers demand for capacity being driven by the need to move gas between markets. The potential for congestion is obviously higher where there are many shippers wishing to book capacity. If the capacity situation is tight then competitive bidding is likely to inflate the prices for capacity. Introducing lower multipliers is unlikely to have any real effect other than to increase the extent of the premium above reserve price to be paid.

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?

Answer: Yes. However TSOs will need to justify their choice of multipliers as explained in our response to Question 28.

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?
Answer: Yes. Please see our responses to Question 28 and 30.
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)?
Answer: Yes. Given the wide range of factors that determine the final tariff payable by shippers, including adjustment factors as well as multipliers and seasonal factors, the decision should be taken by the NRA. However this needs to be fully justified to shippers. Please see our responses to Questions 28, 30, and 31.
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?
Answer: Yes. However TSOs and NRAs need to justify how they have made the trade-offs between the different criteria when setting the multipliers.
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?
Answer: No. We do not understand how this section integrates with the various articles defining the primary methodologies. Specifically 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. This is why we consider it essential that ENTSOG defines a range of examples so that the full end-to-end process of tariff derivation for all of the methodologies based on realistic networks and makes them available for stakeholder consideration before the next version of the code is published for stakeholder views.
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 as set out in Article 30.1(b) of the initial draft TAR NC?
Answer: Yes
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?
Answer: No. 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. Otherwise the approach could lead to a random

set of prices.

ENTSOG should provide examples of how the exponent 's' should be determined; it should not be an arbitrary, unjustified selection (for each TSO/NRA) when the code is implemented.

Article 31.5 would provide an opportunity to recalculate tariffs within a tariff year. This would undermine price certainty, and therefore network users' commercial decisions about how, and specifically when, to purchase capacity. We therefore recommend that it is deleted.

If Article 31.5 is retained then 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.

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?

Answer: No. Interruptible discounts should be defined ex-ante. Pricing interruptible capacity as firm and then offering a discount if interrupted ignores the ex ante difference between firm and interruptible products, namely that interruptible has a greater risk attached to it, and therefore should be priced differently. The proposal for ex post discounts appears to conflict with the requirement that interruptible capacity be priced according to the "probability of interruption" not its actual interruption, as implied by an ex post discount.

Ex post discounts for interruptible capacity will also undermine the incentives on TSOs to use Over Subscription and Buy Back (OSBB) as TSOs will have no incentive to over sell firm capacity if they can sell interruptible at the same price. The advantage of the OSBB approach is it allows a market price to be set for capacity that has to be bought back, which enables the price to reflect the conditions at the time. An ex post discount does not do this. If it is based simply on the time that the capacity is interrupted multiplied by the relevant tariff then the price may not reflect the value to shippers of the capacity that is interrupted based on the foregone profit of selling gas.

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?

Answer: Yes. It is important that the rationale and the quantified basis is made available as detailed in Article 32 3 (c). However the code 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.

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. The requirement for this should be made explicit in the code.

In addition it may not be reasonable to base discounts for interruptible capacity based on historic interruption. 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.

The definition of interruption also needs to be consistently applied. For example 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.

39. Do you agree with ENTSG'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?

Answer: Yes. The Gas Regulation requires that interruptible prices shall be set at a discount reflecting the probability of interruption.

Furthermore 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. Under entry exit gas can flow from anywhere to anywhere within an entry exit zone on a commercial basis. Because it is explicitly not a point to point system it is not necessarily possible to attribute costs to a particular gas flow route. Entry exit implies use of non-physical backhaul within its system, but this is not necessarily priced separately on a marginal cost basis. 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 a entry exit system.

It is not clear from the proposed different methodologies how such non-physical backhaul within an entry exit system will be priced because, as noted in Question 3 above, 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 Interconnection Point 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.

40. Do you agree with ENTSG'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?

Answer: Yes. Subject to the caveats defined in answers to earlier questions.

We also observe that 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.) If 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.

41. Do you agree with ENTSG's proposal for the calculation of the probability of interruption, as set out in

Article 33.2 of the initial draft TAR NC?
Answer: Yes. Subject to the caveats defined in answers to earlier questions.
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?
Answer: Yes. However should patterns of interruption indicate, over time, that interruption probability varies by location, then a lower level of granularity should be used in the discount setting process. This caveat should be reflected in the drafting.
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?
Answer: No. See response to Question 37.
Chapter V: Revenue Reconciliation
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?
<p>Answer: No. Firstly the revenue reconciliation seems to relate only to the transmission services revenue. Revenue reconciliation should be expected for other charge items as well, and therefore the code requires amendment to ensure revenue reconciliation of other charge items is addressed.</p> <p>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. Much greater transparency is required about the analysis of the breakdown of revenue under or over recovery. 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. These sub accounts will need to be identified locally but should reflect the granularity used in the primary cost allocation methodology used and any subsequent equalization and/or benchmarking adjustments that might be made. This transparency must cover completed tariff periods. Furthermore there is a requirement for timely correction of over and under recovery because of the likelihood of greater short term optimisation of capacity booking by shippers. Therefore intermediate reporting of under and over-recovery on a year-to-date basis will be necessary. This will be linked to the timing of TSO/NRA's projections of tariffs for the next tariff period which must be made before the March annual capacity auctions. This will assist predictability of pricing. It may also be used so that estimated over and under recovery from the current tariff year could be used to determine revenue reconciliation charges in the next tariff year, giving shippers a better forward view of the evolution of tariffs.</p> <p>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.</p>
Chapter VI: Pricing of Bundled Capacity and Capacity at Virtual Interconnection Points

45. Do you agree with ENTSOG's proposal with regard to the way in 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?

Answer: No. Article 40 requires clarification. For example it is not clear if unbundled standard capacity product refers to capacity at one side of the VIP. It is also 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.

Furthermore there is a fundamental problem with the VIP concept for pricing, namely that, unless the costs for the component IP of the VIP are the same, the price for the VIP will not be cost reflective. 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. Such impacts should be considered prior to the creation of a VIP.

The code should require the TSO/NRA to provide a rationale for the approach chosen, and its potential impact on overall revenue recovery and other tariffs.

46. Do you agree with ENTSOG's proposal with regard to the way in which 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?

Answer: No. It is not clear how this approach might interact with benchmarking adjustments by TSOs.

Furthermore 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. For example 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. These issues need further discussion with the industry before the code is finalised, and tariffs issues full considered before the creation of any VIPs.

Chapter VII: Payable Price

47. Are the mechanisms for fixed capacity prices described clearly enough in Section 7.1 of the Supporting Document?

Answer: No. There has been insufficient discussion of the various options available (e.g. nominal fixed, real fixed, floating within a band etc.) and the trade-offs involved. For example the ACER Justification Document only considered nominal fixed versus floating tariffs. Proponents of both fixed and floating prices aim to see a fair distribution of price risk but come from different perspectives.

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. 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 can answer ACER's concerns about cross subsidy between different groups of users.

A degree of predictability of the price risk will be essential for network users to make longer term capacity

bookings, particularly those needed over a number of years to pass the economic test for new or incremental capacity. Without predictability of tariff evolution over the booking period, shippers will face greater risk and therefore be less willing to make the necessary bookings. Shippers are expected to book capacity for up to 20 years into the future, but without any idea of the price they will be paying for capacity. This is clearly not realistic.

ACER's Justification Document is flawed. The example used to substantiate the case for only floating payable prices features a combination of rising underlying asset base and a fixed price for advance bookings. The fixed price in the example is that prevailing at the time of allocation, in other words a fixed nominal price. The inevitable outcome is a conclusion that those enjoying the nominal fixed pricing are being subsidised by the others. However, if different assumptions were used, such as a fall in the asset base value then the conclusion would be that those paying the nominal fixed price would be subsidising other users. The Justification Document also does not consider how a floating price regime creates cross subsidies between different users. For example if there is an under Recovery of Revenue in Year 1, then only those shippers who have booked capacity in Year 2 will pay for this under recovery. A shipper, who had annual capacity booked in both years, could be cross subsidising a user who only booked short term capacity in Year 1, especially if that capacity was sold at a discount to the annual reference price (i.e. a multiplier of less than one).

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?

Answer: Yes. See our response to Q47.

However it is not clear what Section 7.2 Fixed price + a premium is intending to add.

This section is very confused. It introduces several new ideas but it is not clear how the risks/benefits associated with these ideas 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. Also TSOs should only be allowed to earn additional risk premium if there is a genuine risk of a disallowance of part of their allowed revenue. We observe that some TSOs do face such a disallowance e.g. in Austria the TSOs currently receive a capacity risk premium to address under booking risks.

Enabling 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.

There should be further development of the proposals prior to developing the next draft of the code.

49. Do you have any further suggestions for calculating the fixed price premium referred to in Section 7.1 of the Supporting Document?

Answer: No. See our response to Q49.

Chapter VIII: Incremental and New Capacity

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?

Answer: We provide comments on Article 42 to 46 below. Please also see our response to Q47.

Article 43 (2) (b).

Whilst we agree that it is important that externalities be taken into account when setting the f factor (e.g. security of supply) it remains the case that shippers will at some point be required to pay the difference between revenues raised via capacity bookings, and the allowed revenue associated with new or incremental capacity. For this reason any externalities should be explained and justified, and explanation as to how any shortfall in associated allowed revenues will be covered in future. This is particularly important given the proposals in the Tariff Network Code for floating tariffs.

Article 43 (3)

Whilst we fully support the concept that TSOs should be able to recover their allowed revenues, and earn the approved regulated return on their investments, this article appears redundant given the other articles in the Tariff Network Code which enable the TSOs to recover their revenue.

Article 44

Whilst we support the concept, we have reservations about the drafting of Article 44 of the Tariff Network Code. Article 44 allows for different TSOs to have a combined economic test, and for redistribution of revenues between TSOs in the event that the economic test is not passed for one TSO in an investment involving two or more TSOs. This is to be welcomed. However the drafting only says that “transmission operators and national regulatory authorities or Member States *may* agree on mechanisms for redistribution”. (*Emphasis added.*) This is potentially too weak, as it could enable national regulatory authorities or Member States to prevent investment that furthers the internal gas market. Therefore we propose that Article 44 be strengthened to require the relevant parties to use “best endeavours” to agree, with the possibility of adjudication by ACER or the EU Commission in the event of continued failure to agree. It would be helpful if such agreement could occur in advance of the economic test.

Article 45.

We support the intention of this article but do not see how it will work in practice with regards to the estimated projection of indicative reference prices used in the economic test. (Article 45 (1) (c). It is highly questionable how reliable such projections will be as they rely on assumptions about capacity bookings and systems usage several years into the future. For example, the first year of capacity to be allocated will be at least 3 to 5 years after the date of the allocating capacity auction. Given uncertainties about future system usage and booking behaviour the projections referred to in this article will be of little value.

Article 46.

It is important to note that, based on the drafting of Article 27 of the Tariff Network Code; shippers will not know the applicable prices for capacity in the annual auctions until after the auction has taken place. This makes it highly unlikely that shippers will be able to make informed decisions about how much capacity to bid for, and thereby will undermine the functioning of the economic test. Whilst Article 46 of the draft Tariff Network Code attempts to remedy this defect by requiring publication of prices for capacity based on “relevant assumptions” it is highly questionable how reliable such published prices will be as they rely on assumptions about capacity bookings and systems usage several years into the future. For example, the first year of capacity to be allocated will be at least 3 to 5 years after the date of the allocating capacity auction. Given uncertainties about future system usage and booking behaviour the assumptions referred to in this article will be of little value.

Chapter IX: Final and Transitional Provisions

51. Do you agree with ENTSG’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?

Answer: No. The mitigating measures are inadequate as they merely delay the implementation of changes to tariffs for capacity that was booked prior to the code being developed or implemented. TSOs will be able to unilaterally change one key area of the contracts for capacity between them and shippers, namely the price shippers are required to pay. The code does not give shippers a reciprocal right to manage the risk that they face as a result of changing charges by altering the quantity of capacity they have booked. As such the code is one sided and favours monopoly incumbents at the expense of shippers operating in a competitive market. For this reason serious consideration should be given to a one off capacity reset mechanism.

The drafting of this article is not clear and requires improvement. For example:

- *“a time period which lasts no longer than the date referred to” (Article 47.1 (a)) should read “a time period which terminates on or before . . .”*
- It is not clear if any price increase of more than 20% at any point can trigger an opportunity for mitigating measures, and if so whether the mitigating measures apply at just these points or at others as well. (Article 47.1 (b))

It is not clear if Article 47.2 (b) is designed to achieve to spread increases over an indefinite time period therefore delaying the introduction of prices for many years. It is not clear how the related shortfall in revenue would be recovered, for example using what methodology and over what period.

52. Do you agree with the inclusion of the mitigating measures as set out in Article 47.2(a) and (b)?

Answer: No. See response to Question 51.

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?

Answer: Yes. NRAs and TSOs will need at least eighteen months from the entry into force of the code to have proper consultations with shippers about the implementation of the code.

54. Do you agree with the text that ENTSOG has included in Article 49 on the timing of implementation?

Answer: Yes

Chapter X: General Issues

55. Do you agree with the structure of the initial draft TAR NC?

Answer: No. The code needs substantial redrafting.

See also responses to other questions above.

Major matters of concern include:

- Definitions section would benefit from having more and clearer definitions.
- Structure of suite of codes as part of the Gas Regulation is far from ideal, particularly with the growing set of definitions. ENTSOG/ACER/EC should consider whether a separate regulation for all the definitions would be helpful to improve readability of the Gas Regulation and its related Annexes and network codes.
- The relationship between the different elements of the final tariff payable by shippers, and the rules

<p>in the code are not clear.</p> <ul style="list-style-type: none"> • The code says very little about excluded services and levies which can form a significant part of final tariffs payable by shippers. • Seasonal factor drafting and multiplier drafting would be better integrated within a single structure.
<p>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)?</p>
<p>Answer: No. See also responses to other questions above.</p> <p>The code makes the mistake of being very detailed on some aspects e.g. the methodologies whilst being insufficiently clear and robust on other aspects e.g. transparency of all elements of tariffs. It is not clear whether the level of detail on the methodologies is appropriate as there has been no significant analysis of the proposals compared to the current methodologies used by TSOs.</p>
<p>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?</p>
<p>Answer: Yes. Overall the process used so far to deliver the draft network code has been inadequate. Whilst there has been stakeholder engagement in the process in line with the letter of both ACER and ENTSOG processes the spirit of previous initiatives has not been maintained. ACER's decision not to discuss issues which it believes are "closed" has not been helpful. The Framework Guideline is a weak foundation for a code of this importance. ACER's Justification Document provides an inadequate basis for policy decisions taken, and was only published very late in the process. There has been insufficient discussion of detailed aspects of the code during the stakeholder workshops, and this can be seen in lack of common understanding of the impact of the code.</p> <p>There should be another consultation conducted after ENTSOG deliver a revised proposal, including substantially more engagement with stakeholders. This is necessary to deliver a more robust and usable code.</p>
<p>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.</p>
<p>Answer: Yes. However stakeholders do not have a good understanding of how the full process of derivation of tariffs will take place should the code be implemented.</p> <p>Therefore ENTSOG must provide more comprehensive examples of the application of the methodologies in a range of credible networks. This is essential to ensure that the implications of the code and the potential effects of the exercise of discretion within the code are well understood and the consequences appreciated.</p> <p>The questions raised in the consultation document are incomplete. For example, an opportunity to provide feedback on the five primary cost allocation methodologies in Articles 10-14 should have been provided. The consultation could be improved by asking for comments on all articles within the code, on an article by article basis, rather than "cherry picking" issues. For example the questions, in order that they are asked cover articles 3, 5, 7, 8, 15, 16, 17, 18, 19, 20, 22, 23, 3, 26, 29, 28, 30, 31, 32, 33, 34, 37, 40, 47, 49.</p>

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Chapter I: General Provisions	
1. Is the scope of the initial draft TAR NC as set out in Article 2 clear to you?	
Answer: Yes	
2 Do you agree with the scope of the initial draft TAR NC?	
Answer: Yes. Concerning the specific issue of interconnectors, it is not clear what “an effective revenue recovery mechanism” refers to. To avoid the risk of spiralling capacity charges, the most appropriate solution would be to merge these interconnectors with areas with significant domestic demand.	
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	
Answer: No. See question 5.	
4. Are there any other definitions that should be included in the TAR NC?	
Answer: If the article narrowing the range of multipliers in case of congestion is to be retained – which is not GDF SUEZ's view – then the notion of congestion used in this case should more focus on a limited number of points, to balance the goal of this measure (encourage shorter term bookings at contractually congested points) with the magnitude of additional risk weighing on all long term bookings (see question 29). Therefore, a “strictly contractual and imminent congestion” definition should be defined, by applying CMP criteria only for the period corresponding to the next yearly product auction, and by adding the condition that no physical congestion is “reasonably” expected on the concerned point. TSO should be in charge of defining the risk of physical congestion at each IP, with a review by the NRA. “non-transmission services” should also be clearly defined, and should be concerned by some level of regulation, to avoid cross-subsidies and to avoid hampering cross-border trade. This definition should limit the possibility to charge irrelevant services (such as	

distribution or storage services) at transmission points.
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?
<p>Answer: No. "Transmission services" definition should be amended to avoid any risk of circumventing the principle of the code by imposing levies on all services not explicitly included in this definition. Moreover, there are needs to ensure the charging for non-transmission services do not lead to cross-subsidies and that their recovery is fully justified. In particular, this code shall apply when L-Gas is going to be progressively phased out, triggering huge costs in the concerned areas. GDF Suez is particularly concerned that cross-border H-gas network users may have to contribute on this local adaptation : this is a perfectly clear case of cross-subsidizing, that shall directly hamper cross-border trade. Therefore, any ruling out of activities out of the "transmission services" should be properly justified. In particular, three rules could be added to the current network code :</p> <ul style="list-style-type: none"> - any activity ruled out of "transmission services" should be recovered through a process guarantying the absence of cross subsidies between domestic and cross-border users, - only transport-related charges could be billed at transport points. - ACER should supervise several points, to avoid that possible conflict of interests of NRAs results in biased decisions favouring domestic customers over cross-border users : - check both of these conditions above are met, and if it's not the case, to impose either an integration of these services in the "transmission services" or to impose a recovery of related costs not linked to transport points bookings. - check how cost allocation test described in Article 22 is conducted (see question 16). Shorthaul is a necessary principle to avoid unnecessary investments, so it should indeed be considered as a dedicated service.
Chapter II: Cost Allocation Approach
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?
<p>Answer: No.</p> <p>The only way to get some clarity is to get a simulator of each TSO tariff, allowing shippers to make their own forecasts of tariff evolution by setting parameters to level corresponding to their own forecasts. Among the numerous points that makes any forecasting of tariff evolution by shippers impossible :</p> <ul style="list-style-type: none"> - There are far too many parameters and possible adjustments in the whole process. - 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 complementary revenue recovery charge is quoted in article 4.5 but nowhere else in the code. Whether it should recover the same or different costs as the capacity based charges is not clear, and the principle for setting the capacity commodity split is not clear. - The TSO could choose to integrate a large share of its revenue in the non-transmission services revenues, which makes the cost allocation methodology irrelevant. Also, Article 4.4.c should only allow for the commodity charges based on flows to be expressed in monetary terms. If they are applied in monetary terms

one side of an IP and “in kind” on the other side, network users risk being exposed to small allocation mismatches and imbalances which they can do nothing about.
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?
Answer: No. see question 6.
8. Are you satisfied with the two approaches for calculating distance as outlined in Article 7.6 of the initial draft TAR NC?
Answer: Any approach can only be appreciated while having working models for each TSO in order to clearly evaluate the consequences.
9. If you are not satisfied with the two approaches, could you suggest other approaches for calculating distance?
Answer: Any approach can only be appreciated while having working models for each TSO in order to clearly evaluate the consequences.
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?
Answer: Any approach can only be appreciated while having working models for each TSO in order to clearly evaluate the consequences. As a more general principle, if no investment are expected in the coming years, incremental costs are not a relevant input.
11. Do you agree with the inclusion of the asset allocation methodology as set out in Article 15 of the initial draft TAR NC?
Answer: Any approach can only be appreciated while having working models for each TSO in order to clearly evaluate the consequences. This methodology addresses the question of some TSOs unable to charge their expenses because their own customer base have 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 will diminish significantly. Whether to charge to a larger set of customers is a key issue that shall 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.
12. Do you agree with the secondary adjustments as described in Articles 16 – 18 of the initial draft TAR NC?
Answer: Any approach can only be appreciated while having working models for each TSO in order to clearly evaluate the consequences. The benchmarking methodology should be limited to shorthaul situations, where due to very short distance between two points, building a private pipe could be less costly that the

tariff. If not, benchmarking could generate massive cross-subsidies between captive users and users of competitive cross-border paths.
13. Is it necessary to specify further criteria other than those outlined in Article 19 of the initial draft TAR NC?
Answer: The key criteria are to favour cross-border trade, to avoid further discrimination of long term users, and to avoid cross-subsidies in particular between domestic and cross-border users. Also, as regards the criteria relating to rescaling (Article 16), if applied rescaling should only be on a percentage basis. This avoids the risk of undermining locational signals altogether when adjusting expected revenue to allowed transmission services revenue. Otherwise equalisation should be applied.
14. If it is necessary, could you suggest additional criteria to those outlined in Article 19 of the initial draft TAR NC?
Answer: See Question 13
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?
Answer: A consultation on tariff methodology involving stakeholders should be organized at least every four years, not only a review.
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?
Answer: First, ACER should validate – and possibly impose evolutions – on the calculation of the “value of the relevant cost driver(s) for [domestic/cross-border] network users”. National regulatory authorities may indeed face a conflict of interest : their mission is to defend national customers interests. Discussions about charging conversion to H-Cal gas of end customers has proved that extremely wide margin of interpretation may exist. Distinguishing between entry and cross-border capacity at entries is indeed difficult. This is one reason why shifting tariff to exits (domestic and cross-border) is positive. Using cross-border exit capacity as a proxy could be discriminatory against domestic users : they are the principal domestic storages users, and therefore book less entry capacity than their peak capacity. Therefore, NRAs should be allowed to take account domestic storages to set the share of entry capacities affected to domestic capacity.
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?
Answer: GDF SUEZ supports a zero entry or exit transmission tariffs for storage facilities, because of : - Specific role of storages; - Storages typically reduces the need for transmission infrastructures (which in theory could justify negative tariffs); - Gas in storages already paid entry charges and will pay exit charges : it should not pay twice. The only exception could be for new storage investments, especially if these new

investments won't replace transmission investments. are really needed, if transmission tariffs could orientate investments in storage requiring less investments to be connected to the grid.
Chapter III: Publication Requirements
18. Is the relationship between the regulatory period and tariff period, as defined in Article 3.7 and 3.10 clear to you?
<p>Answer: No. First, tariff must be set before the yearly auctions. If not, it's a major incentive for shippers to book short term, as yearly products are to be penalized by a significant risk premium. This problem is enhanced by the refusal of some TSOs to publish a working tariff model. The comprehensive set of the information relevant for tariff calculation should be published :</p> <ul style="list-style-type: none"> - first ahead of a regular consultation on tariffs; - before yearly tariff setting ahead of yearly auctions; <p>Moreover, any piece of information useful to update the forecast of tariff evolution should be published as soon as available, on a continuous basis, by the TSO.</p>
19. Do you agree with the standardised format as set out in Article 26.1 of the initial draft TAR NC?
<p>Answer: No. Template proposed in the supporting document is appropriate for a basic, simplified network, with no services excluded from the transmission revenues, with no commodity charges. It does not justify for instance benchmarking, nor specify what point are concerned by the recovery of the lacking revenues, and if the entry-exit split is applied before or after this adjustment, and why. The share of revenue from long term, medium term or short term capacities is not specified. Expected flows on each points, essential to forecast next year over or under recovery are not included. How revenue recovery is charged is not clear either. In other words, even for such an over simplified example, shippers won't be able to replicate tariff calculation even for the next year. The argument put forward by some TSOs that because of competition – whereas the whole point of this code is to guarantee that TSOs will recover their allowed revenue – they oppose to give such transparency is unacceptable to shippers. This lack of transparency : - adds a risk premium to capacities costs hampering cross-border trade; - triggers a flight to the short term (shippers will prefer to book only intra-month where they know with certainty the reserve price of the auctions). It means that the few TSOs that oppose transparency on competition grounds will penalize all other TSOs, and not only shippers. Therefore, Each TSOs should publish a model of its tariff, allowing shippers to modify input parameters to make their own forecasts of tariff evolution. This model should integrate regulatory account recovery and span over several years. It should allow shippers to make their own assumptions on the future level of bookings. Concerning the case where more than one TSO is active, information should be published both at TSO and at entry-exit area levels.</p>
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?
Answer: See question 19.
21. Are you concerned by the fact that tariffs are set / applied at different times of the year?

<p>Answer: Yes. Tariff must be set before the yearly auctions. If not, it's a major incentive for shippers to book short term, as yearly products are to be penalized by a significant risk premium. This problem is enhanced by the refusal of some TSOs to publish a working tariff model. The simplest way to achieve this goal is to set an tariff year coherently with the CAM code, e.g. beginning the 1st of October, with a full publication of Tariff (including multipliers and seasonal factors) in January or the 1st of February, valid for the whole Tariff year. This harmonized calendar will also facilitate the management of auctions of bundled products, and of secondary market.</p>
<p>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?</p>
<p>Answer: Yes. The important point is that tariff must be set before the yearly auctions, and cover entirely the period of the first yearly product. The simplest way to achieve this goal is to set an tariff year coherently with the CAM code, e.g. beginning the 1st of October, with a full publication of Tariff (including multipliers and seasonal factors) in January or the 1st of February, valid for the whole Tariff year.</p>
<p>23. Could you identify the benefits of the harmonisation of the tariff setting year, if any, for your business, and could you quantify them?</p>
<p>Answer: The important point is that tariff must be set before the yearly auctions. If not, it would seriously hamper cross-border trade, and disqualify long term bookings : unpredictable and disjointed changes in tariffs can easily turn profitable transactions into loss making ones, as margins may be eaten away by tariff increases after the transaction has been executed. This will result in risk premiums and increased transactions costs, lowering liquidity and optimization of capacities. By setting the tariffs earlier, TSOs and NRAs won't be able to forecast as precisely the parameters of the tariffs, which may result in higher regulatory account. First, it is compensated by more yearly bookings by shippers thanks to predictability (if other measures such as multipliers does not completely prevent such booking strategies), which improves tariff forecasts. Moreover, if it exists, this side effect on the regulatory account does not impact each first coming gas year, that concentrate most of the trade, but only subsequent years where other risks are already important, and finally this side effect can be mitigated by a transparent and regularly updated forecast of the regulatory account level, coupled with a working tariff model. Quantification of impact would depend on the level of associated risk premium and transaction costs that would depend on the level of transparency and of volatility of the tariff, which are very high recently.</p>
<p>24. Could you identify the costs of harmonisation of the tariff setting year, if any, for your business and could you quantify them?</p>
<p>Answer: No significant cost, but operational benefits (simplified IT).</p>
<p>25. If applicable, do you think the benefits would outweigh the costs?</p>
<p>Answer: The fact that tariffs are set before the yearly auctions clearly increases global welfare (see Question</p>

23).
26. Is the issue of knowing the tariffs for the relevant gas year before the auctions start very important to you?
Answer: Yes. This is indeed the key point considering tariff setting calendar.
27. Are there any other issues or aspects that are more important than the issue specified in the previous question?
Answer: No as regards timing of tariff publication.
Chapter IV: Reserve Prices
28. Do you agree with ENTISOG's proposal for the conditions for determining the allowed multiplier ranges, as set out in Article 29 of the initial draft TAR NC?
Answer: No. 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. With multipliers equal to 1, ENTISOG quotes a potential 300% tariff rise for LT users.
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 I to Regulation (EC) No 715/2009?
Answer: No. To encourage shorter term bookings at contractually congested points, this measure in fact adds a very significant risk on all long term booking. Indeed, the definition of congestion for CMP means that a three months congestion in a three years periods (one year back and two years forward), even if corresponding to physical congestion, is sufficient to declare the point congested. ACER Annual Report on Contractual Congestion has shown that a large share of European points may indeed be concerned by this measure (although GDF SUEZ does not support the view that contractual congestion is widespread in Europe, as demonstrated by the absence of premiums in nearly all Prisma auctions). Therefore, when booking long term, a shipper cannot exclude that the multipliers range could be narrowed, and that its decision to book long term was flawed. Moreover, in case of congestion, there should be premiums, so setting multipliers in the code is of no avail: market is going to set the ratio of long term vs short term prices through these premiums. Finally, other measures should be more efficient to tackle contractual congestion issue : the most efficient measure would be a reset clause. OS & BB (preferably coordinated with adjacent TSO) is also an efficient measure.
30. Do you agree with ENTISOG'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?
Answer: No. As stated in Question 29, GDF SUEZ does not understand the need for a specific and narrower range of multiplier. The alternative proposal by ENTISOG may result in significant application of multipliers

equal or below 1, which would result in massive cross-subsidies.
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?
Answer: Yes
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)?
Answer: We would support both options : the possibility for NRA to determine a higher level of multipliers, and the inclusion of a cap in the draft TAR NC strictly higher than 2, to reflect at least the average level of multipliers illustrated in figure 8 of the supporting document.
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?
Answer: Yes, if this process allows the publication of stable tariffs before the yearly auctions.
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?
Answer: Yes
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 as set out in Article 30.1(b) of the initial draft TAR NC?
Answer: Yes. Yes as long as within day capacities sold in kWh/d can only apply article 30.1.b.i and capacities sold in kWh/h can only apply article 30.1.b.ii.
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?
Answer: No. Seasonal factors once set should not be changed within the tariff period. It would have been simpler to impose an arithmetic mean of 1 for seasonal factors.
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?

<p>Answer: No. There are two problems, both meaning a transfer of risk from TSOs to shippers :</p> <ul style="list-style-type: none"> - the discount should not be proportional to the level of interruption, either forecasted or realized. 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. - Ex-post discount is not acceptable. Shippers have to cover themselves from the risk of interruption upfront. Moreover, this would be a further incentive for TSOs of not implementing OS&BB, as interruptible capacity with an ex-post discount offers them similar remuneration with limited risk. It would also be an incentive for TSOs to reduce the amount of firm capacity they make available, as it lessens their risk for the same reward. Moreover, the way occurrence of interruption is calculated is not as transparent as it should be and this ex-post calculation can't 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.
<p>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?</p>
<p>Answer: No. Shippers would like to have access to the following information :</p> <ul style="list-style-type: none"> - The detailed network configurations resulting in interruption; - The flow scenarios used to calculate the probability of interruption, i.e. the probability that above mentioned network configurations occur. Shippers will use this information to make their own assessment of interruption based on their own forecasted flow scenarios.
<p>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?</p>
<p>Answer: No. Non-physical backhaul capacity products results in lowering physical flows at each concerned IP. Therefore, in terms of cost reflectivity, Framework Guidelines redaction is more appropriate.</p>
<p>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?</p>
<p>Answer: No. Parameter A should be strictly superior to one, to reflect the cost of the risk borne by shippers when they book interruptible capacities.</p>
<p>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?</p>
<p>Answer: This mode of calculation is simplistic, as it does not distinguish interruption during peak time and</p>

interruption during off-peak time. Therefore, this mode of calculation is only acceptable if parameter A is strictly superior to 1. See Question 40.

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?

Answer: The question is not clear. Probability of interruption should be computed for each point, of course distinguishing the direction of the flow.

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?

Answer: No. As exposed in question 37, ex-post discount is not acceptable, as it transfers too much risk to shippers, that have to cover themselves upfront, and as it will undermine OS&BB.

Chapter V: Revenue Reconciliation

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?

Answer: No. In particular, it is not clear 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. GDF SUEZ fears 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. Shift tariff to exits would greatly facilitate transparency. 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. In any cases, TSOs should recover their costs. If these transit routes are to be subsidized, this issue should be dealt explicitly, with a transparent and justified choice of who shall pay : national domestic users or customers, users or customers in downstream countries benefiting from the transit in terms of security of supply, larger perimeter of customers... In case of fixed price mechanism including a risk premium, the risk premium should be kept by the TSO, that in exchange would have to support any under or over recoveries linked to fixed price capacities. It should also be explicitly forbidden to include in the single regulatory account any charges due to under recovery of revenues linked to non-transmission services. Link between inter-TSO compensation mechanism and regulatory account is not specified, although this is a major source of possible cross-subsidies.

Chapter VI: Pricing of Bundled Capacity and Capacity at Virtual Interconnection Points

45. Do you agree with ENTSOG's proposal with regard to the way in 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?

<p>Answer: Yes. This question of VIP highlights the risk for long term shipper to face a possible very important tariff change at the constitution of the VIP. This huge uncertainty is a further justification for the reset clause.</p>
<p>46. Do you agree with ENTSOG's proposal with regard to the way in which 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?</p>
<p>Answer: Yes. This question of VIP highlights the risk for long term shipper to face a possible very important tariff change at the constitution of the VIP. This huge uncertainty is a further justification for the reset clause.</p>
<p>Chapter VII: Payable Price</p>
<p>47. Are the mechanisms for fixed capacity prices described clearly enough in Section 7.1 of the Supporting Document?</p>
<p>Answer: No. It should be absolutely clear that existing long term bookings could ask for a fixed price until the end of the booking. If not, it would be a further discrimination for existing holders of long term capacities. This fixed priced mechanism can't be considered as a mitigation measure: - Fixed tariffs are to be based on the post TAR NC tariff structure, so the initial tariff risk is not managed; - Levies linked to non-transmission services may be added to fixed tariff, resulting in durable tariff risk; - It does not recreate a level playing field (See question 51) and leaves biased market signals. Links with the revenue recovery mechanism should be also clearer. In particular, in the case of a risk premium, it should be clear that: - If there is more under-recovery linked to these booking that could be covered by the risk premium, this additional cost will be supported by the TSO, and not spread to other users; - If the risk premium is over evaluated, it will mean additional benefit for the TSO. Without a premium, the sustainability of a fixed tariff with regards to TSO revenue recovery should be demonstrated. The "buffer" option as described seems to the sole advantage of the TSOs, as the shipper is supposed to pay upfront, but is not protected against tariff rises higher than the premium.</p>
<p>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?</p>
<p>Answer: Yes, if and only if this measure is available for existing bookings. If not, this would be a further discrimination against existing long term holders of capacity. Though, this measure won't significantly reduce the need for a reset option (see Question 47).</p>
<p>49. Do you have any further suggestions for calculating the fixed price premium referred to in Section 7.1 of the Supporting Document?</p>
<p>Answer: First a tariff model should be produced by each TSO, including the impact of all future expected investment, and the main relevant parameters (flow scenarios, forward view of the technical capacity, assumptions on the level of bookings...). A consultation should be organized to validate all the parameters of the model. The price premium should be based to cover the expected tariff evolution on this point.</p>
<p>Chapter VIII: Incremental and New Capacity</p>

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?

Answer: The key question of incremental and new capacity chapter concerns the f-Factor. A low f-Factor would mean higher risk for existing long term shippers to be affected by a tariff rise due to investment they may not support. This is a further risk for long term shippers that once again cannot adapt themselves to this added uncertainty on tariff, contrary to short term shippers, and would represent a further justification for a reset clause.

Chapter IX: Final and Transitional Provisions

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?

Answer: No.

These mitigation measures are just postponing tariff rises by a few months whereas long term shippers may be exposed to contracts beyond 2030 horizon. Moreover, if this mitigation measure results in significant under recovery in 2018 and 2019, holders of long term capacities would still have to pay the bill in 2020. GDF SUEZ is supporting the introduction of a one-off reset clause, allowing termination of long term contract at the entry into force of this network code, and of a continuous reset clause in case of tariff rise over a certain threshold. The one-off reset clause: The main goal of the one-off reset clause is to implement a level playing field, where some actors won't be able to free-ride on stranded long term capacities by swapping gas on markets without geographical spreads, and where long term shippers allow these swaps by nominating their long term capacities to capture nearly null spreads. After the reset, there won't be any more stranded capacities, so every day, some short term capacities is to be booked (with appropriate multipliers, it should be only the part corresponding to daily flows volatility), allowing the price of this capacity to be taken into account in the spot price of hubs. Long term shippers will indeed book less capacities following the reset clause, but they accept to pay a higher unitary price, which means of a global level in Europe the same transmission costs to supply their customers. The main advantage for long term shippers is that they will compete with fair economic signals: "not pay less, but pay fair". The question of the stability of some cross-border point across Europe is a real one, but exists independently of the reset clause, that only makes the issue happen sooner. Currently, in the draft network code, the two only solutions proposed are: - a single regulatory account, which is not compatible with the respect of the principle of no cross-subsidies between domestic and cross-border users (and therefore not compatible with the cost allocation test), - and a completely non-transparent system of inter-TSOs compensation mechanism, which relation with the regulatory account has to be clarified. Bookings that are linked to recent open seasons, when regulatory context was already known, won't benefit from the clause. Shippers would have to indicate with an [18 months] notice for each point the level of capacities they want to reset, in order to allow TSOs to calculate the new tariff without uncertainty. The continuous reset clause: In several cases, the current NC TAR could lead to severe unitary tariff instability, and not only at the entry in force of the code. Current and future long term shippers cannot be exposed durably to such risk level. Therefore, a threshold should be defined by the NRAs to keep tariff risk at a manageable level. Shippers should be allowed to terminate whole or parts of the contracts for which the price rise exceeds this threshold. This may create under recovery issues for the TSO, but as stated for the one-off reset clause, this issue is present whether or not this measure is implemented, so a solution has to be found in any cases. These clauses shall apply to all points that could have been

booked over several years, with the exception bookings automatically linked to LNG and storage bookings. GDF SUEZ rejects the arguments against the reset clause put forward by ENTSOG. “could lead to severe instability of the market and impact tariff instability in the future” : this is false because what is proposed is a one off clause (the continuous one is there to avoid unlimited risk for shippers in case of skyrocketing tariffs), which will modify booking behaviour and therefore have an impact at the entry into force of the code, but TSO could be prepared to it as reset will be announced with sufficient notice, and this impact won't be superior in term of tariff stability than all the measures announced in this code. In a longer term, local tariff instability is a consequence of the willingness to develop short term behaviour in all network codes, and reset clause won't change this situation. Without reset clause, the consequences of this instability are just concentrated on long term bookers. “Damages the gas industry and the competitiveness of gas in Europe” : For the competitiveness of gas in Europe, end-users are in any case going to pay in one way or another the full allowed revenue of TSOs and this won't change with a reset clause. TSOs are also to get their allowed revenues: reset clause or not, shippers are still going to book capacities to supply end customers, and to pay roughly the same amount of money for these. The main difference thanks to the reset clause is that a level playing field could be re-implemented, and that short term competitors are not going to free ride. “Discourages new entrants from coming into the market” : Why? Because without reset clause new entrants cannot free-ride anymore on existing long term bookings? This argument could be heard if there was hoarding of capacity, but precisely reset option will free capacity and allow new entrants to book more capacities on a level playing field. “Impact on the use of secondary market” : Due notably to discriminatory regulation, long term shippers are forced to sell at a knock-down prices significant capacity on the secondary market, allowing competitors to free-ride on their bookings. But this effect is not so huge, and the easiest way to free-ride is to swap gas between markets where spreads has been nullified by holders of long term capacities... “Penalises network users needing gas, the remaining gas users will pay for the choices of other gas users” : indeed, free riders that uses capacities without paying it (through swaps) or at discounted prices (through knock-down prices on secondary market) will suffer from a level playing field. “could cause cross-subsidisation between different users and non-cost reflective redistribution of costs” : the central cross-subsidisation of short term users by long term users currently present in the regulation is not taken into account. The possible non cost reflective redistribution of costs should be tackled by the tariff code, and is not due to the reset clause. “Change the competitive position of market players” : indeed, free riders that uses capacities without paying it (through swaps) or at discounted prices (through knock-down prices on secondary market) will suffer from a level playing field. Currently, all players suffer from market signals not reflecting capacity costs. “Could have unintended consequences for LNG and storages” : for LNG, GDF SUEZ position is that transmission bookings should be defined by regasification bookings, and that reset clause should not apply. For storages, GDF SUEZ position is that entry and exit tariff to storages should be zero by default. Given these two positions, reset clause should have no impact on LNG and storages. “Impact on investment” : proposed reset clause is a one-off clause that won't apply to recent bookings. Therefore any recent or future investment shall not be affected by the proposed one-off reset clause. “Impact on the market valuation of TSO's” : the precise goal on this draft Tariff NC is precisely to secure that TSOs are to recover their allowed revenue. Reset clause or not, there will be at least bookings at IPs corresponding to physical flows across Europe, and unchanged bookings for LNG, distribution IP, and transmission end customers' bookings to recover costs. The real risk on TSO's market valuation is linked to demand decrease and change of cross-border flows, not reset clause. Creation of a vicious circle” : there will be no vicious circle with a one-off reset clause, especially with a significant notice before resetting. Bookings are to be adapted once to the level of physical flows, and should be stable after. The real risk of vicious circle is linked to the risk

<p>of decreasing demand. And the German example cannot be compared to a one-off reset clause. German reset clause is not one-off, and has been used in a context where several TSOs are in competition at the same IP. This has generated logical arbitrage actions from shippers that massively transferred their bookings to the cheaper TSO at each IP.</p>
<p>52. Do you agree with the inclusion of the mitigating measures as set out in Article 47.2(a) and (b)?</p>
<p>Answer: See Question 51</p>
<p>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?</p>
<p>Answer: It shall depend on the inclusion of the reset clause. To implement the code 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 and of more transmission offers optimization.</p>
<p>54. Do you agree with the text that ENTSOG has included in Article 49 on the timing of implementation?</p>
<p>Answer: See Question 53</p>
<p>Chapter X: General Issues</p>
<p>55. Do you agree with the structure of the initial draft TAR NC?</p>
<p>Answer: No. It lacks the part described in Question 57.</p>
<p>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)?</p>
<p>Answer: No. We do not think the level of detail used in describing the primary cost allocation methodologies is sufficient to enable shippers to replicate the workings of a TSO's tariff model, or for NRAs, or the Commission, to confirm whether the TAR NC is being complied with. Rather than try and include the complicated formulae and data solving procedures in the TAR NC itself, if TSOs are required to publish working versions of their tariff models, including a description of how it complies with the high level descriptions contained in the TAR NC, parties would be sufficiently reassured. If shippers had access to a TSO's working tariff model they would be able to raise any concerns they may have about its compliance with the descriptions in the TAR NC with the NRA, rather than being left completely in the dark unable to establish whether the tariffs that are published are valid or not.</p>
<p>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?</p>
<p>Answer: Yes. This tariff code proposes a sound principle, that there should be no cross-subsidies between cross-border and domestic users, principle enforced by a test GDF SUEZ proposes to enlarge, and to be</p>

supervised by ACER. Though, some cross-border infrastructure may become underutilized, which means that it could trigger a vicious circle leaving shippers having booked long term capacities on these routes may be obliged to pay an unreasonable unitary tariff, that any new shipper wanting to use this route will be discouraged by these tariffs, and to some point in time the TSOs won't be able to recover the costs related to these routes. This last point is also a problem for shippers, because if it's the case, cost of capital of TSOs across Europe may rise, which will be felt in the tariff paid by shippers. The current draft of the code does not tackle this issue. In this kind of situations, the single regulatory pot will eventually result in massive, "black-box" cross-subsidies to the detriment of local end-users, and for TSOs heavily relying on transit routes, smearing the issue on domestic customers will not be sufficient to make the system workable. The inter-TSO compensation mechanism is not transparent either, and its relation with the regulatory account should be clarified. Three rules could be added to the current network code :

- any activity ruled out of "transmission services" should be recovered through a process guarantying the absence of cross subsidies between domestic and cross-border users,
- only transport-related charges could be billed at transport points.
- ACER should supervise several points, to avoid that possible conflict of interests of NRAs results in biased decisions favouring domestic customers over cross-border users: -- check both of these conditions above are met, and if it's not the case, to impose either an integration of these services in the "transmission services" or to impose a recovery of related costs not linked to transport points bookings. -- check how cost allocation test described in Article 22 is conducted (see question 16).

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.

Answer: No. 58 questions is hardly respondent-friendly. And questions are too closed and therefore orientate the debates. Moreover, we would appreciate to have access to the summarized position of all stakeholders sufficiently in advance before the refinement workshop.

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Chapter I: General Provisions	
1. Is the scope of the initial draft TAR NC as set out in Article 2 clear to you?	
Answer: Yes	
2 Do you agree with the scope of the initial draft TAR NC?	
Answer: Yes	
3. Do you agree with ENTSG's proposal for amendments to the definitions foreseen by the TAR FG, as set out in Article 3 of the initial draft TAR NC	
Answer: The parts which have been omitted were in fact useful and should be included in the final TAR NC.	
4. Are there any other definitions that should be included in the TAR NC?	
Answer: It would be useful to have the definition of the reserve price in the final tariff Network Code (for the time being, it is only defined in the supporting document).	
5. Do you agree with ENTSG's proposal for the definition of transmission services as set out in Article 3.11 of the initial draft TAR NC?	
Answer: We agree with the definition of transmission services. The schema on p 26 of the supporting document is not coherent with the suppression of the 5% revenue limit for dedicated services. In addition, why are there separate boxes for "other charges for dedicated services " and "other TSO provided services revenue"?	
Chapter II: Cost Allocation Approach	

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?
Answer: Yes
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?
Answer: The difference between cost allocation approach and cost allocation methodology should be included in the definition (repeat the same explanation as p 29 of SD).
8. Are you satisfied with the two approaches for calculating distance as outlined in Article 7.6 of the initial draft TAR NC?
Answer: Yes
9. If you are not satisfied with the two approaches, could you suggest other approaches for calculating distance?
Answer: N/A
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?
Answer: Yes
11. Do you agree with the inclusion of the asset allocation methodology as set out in Article 15 of the initial draft TAR NC?
Answer: No, we are of the opinion that there are enough allocation methodologies provided for in the Tariff FG.
12. Do you agree with the secondary adjustments as described in Articles 16 – 18 of the initial draft TAR NC?
Answer: Yes
13. Is it necessary to specify further criteria other than those outlined in Article 19 of the initial draft TAR NC?
Answer: No
14. If it is necessary, could you suggest additional criteria to those outlined in Article 19 of the initial draft TAR NC?

Answer: N/A
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?
Answer: Yes
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?
Answer: No
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?
<p>Answer: No. The tariff setting for storage should clearly reflect:</p> <ul style="list-style-type: none"> - the benefits that storage facilities bring to the overall system (efficient investment in the grid, reduction of operating expenses of TSOs, reduction of gas price volatility, enhancement of the system stability and balance, contribution to the security of supply). - the fact that storage users have already contributed to covering the cost of operating the transmission system (storage users should not pay twice for the same service, i.e. transmission of natural gas, because they have already paid a fee to enter the given system and they will pay a fee to exit it, be it into another system or to one of their customers). <p>Therefore, we propose the following amendments to article 23 of the Initial Draft Network Code on Harmonised Transmission Tariff Structures for Gas for Public Consultation:</p> <p>When the national regulatory authority sets or approves setting or approving the transmission tariffs for the storage facilities, the following shall be taken into consideration the national regulatory authority must ensure:</p> <p>(1) the net benefits that the storage facilities may provide to the transmission system; (2) the need to promote efficient investment in the transmission system; (3) the need to minimise detrimental effects on cross-border trade.</p> <p>(1) That the benefits that the storage facilities provide to the transmission system are reflected (2) That storage users have not paid twice for the same service.</p>
Chapter III: Publication Requirements
18. Is the relationship between the regulatory period and tariff period, as defined in Article 3.7 and 3.10 clear to you?
Answer: Yes
19. Do you agree with the standardised format as set out in Article 26.1 of the initial draft TAR NC?

Answer: Yes
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?
Answer: Yes
21. Are you concerned by the fact that tariffs are set / applied at different times of the year?
Answer: This question should be answered by the network users.
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?
Answer: This question should be answered by the network users.
23. Could you identify the benefits of the harmonisation of the tariff setting year, if any, for your business, and could you quantify them?
Answer: NR
24. Could you identify the costs of harmonisation of the tariff setting year, if any, for your business and could you quantify them?
Answer: NR
25. If applicable, do you think the benefits would outweigh the costs?
Answer: NR
26. Is the issue of knowing the tariffs for the relevant gas year before the auctions start very important to you?
Answer: Network users have repeatedly mentioned that they would like to be informed of the tariffs before the auctions.
27. Are there any other issues or aspects that are more important than the issue specified in the previous question?
Answer: NR
Chapter IV: Reserve Prices

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?
Answer: Yes. However, we are of the opinion that the multipliers should be higher than 1 for non congested networks. 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.
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 I to Regulation (EC) No 715/2009?
Answer: The article 29 1.b should clearly refer to physical congestion
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?
Answer: Yes
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?
Answer: Yes, it could be above 1,5 so that we can reach the same balance as we have between long term, medium term and short term as defined in the CAM Network Code.
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)?
Answer: We should define a principle more than a figure. No evidence has been provided to justify neither the cap of 1,5 ,nor the range of multipliers defined in the Framework Guidelines.
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?
Answer: Yes
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?

Answer: Yes
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 as set out in Article 30.1(b) of the initial draft TAR NC?
Answer: The reserve price for within day products should be the same as the reserve price for daily products, since it is more convenient to implement.
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?
Answer: Yes
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?
Answer: We prefer having an ex ante discount, which gives more visibility to network users
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?
Answer: Yes
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?
Answer: Yes
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?
Answer: Yes
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?
Answer: Yes
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?
Answer: Yes
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?
Answer: We would rather not have an ex post discount.
Chapter V: Revenue Reconciliation
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?
Answer: Yes
Chapter VI: Pricing of Bundled Capacity and Capacity at Virtual Interconnection Points
45. Do you agree with ENTSOG's proposal with regard to the way in 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?
Answer: Yes
46. Do you agree with ENTSOG's proposal with regard to the way in which 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?
Answer: Yes
Chapter VII: Payable Price
47. Are the mechanisms for fixed capacity prices described clearly enough in Section 7.1 of the Supporting Document?
Answer: Yes
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?
Answer: Yes, since it would give an incentive for investments. Moreover, it would provide the TSOs a better visibility and a more stable cost coverage (with floating tariffs, shippers would not be incentivized to commit themselves on the long term).
49. Do you have any further suggestions for calculating the fixed price premium referred to in Section 7.1 of the Supporting Document?
Answer: Yes

Chapter VIII: Incremental and New Capacity
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?
Answer: N/A
Chapter IX: Final and Transitional Provisions
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?
Answer: Yes
52. Do you agree with the inclusion of the mitigating measures as set out in Article 47.2(a) and (b)?
Answer: Yes
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?
Answer: Yes
54. Do you agree with the text that ENTSOG has included in Article 49 on the timing of implementation?
Answer: Yes
Chapter X: General Issues
55. Do you agree with the structure of the initial draft TAR NC?
Answer: Yes
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)?
Answer: Yes, there are already many details.
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?
Answer: No

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.

Answer: The supporting document is very good.

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Chapter I: General Provisions	
1. Is the scope of the initial draft TAR NC as set out in Article 2 clear to you?	
Answer: Yes	
2 Do you agree with the scope of the initial draft TAR NC?	
Answer: Yes	
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	
Answer: Yes	
4. Are there any other definitions that should be included in the TAR NC?	
Answer: No	
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?	
Answer: Yes, GIE agrees with the definition as a reasonable compromise. One could argue to have a quite narrow definition in order to avoid any kind of cross subsidy by charging separate services separately. The result would be quite complex rules for tariffication. On the other hand one could argue for a wider (all included) definition with the result of cross subsidies.	
Chapter II: Cost Allocation Approach	
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?
Answer: Yes
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?
Answer: Yes
8. Are you satisfied with the two approaches for calculating distance as outlined in Article 7.6 of the initial draft TAR NC?
Answer: Yes
9. If you are not satisfied with the two approaches, could you suggest other approaches for calculating distance?
Answer: NR
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?
Answer: NR
11. Do you agree with the inclusion of the asset allocation methodology as set out in Article 15 of the initial draft TAR NC?
Answer: NR
12. Do you agree with the secondary adjustments as described in Articles 16 – 18 of the initial draft TAR NC?
Answer: ENTSOG has drafted the respective section in line with the FG. But GIE have some concerns on the concept of secondary adjustments as such. Secondary adjustments should be carefully handled by NRAs to avoid too huge deviation from primary cost based allocation. Benchmarking may have its merits under clearly defined circumstances.
13. Is it necessary to specify further criteria other than those outlined in Article 19 of the initial draft TAR NC?
Answer: No
14. If it is necessary, could you suggest additional criteria to those outlined in Article 19 of the initial draft TAR NC?

Answer: NR
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?
Answer: Yes, The content itself is clear and a review of the allocation method at a given time seems useful, especially if there were detected some distortion in the market. But, GIE has some doubts that a binding review at latest every four years is 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.
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?
Answer: NR
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?
Answer: No, In setting tariffs for entry and exit points from and to gas storage facilities, it shall be considered that gas storage is not a net source of supply or demand and users 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 by the benefits of gas storages contributing to the network system. GIE proposes a more specific wording on the methodology in setting tariffs at storage connection points taking into account the following principles: "In order to promote efficient investments and cost reflectivity and in order to avoid undue discrimination between network users, the transmission tariffs for gas storages shall be based on costs arising from the connection of storages to the transmission system and take benefits of gas storages into account. Costs arising from the connection of storages and variable costs related to the transportation of gas to and from storage shall be substantiated. Benefits of storages (e.g. reduced investments regarding peak capacity of the transmission system and import facilities and reduced OPEX) shall be taken into consideration."
Chapter III: Publication Requirements
18. Is the relationship between the regulatory period and tariff period, as defined in Article 3.7 and 3.10 clear to you?
Answer: Yes
19. Do you agree with the standardised format as set out in Article 26.1 of the initial draft TAR NC?
Answer: Yes

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?
Answer: Yes
21. Are you concerned by the fact that tariffs are set / applied at different times of the year?
Answer: NR
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?
Answer: NR
23. Could you identify the benefits of the harmonisation of the tariff setting year, if any, for your business, and could you quantify them?
Answer: NR
24. Could you identify the costs of harmonisation of the tariff setting year, if any, for your business and could you quantify them?
Answer: NR
25. If applicable, do you think the benefits would outweigh the costs?
Answer:
26. Is the issue of knowing the tariffs for the relevant gas year before the auctions start very important to you?
Answer: NR
27. Are there any other issues or aspects that are more important than the issue specified in the previous question?
Answer: NR
Chapter IV: Reserve Prices
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?

Answer: Yes
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 I to Regulation (EC) No 715/2009?
Answer: Yes, GIE agrees with the general principle to link multipliers with the usage at an IP or the level of congestion. GIE is of the opinion that multipliers should in all cases not be lower than 1 as this reflects the nature of a cost structure driven by peak demand. Any multiplier below 1 is an invitation to free riders behaviour to the expense of other network users. In case of congestion a multiplier of 1 is sufficient in other cases it has to be above 1.
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?
Answer: GIE took notice 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. In addition GIE believes that the proposal inserted in the supporting document, but not in the draft TAR NC, should not put a cap on multipliers.
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?
Answer: Yes, GIE agrees with the proposal. More flexibility is needed. Given the multipliers currently used in Europe (and approved by respective NRAs) ACER did so far not deliver a substantiated reason to limit multipliers.
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)?
Answer: Yes, I support the 1st option. GIE believes that NRAs are best placed to decide, on the ground of documented evidence from the TSOs, and after consultation of the market. GIE does not see the need of a cap as this may be as arbitrary as the original choice with a cap of 1.5.
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?
Answer: Yes

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?
Answer: No, The formulas are the purely mathematical interpretation of the FG. The issue is if one agrees with the choices of the FG. GIE is of the opinion that there is no justification for multipliers below 1.
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 as set out in Article 30.1(b) of the initial draft TAR NC?
Answer: Yes
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?
Answer: Yes, ENTSOG has from the economical perspective developed a reasonable concept for seasonal factors. The legal text of the NC seems quite complicated. Maybe this lies in the nature of "legalising" economics.
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?
Answer: Yes
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?
Answer: Yes
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?
Answer: Yes, in this respect, 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. The entire issue is rather about fairness among shippers (forward and reverse) than an issue of revenue recovery for the TSO.
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?
Answer: Yes

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?
Answer: Yes
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?
Answer: NR
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?
Answer: Yes
Chapter V: Revenue Reconciliation
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?
Answer: Yes, The respective article is clear for GIE. Although GIE would prefer two more than one account, as a second best solution the tracking via sub-accounts is useful but it requires consistent implementation meaning a reconciliation based on tracking. Besides, it is not clear how often the regulatory account would be reconciled. GIE considers reasonable to make possible a reconciliation of the regulatory account every year to allow for a timely cost recovery and to avoid sharp adjustment of tariffs, in line with the TAR FG.
Chapter VI: Pricing of Bundled Capacity and Capacity at Virtual Interconnection Points
45. Do you agree with ENTSOG's proposal with regard to the way in 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?
Answer: Yes
46. Do you agree with ENTSOG's proposal with regard to the way in which 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?
Answer: Yes
Chapter VII: Payable Price
47. Are the mechanisms for fixed capacity prices described clearly enough in Section 7.1 of the Supporting Document?
Answer: Yes

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?
Answer: Yes
49. Do you have any further suggestions for calculating the fixed price premium referred to in Section 7.1 of the Supporting Document?
Answer: NR
Chapter VIII: Incremental and New Capacity
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?
Answer: Yes
Chapter IX: Final and Transitional Provisions
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?
Answer: NR
52. Do you agree with the inclusion of the mitigating measures as set out in Article 47.2(a) and (b)?
Answer: NR
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?
Answer: NR
54. Do you agree with the text that ENTSOG has included in Article 49 on the timing of implementation?
Answer: Yes
Chapter X: General Issues
55. Do you agree with the structure of the initial draft TAR NC?
Answer: NR
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)?
Answer: NR
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?
Answer: NR
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.
Answer: NR

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Chapter I: General Provisions	
1. Is the scope of the initial draft TAR NC as set out in Article 2 clear to you?	
Answer: Yes	
2 Do you agree with the scope of the initial draft TAR NC?	
Answer: Yes	
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	
Answer: Yes	
4. Are there any other definitions that should be included in the TAR NC?	
Answer: No	
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?	
Answer: No, Because transmission services has a quite narrow definition which gives the NRAs a quite open field for other costs which will not fed into the cost-allocation mechanisms and more important will not be included in the publication requirements. The NC TAR should include all transport and transit contracts in the European Union.	
Chapter II: Cost Allocation Approach	
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?
Answer: Yes
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?
Answer: Yes
8. Are you satisfied with the two approaches for calculating distance as outlined in Article 7.6 of the initial draft TAR NC?
Answer: Yes
9. If you are not satisfied with the two approaches, could you suggest other approaches for calculating distance?
Answer: NR
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?
Answer: Yes
11. Do you agree with the inclusion of the asset allocation methodology as set out in Article 15 of the initial draft TAR NC?
Answer: Yes
12. Do you agree with the secondary adjustments as described in Articles 16 – 18 of the initial draft TAR NC?
Answer: Yes
13. Is it necessary to specify further criteria other than those outlined in Article 19 of the initial draft TAR NC?
Answer: No
14. If it is necessary, could you suggest additional criteria to those outlined in Article 19 of the initial draft TAR NC?
Answer: NR

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?
Answer: Yes
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?
Answer: NR
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?
Answer: Yes
Chapter III: Publication Requirements
18. Is the relationship between the regulatory period and tariff period, as defined in Article 3.7 and 3.10 clear to you?
Answer: Yes
19. Do you agree with the standardised format as set out in Article 26.1 of the initial draft TAR NC?
Answer: No, because the exclusion of activities defined under Article 3.11 draft TAR NC from transmission services is also an exclusion from publication requirements of this NC. Thus, if there will be no change in the definition of transmission services there should be at least a change in the publication requirements of Chapter III to make the price of the excluded elements also more transparent.
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?
Answer: Yes
21. Are you concerned by the fact that tariffs are set / applied at different times of the year?
Answer: Yes
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?
Answer: Yes, it is necessary for network users who operate in different countries to have easy access to transparent information in every member state it is important to know the reserve price before the annual

CAM auction.
23. Could you identify the benefits of the harmonisation of the tariff setting year, if any, for your business, and could you quantify them?
Answer: No
24. Could you identify the costs of harmonisation of the tariff setting year, if any, for your business and could you quantify them?
Answer: No
25. If applicable, do you think the benefits would outweigh the costs?
Answer: Yes
26. Is the issue of knowing the tariffs for the relevant gas year before the auctions start very important to you?
Answer: Yes, otherwise shippers will be far more inclined to leave their capacity bookings to month, 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.
27. Are there any other issues or aspects that are more important than the issue specified in the previous question?
Answer: No
Chapter IV: Reserve Prices
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?
Answer: No, The CAM NC reflects the new world of flexible capacity booking but shippers with long-term capacity contracts cannot take full advantage of profiled booking. Short term multipliers under the TAR NC could compound this disadvantage by making it cheaper to book capacity on a profiled basis and smearing any under recovery back to captive long-term capacity holders.
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 I to Regulation (EC) No 715/2009?
Answer: No, Because linking the applicable ranges of multipliers with the report "ACER annual report on congestion at interconnection points" arise concern about the time lag of publishing the report and the usage of the data. Market conditions might have changed in the course of the two years.

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?
Answer: Yes
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?
Answer: No
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)?
Answer: Yes, I support the 2nd option.
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?
Answer: Yes
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?
Answer: Yes
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 as set out in Article 30.1(b) of the initial draft TAR NC?
Answer: Yes
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?
Answer: Yes
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?
Answer: No, The ex-post approach will not reflect the risk to be interrupted. Only a combination of ex-ante and ex-post should be allowed.
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?
Answer: Yes
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?
Answer: Yes
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?
Answer: Yes
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?
Answer: Yes
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?
Answer: No, the aggregation of all interconnection points to calculate the probability of interruption will not show the real risk for a single IPs interruption
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?
Answer: Yes
Chapter V: Revenue Reconciliation
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?

Answer: Yes
Chapter VI: Pricing of Bundled Capacity and Capacity at Virtual Interconnection Points
45. Do you agree with ENTSOG's proposal with regard to the way in 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?
Answer: Yes
46. Do you agree with ENTSOG's proposal with regard to the way in which 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?
Answer: Yes
Chapter VII: Payable Price
47. Are the mechanisms for fixed capacity prices described clearly enough in Section 7.1 of the Supporting Document?
Answer: Yes
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?
Answer: No, the inclusion of flexible components in a fixed price mechanism would lead to uncertainty on the actual price for the capacity product.
49. Do you have any further suggestions for calculating the fixed price premium referred to in Section 7.1 of the Supporting Document?
Answer: No
Chapter VIII: Incremental and New Capacity
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?
Answer: Yes
Chapter IX: Final and Transitional Provisions
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?
Answer: Yes
52. Do you agree with the inclusion of the mitigating measures as set out in Article 47.2(a) and (b)?

Answer: No, it is important to have the same rules for both sides of the IP (bundled products) in connecting with application of the NC TAR and not that each NRA can design their own mitigating measures.
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?
Answer: Yes
54. Do you agree with the text that ENTSOG has included in Article 49 on the timing of implementation?
Answer: Yes
Chapter X: General Issues
55. Do you agree with the structure of the initial draft TAR NC?
Answer: Yes
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)?
Answer: Yes
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?
Answer: NR
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.
Answer: Yes

Respondent:	Hungarian Gas Tranzit Ltd.
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Chapter I: General Provisions	
1. Is the scope of the initial draft TAR NC as set out in Article 2 clear to you?	
Answer: Yes	
2 Do you agree with the scope of the initial draft TAR NC?	
Answer: Yes	
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	
Answer: Yes	
4. Are there any other definitions that should be included in the TAR NC?	
Answer: No	
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?	
Answer: Yes. I agree with it because the definition of transmission services is more detailed and more understandable in initial draft TAR NC than it was in the TAR FG.	
Chapter II: Cost Allocation Approach	
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?	

Answer: Yes. I Think that it 5.1. (a) is clear for me how apply the transmission revenue regarding to the cost allocation approach. Is 5.1. (b) means the transmission services revenue is calculated from capacity based charges and this revenue can be adjusted rescalling, or equalisation , or benchmarking?
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?
Answer: Yes, I understand 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.
8. Are you satisfied with the two approaches for calculating distance as outlined in Article 7.6 of the initial draft TAR NC?
Answer: Yes. The two approach for calculating distances are correct, but I prefer the postage stamp methodology.
9. If you are not satisfied with the two approaches, could you suggest other approaches for calculating distance?
Answer: NR
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?
Answer: Yes
11. Do you agree with the inclusion of the asset allocation methodology as set out in Article 15 of the initial draft TAR NC?
Answer: Yes
12. Do you agree with the secondary adjustments as described in Articles 16 – 18 of the initial draft TAR NC?
Answer: Yes. I agree with the secondary adjustments, but I think the equalisation of reference price for entry and exit point doesn't foster competition because remove the locational signals.
13. Is it necessary to specify further criteria other than those outlined in Article 19 of the initial draft TAR NC?
Answer: Yes. I don't agree with the criteria for choosing a primary cost allocation methodology in Article 19 especially we don't agree with the criteria for the application of the postage stamp methodology. In this case we think that the NRAs should setting the criteria.

14. If it is necessary, could you suggest additional criteria to those outlined in Article 19 of the initial draft TAR NC?
Answer: NR
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?
Answer: No. I agree with the 4 year review of the relevant parameters. But in case of the outcome of the review doesn't result the necessity to change the cost allocation approach what is the content of justification document?
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?
Answer: No.
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?
Answer: No. I think more detailed storage tariff setting should be part of the TAR NC. If NRAs determines or approves the storage tariffs for TSO-SSO connection points, these storage tariffs can be very different in the member states which don't enhance the market integration in EU.
Chapter III: Publication Requirements
18. Is the relationship between the regulatory period and tariff period, as defined in Article 3.7 and 3.10 clear to you?
Answer: Yes
19. Do you agree with the standardised format as set out in Article 26.1 of the initial draft TAR NC?
Answer: Yes
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?
Answer: Yes
21. Are you concerned by the fact that tariffs are set / applied at different times of the year?

Answer: Yes. Hungarian Gas Transit Ltd as a transmission licensee is concerned in this issue.
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?
Answer: Yes. Tariffs setting at the same time of the year is benefit for all players, because the different tariff setting in the year create complexity to calculate the transmission cost for more entry/exit systems.
23. Could you identify the benefits of the harmonisation of the tariff setting year, if any, for your business, and could you quantify them?
Answer: The tariffs were published prior the start of the gas year and network users know the price before they booked yearly capacity for the gas year. Network users can calculate the cost of transmission for the whole gas year and TSOs also can calculate the revenue.
24. Could you identify the costs of harmonisation of the tariff setting year, if any, for your business and could you quantify them?
Answer: No.
25. If applicable, do you think the benefits would outweigh the costs?
Answer: Yes. I only identify benefits regarding to the harmonisation of the tariff setting year.
26. Is the issue of knowing the tariffs for the relevant gas year before the auctions start very important to you?
Answer: No. It is very important for the Network users.
27. Are there any other issues or aspects that are more important than the issue specified in the previous question?
Answer: Other important aspects are to publish the available capacities (firm, interruptible, backhaul) before the auctions start.
Chapter IV: Reserve Prices
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?
Answer: Yes. The criteria for allowing different ranges of multiplier should be more clear.
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 I to Regulation (EC) No 715/2009?

Answer: Yes. I generally agree with the multipliers can be higher in case of congestion.
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?
Answer: Yes. I agree with the multipliers can be higher in case of the most of the capacity was sold and the available firm capacity's level is very low.
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?
Answer: Yes. I agree with the higher multipliers and with the justifying the reserve price to recover the allowed revenues of the TSO. Multipliers for daily and within day products can be more than 1.5.
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)?
Answer: Yes, I support the 2nd option
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?
Answer: Yes. I think that the most important criteria in Article 28.5 is the need of effective revenue recovery mechanism and cost-reflective reserve price.
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?
Answer: No. I agree with to apply the seasonal factor.
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 as set out in Article 30.1(b) of the initial draft TAR NC?
Answer: Yes. I agree with the within-day capacity product tariff should be at the same level as the tariff of the daily capacity product.
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?
Answer: Yes. I think the calculation should be based on the usage of the transmission system, on the forecasted flows, and on the forecasted contracted capacity usage.
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?
Answer: Yes. I don't prefer the combination of both approaches.
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?
Answer: Yes. I agree with the need information for network users about the probability of interruption.
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?
Answer: Yes. The backhaul capacity shall be offered only on the interruptible basis.
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?
Answer: Yes
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?
Answer: Yes
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?
Answer: Yes
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?
Answer: Yes

Chapter V: Revenue Reconciliation
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?
Answer: Yes
Chapter VI: Pricing of Bundled Capacity and Capacity at Virtual Interconnection Points
45. Do you agree with ENTSOG's proposal with regard to the way in 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?
Answer: No. I don't understand the calculation.
46. Do you agree with ENTSOG's proposal with regard to the way in which 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?
Answer: No. I don't understand the calculation.
Chapter VII: Payable Price
47. Are the mechanisms for fixed capacity prices described clearly enough in Section 7.1 of the Supporting Document?
Answer: Yes.
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?
Answer: Yes. I agree with the proposal which includes 4 different mechanism.
49. Do you have any further suggestions for calculating the fixed price premium referred to in Section 7.1 of the Supporting Document?
Answer: No further suggestions.
Chapter VIII: Incremental and New Capacity
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?
Answer: Yes.
Chapter IX: Final and Transitional Provisions
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?

Answer: Yes.
52. Do you agree with the inclusion of the mitigating measures as set out in Article 47.2(a) and (b)?
Answer: Yes.
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?
Answer: Yes.
54. Do you agree with the text that ENTSG has included in Article 49 on the timing of implementation?
Answer: Yes.
Chapter X: General Issues
55. Do you agree with the structure of the initial draft TAR NC?
Answer: Yes.
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)?
Answer: No. I think that it is necessary to set more information about the cost allocation test, about the multiplier calculation (how calculate the ranges, the numbers?) about the choosing process from different cost methodologies, and about the storage tariffs.
57. After reviewing the initial draft TAR NC, do you find that there are other material issues that ENTSG should consider for the purpose of the refined draft TAR NC?
Answer: No
58. Do you find the Supporting Document for consultation to be 'respondent-friendly' in terms of its readability, style, etc.? Please outline how ENTSG could improve future consultation documents.
Answer: Yes

Respondent:	IFIEC
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Chapter I: General Provisions	
1. Is the scope of the initial draft TAR NC as set out in Article 2 clear to you?	
Answer: Yes	
2 Do you agree with the scope of the initial draft TAR NC?	
Answer: No, no harmonization. In the scope, cost reflectiveness is missing as a subject of this draft proposal whatsoever. This is not in line with the regulation. There is too much focus on the allowed revenues instead of the efficiency of the revenues (most efficient costs), e.g. efficient costs based on RAB and WACC (Article 6) is not a part of this consultation.	
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	
Answer: Yes	
4. Are there any other definitions that should be included in the TAR NC?	
Answer: No	
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?	
Answer: No, the focus on only the transport costs is a too narrow focus of regulated activities of a TSO; the regulated activities of a TSO consists of much more than only transport. This provides too much decision power to MSs. Moreover, in the definition local and regional transmission services are excluded, without specifying what this service is in detail. Also the explaining documents do not get into the details, just saying	

that some TSOs have activities with no cross boarder relevance.
Chapter II: Cost Allocation Approach
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?
Answer: No, it is too complicated with too many exceptions and variants resulting in too many buttons. At the end the existing situation will be codified or even worse.
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?
Answer: No, it is much too complicated. We miss the implications of the parameters of the primary cost allocation parameters, such as the WACC and RAB.
8. Are you satisfied with the two approaches for calculating distance as outlined in Article 7.6 of the initial draft TAR NC?
Answer: No, there are too many possibilities to take distance into account in the allocation method.
9. If you are not satisfied with the two approaches, could you suggest other approaches for calculating distance?
Answer: No, distance as an allocation cost driver is inconsistent with a decoupled entry-exit system with virtual trading points. See Article 13 of Regulation 715/2009.
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?
Answer: No, there are no clear choices and too many options. We miss a question with regard to the entry-exit split.
11. Do you agree with the inclusion of the asset allocation methodology as set out in Article 15 of the initial draft TAR NC?
Answer: Yes, the method is clearly a good new alternative for a fair cost allocation approach.
12. Do you agree with the secondary adjustments as described in Articles 16 – 18 of the initial draft TAR NC?
Answer: No, the rules are too complicated and leave too much freedom for the MSs to fill in the allocation principles.
13. Is it necessary to specify further criteria other than those outlined in Article 19 of the initial draft TAR NC?

Answer: Yes, the criteria are arbitrary.
14. If it is necessary, could you suggest additional criteria to those outlined in Article 19 of the initial draft TAR NC?
Answer: The question is whether the physical situation should be the only criterion or whether the liquidity of the market, connected to the VTP should be taken into account.
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?
Answer: No, referring to article 20.2(e), for the best comparison / benchmark we propose a mandatory alternative cost allocation approach, preferably based on postage stamp or asset base (non-distance).
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?
Answer: No
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?
Answer: No, only if there is a clear relation with transport benefits (efficiency), a different transport tariff may be considered, however, in that case the TSO should be able to control the storage for that part.
Chapter III: Publication Requirements
18. Is the relationship between the regulatory period and tariff period, as defined in Article 3.7 and 3.10 clear to you?
Answer: Yes
19. Do you agree with the standardised format as set out in Article 26.1 of the initial draft TAR NC?
Answer: No, IFIEC is concerned that we end with too many different standard formats undermining harmonization. Moreover in the example of table 6 we notice that important information (e.g. from article 6.1) is missing or mentioned as 'not applicable'. All information from article 6 must be included to provide real transparency. Additionally all revenue differences as a result of short term bookings must be integrated in the template.
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?

Answer: No, IFIEC is concerned that we end with too many different standard formats undermining harmonization. Moreover in the example of table 6 we notice that important information (e.g. from article 6.1) is missing or mentioned as 'not applicable'. All information from article 6 must be included to provide real transparency. Additionally all revenue differences as a result of short term bookings must be integrated in the template.
21. Are you concerned by the fact that tariffs are set / applied at different times of the year?
Answer: Yes, even the tariff setting years are different throughout Europe and the tariffs are applicable from different dates.
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?
Answer: Yes
23. Could you identify the benefits of the harmonisation of the tariff setting year, if any, for your business, and could you quantify them?
Answer: Harmonization, transparency and predictability. It is out of our experience to be able to quantify.
24. Could you identify the costs of harmonisation of the tariff setting year, if any, for your business and could you quantify them?
Answer: No
25. If applicable, do you think the benefits would outweigh the costs?
Answer: Yes, these costs are secondary to the benefit transparency and harmonization will deliver in market development. It's the basis for market confidence.
26. Is the issue of knowing the tariffs for the relevant gas year before the auctions start very important to you?
Answer: Yes, any uncertainty for shippers \ suppliers will be translated into risk premiums and transferred to the end consumer.
27. Are there any other issues or aspects that are more important than the issue specified in the previous question?
Answer: A Website showing all tariffs together with a route calculator showing all possibilities to get from A to B.

Chapter IV: Reserve Prices
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?
Answer: Yes
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 I to Regulation (EC) No 715/2009?
Answer: No. The ranges should be at a level that discrimination and cross subsidization between different types of network users is prevented. IFIEC is not in the position to give an absolute figure.
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?
Answer: No. The same answer applies to the alternative. IFIEC is not in the position to give an absolute figure.
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?
Answer: Yes
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)?
Answer: Yes, I support the 1st option
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?
Answer: Yes
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?
Answer: Yes
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 as set out in Article 30.1(b) of the initial draft TAR NC?
Answer: No. we prefer article 30.1(a) instead of (b) for harmonization and non-cross-subsidization purposes (i.e. flat versus profiled).
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?
Answer: Yes
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?
Answer: Yes. Ex ante.
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?
Answer: Yes
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?
Answer: Yes
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?
Answer: Yes
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?
Answer: Yes
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?
Answer: NR

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?
Answer: No
Chapter V: Revenue Reconciliation
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?
Answer: No, 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.
Chapter VI: Pricing of Bundled Capacity and Capacity at Virtual Interconnection Points
45. Do you agree with ENTSOG's proposal with regard to the way in 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?
Answer: NR
46. Do you agree with ENTSOG's proposal with regard to the way in which 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?
Answer: NR
Chapter VII: Payable Price
47. Are the mechanisms for fixed capacity prices described clearly enough in Section 7.1 of the Supporting Document?
Answer: No, it's the other way around: normally the group with a fixed price takes all the risk of allowed revenues if they alter by the year. It starts with the question if the allowed revenues including its tariffs are fixed or floating. In case of floating prices, the group with the fixed price will take all the risk. However, IFIEC is in the opinion that it is up to the shipper to hedge their risk related to their individual risk profile.
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?
Answer: No, it's not up to the NRA to give a price indication for a price hedge. That's up to a bank \ the choice of the shipper.
49. Do you have any further suggestions for calculating the fixed price premium referred to in Section 7.1 of the Supporting Document?
Answer: That is not up to the NRA.

Chapter VIII: Incremental and New Capacity
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?
Answer: NR
Chapter IX: Final and Transitional Provisions
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?
Answer: No, in many cases mitigating measures will disturb the market and resulting extra costs will be transferred to end customers. The goal of the NC's is to create harmonization, not fragmentation.
52. Do you agree with the inclusion of the mitigating measures as set out in Article 47.2(a) and (b)?
Answer: No, we cannot foresee the possible consequences.
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?
Answer: No, it should be a maximum period of 18 months.
54. Do you agree with the text that ENTSOG has included in Article 49 on the timing of implementation?
Answer: Yes
Chapter X: General Issues
55. Do you agree with the structure of the initial draft TAR NC?
Answer: NR
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)?
Answer: NR
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?
Answer: Entry-Exit-Split needs to be addressed in more detail, as well as transparency.

58. Do you find the Supporting Document for consultation to be 'respondent-friendly' in terms of its readability, style, etc.? Please outline how ENTSG could improve future consultation documents.

Answer: Yes

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Chapter I: General Provisions	
1. Is the scope of the initial draft TAR NC as set out in Article 2 clear to you?	
Answer: NR	
2 Do you agree with the scope of the initial draft TAR NC?	
Answer: NR	
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	
Answer: NR	
4. Are there any other definitions that should be included in the TAR NC?	
Answer: NR	
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?	
Answer: NR	
Chapter II: Cost Allocation Approach	
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?	
Answer: NR	

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?
Answer: NR
8. Are you satisfied with the two approaches for calculating distance as outlined in Article 7.6 of the initial draft TAR NC?
Answer: With regard to cost reflectivity, INES does not consider it appropriate to follow an airline approach for calculating distance as indicated in Article 7.6 (a) of the initial draft TAR NC. The path approach outlined in Article 7.6 (b) shall exclusively be used. In addition, INES 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.
9. If you are not satisfied with the two approaches, could you suggest other approaches for calculating distance?
Answer: NR
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?
Answer: NR
11. Do you agree with the inclusion of the asset allocation methodology as set out in Article 15 of the initial draft TAR NC?
Answer: NR
12. Do you agree with the secondary adjustments as described in Articles 16 – 18 of the initial draft TAR NC?
Answer: INES principally agrees with the principle of secondary adjustments to avoid unreasonable distortions of tariffication as an outcome of the primary cost allocation methodology. However, INES would like to stress the following points: <ul style="list-style-type: none"> Any secondary adjustment shall be made transparent to the market. Thus, INES does not agree to the proposal to perform secondary adjustment of 'rescaling' as a step of the primary cost allocation methodology as outlined in Article 16 (2) of the initial draft TAR NC. As regards 'equalisation', INES calls for a strict limitation of the application of such secondary adjustment to certain groups of regional entry or exit points so as to avoid any distortion to locational signals created from the application of the primary cost allocation methodology. In no case it shall be used to

<p>contradict the criteria for the application of the postage stamp methodology as outlined in Article 19 (1) of the initial draft TAR NC. The exhaustive list of homogenous set of entry or exit points as provided in Section 3.3.2.2 of the Framework Guidelines on Tariffs shall be included in Article 17 of the initial draft TAR NC.</p> <ul style="list-style-type: none"> As regards 'benchmarking', INES would like to address the following: If several TSOs are active in a given market area (as it is currently the case in Germany), benchmarking shall also extent to entry and exit points to storage facilities. Assuming effective competition between storage operators within such market area, differentiation is made by storage customer whether to book storage services at storage facilities connected to one grid or the other based on the transmission charges payable to the respective TSOs. Hence, in order to ensure efficient use of its system and to recover at least part of its allowed revenues, affected TSO should decrease its transmission tariff at entry and exit points to storage facilities so that it meets the competitive level of its peer TSO(s). <p>Thus, 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."</p>
13. Is it necessary to specify further criteria other than those outlined in Article 19 of the initial draft TAR NC?
<p>Answer: In order to avoid distortions to the principle of cost reflectiveness by any undue application of the postage stamp methodology, the threshold of fifty percent proposed by ENTSG in Article 19.1 (a) (ii) of the initial draft TAR NC shall be further examined when refining the initial draft TAR NC. A threshold of 33% may be more appropriate in accordance with the criteria of two thirds of capacity dedicated to either domestic market or cross-border gas flows as indicated in Section 3.2.1.1 of the Framework Guidelines on Tariffs.</p> <p>As indicated under Question 12 above, INES does not agree to mix the application of any secondary adjustment with the primary cost allocation methodology. Hence, the application of 'rescaling' and/or 'equalisation' as a step of any primary cost allocation methodology shall be prohibited. Article 19.2 (a) (iii) of the initial draft TAR NC should be deleted accordingly.</p>
14. If it is necessary, could you suggest additional criteria to those outlined in Article 19 of the initial draft TAR NC?
Answer: NR
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?
Answer: NR
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?
Answer: NR

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?
Answer: In setting tariffs for entry and exit points from and to gas storage facilities, it shall be considered that gas storage is not a net source of supply or demand and users already paid entry- and exit tariffs at import/production and at end consumption. Thus, the tariff at these points shall only cover incremental costs if not already compensated by the benefits of gas storages contributing to the network system and security of supply. Therefore, INES proposes a more specific wording on the methodology in setting tariffs at stor-age connection points taking into account the following principles: “In order to promote efficient investments and cost reflectivity and in order to avoid undue discrimination between network users, the transmission tariffs for gas storages shall be based on the substantiated costs that arise directly from the connection of gas storages to the adjacent transmission system, set off against the various benefits that gas storages provide. Benefits of gas storages (e.g. contribution to security of supply, reduced investments regarding peak capacity of the transmission system and reduced OPEX) shall be duly taken into consideration.”
Chapter III: Publication Requirements
18. Is the relationship between the regulatory period and tariff period, as defined in Article 3.7 and 3.10 clear to you?
Answer: NR
19. Do you agree with the standardised format as set out in Article 26.1 of the initial draft TAR NC?
Answer: NR
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?
Answer: NR
21. Are you concerned by the fact that tariffs are set / applied at different times of the year?
Answer: NR
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?
Answer: NR
23. Could you identify the benefits of the harmonisation of the tariff setting year, if any, for your business,

and could you quantify them?
Answer: NR
24. Could you identify the costs of harmonisation of the tariff setting year, if any, for your business and could you quantify them?
Answer: NR
25. If applicable, do you think the benefits would outweigh the costs?
Answer: NR
26. Is the issue of knowing the tariffs for the relevant gas year before the auctions start very important to you?
Answer: NR
27. Are there any other issues or aspects that are more important than the issue specified in the previous question?
Answer: NR
Chapter IV: Reserve Prices
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?
Answer: NR
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 I to Regulation (EC) No 715/2009?
Answer: NR
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?
Answer: NR
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?

Answer: NR
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)?
Answer: NR
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?
Answer: NR
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?
Answer: NR
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 as set out in Article 30.1(b) of the initial draft TAR NC?
Answer: NR
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?
Answer: NR
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?
Answer: NR
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?
Answer: NR
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?
Answer: NR
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?
Answer: NR
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?
Answer: NR
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?
Answer: NR
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?
Answer: NR
Chapter V: Revenue Reconciliation
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?
Answer: NR
Chapter VI: Pricing of Bundled Capacity and Capacity at Virtual Interconnection Points
45. Do you agree with ENTSOG's proposal with regard to the way in 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?
Answer: NR
46. Do you agree with ENTSOG's proposal with regard to the way in which 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?
Answer: NR

Chapter VII: Payable Price
47. Are the mechanisms for fixed capacity prices described clearly enough in Section 7.1 of the Supporting Document?
Answer: NR
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?
Answer:
49. Do you have any further suggestions for calculating the fixed price premium referred to in Section 7.1 of the Supporting Document?
Answer: NR
Chapter VIII: Incremental and New Capacity
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?
Answer: NR
Chapter IX: Final and Transitional Provisions
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?
Answer: NR
52. Do you agree with the inclusion of the mitigating measures as set out in Article 47.2(a) and (b)?
Answer: NR
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?
Answer: NR
54. Do you agree with the text that ENTSOG has included in Article 49 on the timing of implementation?
Answer: NR
Chapter X: General Issues

55. Do you agree with the structure of the initial draft TAR NC?
Answer: NR
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)?
Answer: NR
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?
Answer: We would like to point out the following more general views of INES: <ul style="list-style-type: none"> • In designing entry and exit tariffs, the principle of cost-reflectiveness should be respected as far as possible. Adequate discounts should be introduced to ensure that short-haul transports are encouraged. Any asymmetric allocation of costs such that 'captive' grid users have to bear disproportionately high cost shall be prohibited. • Entry and exit charges should be actively used to provide locational signals to promote efficient use of the grid wherever this is economically reasonable. • Transmission tariffs should contain only those cost elements that are clearly related to the transmission activity (i.e. infrastructure investment and operation). Any 'mixture' with cost elements arising from other services of TSOs (e.g. balancing of the system) shall be avoided.
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.
Answer: NR

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Chapter I: General Provisions	
1. Is the scope of the initial draft TAR NC as set out in Article 2 clear to you?	
<p>Answer: No, Articles 2.1 and 2.2 are unclear and appear inconsistent with the CAM NC. Perhaps what is meant is: "This Regulation shall apply to all entry and exit points. Chapters IV, VI and VII shall only apply to interconnection points and may also apply to entry points from and exit points to third countries, subject to the decision of the relevant national regulatory authority." Article 2.4 is unclear as it suggests that interconnectors are somehow not fully in the scope of this NC. It is also unclear which part of the TSO charges to network users is included in the scope.</p>	
2 Do you agree with the scope of the initial draft TAR NC?	
<p>Answer: No, We suggest to: + replace Articles 2.1 and 2.2 with the text under question 1 above; + move Articles 2.3 and 2.4 to the Whereas-section, consistent with the CAM NC; + include a provision that this Regulation applies to all tariffs applied by the transmission system operators for network access, as referred to in Article 13 of Regulation 715/2009.</p>	
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	
<p>Answer: No, The definition of 'transmission services' is unclear and opens the door to exclude tariffs charged to network users from the scope of this network code. Definition of 'price cap regime' and 'non-price cap regime' would add clarity. Definition of 'locational signal' is unclear. Can the 'given time period' in the definitions of 'allowed revenue' and 'target revenue' be different from the 'tariff period'? If not, it would add clarity to specify this. It is unclear from the definition of 'tariff period' whether the transmission tariffs are fixed during this period or only the reference prices?</p>	
4. Are there any other definitions that should be included in the TAR NC?	

Answer: Yes, See response to question 3. Also, the definition of 'transmission services revenue' in Article 4.1 could be moved to the Definitions section.
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?
Answer: No, The ENTSOG proposed definition of 'transmission services' opens the door to exclude tariffs charged to network users from the scope of this network code. The definition is fully open to national interpretation and there are no restrictions to the exclusion of activities from 'transmission services'. Since publication requirements in the draft TAR NC only apply to 'transmission services', there would be no transparency over the excluded activities. We believe this network code, and in particular the requirements on publication and transparency, should cover all non-discretionary tariffs that are charged to network users for access to the system.
Chapter II: Cost Allocation Approach
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?
Answer: No, While the text of Article 4.1 is clear, the definition of 'transmission services' is unclear and hence it is not clear which portion of allowed or target revenue is used as input to the cost allocation approach. Moreover it is not clear how the allowed revenue from other regulated activities is allocated and how over- and under-recovery thereof is managed.
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?
Answer: No, Using the term 'cost allocation approach' in addition to 'cost allocation methodology' only adds confusion to the draft TAR NC and makes the code less understandable. It would make more sense to use the term cost allocation methodology to cover all non-discretionary TSO charges consistent with the Framework Guidelines.
8. Are you satisfied with the two approaches for calculating distance as outlined in Article 7.6 of the initial draft TAR NC?
Answer: No, While we understand the differences between the two approaches, it is unclear from the text in Article 7.6(b) when to use the shortest distance and when to use the average distance. Also the draft TAR NC does not provide guidance on when to use the airline approach and when the path approach.
9. If you are not satisfied with the two approaches, could you suggest other approaches for calculating distance?
Answer: We do not suggest adding another approach, but would prefer that the NC specifies that the airline

<p>approach should always be used unless it is demonstrated that this would lead to a substantial distortion of the cost allocation.</p>
<p>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?</p>
<p>Answer: No, 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. When incremental costs are used, a merit order based on the availability of data should be defined with a preference for long run average incremental costs, followed by standardized cost and finally investment plan based costs only when the previous two cannot apply.</p>
<p>11. Do you agree with the inclusion of the asset allocation methodology as set out in Article 15 of the initial draft TAR NC?</p>
<p>Answer: No, The proposed text is too broad as it fails to set criteria for methodology as set out in of network users'. We understand that the methodology is currently used to distinguish between domestic use and export use. 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.</p>
<p>12. Do you agree with the secondary adjustments as described in Articles 16 – 18 of the initial draft TAR NC?</p>
<p>Answer: No, The proposed text is too vague. The adjustments as described in Articles 16 - 18 of the initial draft TAR NC i.e. rescaling should not allow for differential treatment among points. Benchmarking should not result in tariff increases at other points but should be justified on the basis that lowering the tariff at the point affected by benchmarking will increase revenue to the transmission system operator at that point. The proposal to apply secondary adjustments should be justified on a case-by-case basis, should be fully transparent, subject to public consultation and should be approved by the national regulatory authority.</p>
<p>13. Is it necessary to specify further criteria other than those outlined in Article 19 of the initial draft TAR NC?</p>
<p>Answer: Yes, The proposed criteria are too vague. When the TAR NC is to provide criteria for using the primary methodology and secondary adjustments, the result should be predictable. If this is not achievable the added value of this article is questionable.</p>
<p>14. If it is necessary, could you suggest additional criteria to those outlined in Article 19 of the initial draft TAR NC?</p>
<p>Answer: See the response to question 13.</p>
<p>15. Is the content of the four year review and the requirement for a justification document or consultation</p>

(depending on the outcome of the review) clear, as set out in Article 20 of the initial draft TAR NC?
Answer: No, The process referred to in Article 20 should apply every time the cost allocation method is reviewed, also when no changes are proposed.
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?
Answer: Yes, 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. The draft TAR NC uses the words 'equal or proportionate' which introduces ambiguity and should be clarified. We want to note that 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.
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?
Answer: No, The proposed considerations do not provide clear guidance. The default entry and exit tariffs from and to gas storage facilities should be zero, with the possibility to deviate on a case-by-case basis where the location of a storage facility within the transmission system causes specific additional costs to the transmission system operator.
Chapter III: Publication Requirements
18. Is the relationship between the regulatory period and tariff period, as defined in Article 3.7 and 3.10 clear to you?
Answer: No, It is unclear from the definition of 'tariff period' whether the transmission tariffs are fixed during this period or only the reference prices? Also it would help to specify that the 'allowed revenue' and the 'target revenue' are set for a tariff period instead on an undefined 'given time period'. It is also unclear whether or not the periodic review of the cost allocation approach (specified in Article 21) coincides with the regulatory period. The review of the cost allocation approach should be based on actual realisations covering at least two tariff years.
19. Do you agree with the standardised format as set out in Article 26.1 of the initial draft TAR NC?
Answer: No, We welcome a standardised format, but this should be accompanied by a harmonised list of definitions of all the data and parameters published via this template to ensure all transmission system operators and network users have the same understanding of what is published. The information to be published should also include the parameters for setting the allowed or target revenue (such as RAB, WACC, depreciation and cash costs) and a tariff model that enables network users to simulate how individual tariffs would change when changing the input parameters.

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?
Answer: Yes
21. Are you concerned by the fact that tariffs are set / applied at different times of the year?
Answer: Yes, It is most important that the reference prices, seasonal factors and multipliers for CAM NC points are set and published before the annual March auction. Network users need this information to be able to determine their booking behaviour in this auction. We are concerned about harmonisation of the tariff year with no alignment to the CAM NC auction calendar.
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?
Answer: Yes, Please refer to answer 21. Alignment of the tariff setting period is most important for CAM NC points. Tariffs for entry and exit point that are not subject to CAM auctions could be set at different times (similar to DSO tariffs).
23. Could you identify the benefits of the harmonisation of the tariff setting year, if any, for your business, and could you quantify them?
Answer: NR
24. Could you identify the costs of harmonisation of the tariff setting year, if any, for your business and could you quantify them?
Answer: No
25. If applicable, do you think the benefits would outweigh the costs?
Answer: NR
26. Is the issue of knowing the tariffs for the relevant gas year before the auctions start very important to you?
Answer: Yes, Please refer to answer 21.
27. Are there any other issues or aspects that are more important than the issue specified in the previous question?
Answer: No

Chapter IV: Reserve Prices
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?
Answer: No, We are concerned about the lack of guidance regarding the function of multipliers. The draft TAR NC may be consistent with the Framework Guidelines in this respect, but does not support a harmonised approach. In our view the function of multipliers is to balance the price for short term products with the annual reference price. A multiplier <1 means that short-term capacity gets a discount and this should be avoided. Multipliers <1 introduce cross-subsidisation, are discriminatory and undermine the investment climate. We would welcome a provision in the code 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. 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 are open to a number higher than 1.5.
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 I to Regulation (EC) No 715/2009?
Answer: No, Please refer to answer 28.
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?
Answer: No, Please refer to answer 28. Also, under ENTSOG's proposal the multiplier would not be known at the time of the annual CAM auction in March. We consider it essential that the multipliers are known at that time. Instead of using the CMP definition of congestion, we could support the following alternative: when all available annual capacity at an IP for the 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 multipliers may be higher, up to 1.5 (or an agreed higher number).
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?
Answer: No, Please refer to answer 28. We are open to a higher multiplier than 1.5, because there is no proper justification given for this number, but the higher limit should be included in the code. We invite ENTSOG to justify this higher cap. The requirements of article 28.5 are too vague to be used as a safeguard instead of a cap.
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)?
Answer: No, Please refer to answers 28 and 31.
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?
Answer: No, Please refer to answer 28. We believe the criteria set out in Article 28.5 are too vague to be used for setting the multipliers. We would welcome a provision in the code 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.
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?
Answer: Yes
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 as set out in Article 30.1(b) of the initial draft TAR NC?
Answer: No, The pricing of within-day capacity should reflect the usability of the product. We understand that which of the two options is to be used is set by whether the TSO requires a daily nomination (option i) of hourly nominations (option ii).
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?
Answer: No, The proposed method to calculate seasonal factors is overly complicated. In our view a seasonal factor should on average over a year be equal to 1. In the proposed method the average seasonal factor can be higher than 1 and becomes an additional multiplier. We could agree to combine 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.
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?
Answer: No, We believe that TSOs should maximise the offer of firm capacity products. When all firm capacity is sold out day-ahead, TSOs are required to offer interruptible capacity which should be offered at a zero reserve price. 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.

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?
Answer: No, We do not support that TSOs offer a suite of interruptible products and in doing so transfer the risk of interruption to network users. 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.
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?
Answer: No, We support the provisions of the FG on non-physical backhaul capacity.
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?
Answer: No, Please refer to answer 37.
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?
Answer: No, Please refer to answer 37. 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.
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?
Answer: No, Please refer to answer 41.
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?
Answer: No, We do not agree with the proposal of an ex-post discount. This would transfer all risk to network users without an appropriate reward.
Chapter V: Revenue Reconciliation
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?

<p>Answer: No, The provisions of Article 37 are clear, but the draft TAR NC is not clear about how any over- or under-recovery of revenue from other regulated activities (as described in Article 4.6) is handled.</p>
<p>Chapter VI: Pricing of Bundled Capacity and Capacity at Virtual Interconnection Points</p>
<p>45. Do you agree with ENTSOG's proposal with regard to the way in 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?</p>
<p>Answer: No, The network code on CAM requires that VIPs are established only if they facilitate the economic and efficient use of the system. The proposals for setting the VIP tariff replace existing different tariffs with a single 'average' tariff and this works contrary to the economic and efficient use of the system. In addition, the creation of a VIP may affect network users with existing capacity contracts and their interests should be taken into account.</p>
<p>46. Do you agree with ENTSOG's proposal with regard to the way in which 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?</p>
<p>Answer: No, Please refer to answer 45. We 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).</p>
<p>Chapter VII: Payable Price</p>
<p>47. Are the mechanisms for fixed capacity prices described clearly enough in Section 7.1 of the Supporting Document?</p>
<p>Answer: No, We welcome ENTSOG's efforts to include the possibility of a fixed price in the draft TAR NC. The text of the Supporting Document is clear, but differs from the text of the draft TAR NC. Article 41.2(d) introduces a fixed price with an additional variable charge. From the Supporting Document we understand that the additional variable charge can also be applied to floating prices, which cannot be found in the draft TAR NC. Also the option of fixed + indexation is described in the Supporting Document but not in the draft TAR NC.</p>
<p>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?</p>
<p>Answer: Yes, This proposal is very much appreciated because it takes into account the importance of a fixed tariff to allow network users to book long-term capacity and underpin new investments. It is important to take account of the specifics of the relevant project when deciding on the best tariff option(s) to use.</p>
<p>49. Do you have any further suggestions for calculating the fixed price premium referred to in Section 7.1 of the Supporting Document?</p>
<p>Answer: 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</p>

<p>indexation to costs of piping for the capex component during the construction and thereafter indexation to inflation for the opex component. Also for dedicated investments the possibility of a fixed price might reduce financing costs to the transmission system operators and offset the risk premium.</p>
<p>Chapter VIII: Incremental and New Capacity</p>
<p>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?</p>
<p>Answer: No, The provisions on incremental and new capacity rely on network users making long-term commitments to underpin investments. The other Chapters of the draft TAR NC are biased in favor of short term capacity products and this undermines the basis for incremental and new capacity.</p>
<p>Chapter IX: Final and Transitional Provisions</p>
<p>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?</p>
<p>Answer: No, The mitigating measures proposed in the draft TAR NC do not address the key issue that network users with existing long-term capacity contracts can be faced with an unexpected and unfair tariff increase because this network code favours short-term capacity products. We prefer a tariff network code that would incentivise network users with a sustained demand to book annual capacity, but since this cannot be guaranteed we support a one-time reset option as mitigating measure. Giving network users the possibility to cancel all or part of the existing capacity contracts will avoid discrimination and cross-subsidisation when this code enters into force.</p>
<p>52. Do you agree with the inclusion of the mitigating measures as set out in Article 47.2(a) and (b)?</p>
<p>Answer: No, Please refer to answer 51.</p>
<p>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?</p>
<p>Answer: Yes, We expect that the implementation period will be set by the time needed to align national legislation with the network code. However, it should be possible to apply the code from October 2017, considering the possibility of an additional 24 months transitional period.</p>
<p>54. Do you agree with the text that ENTSOG has included in Article 49 on the timing of implementation?</p>
<p>Answer: No, 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. We also question whether 1 October is the best day to implement this network code.</p>
<p>Chapter X: General Issues</p>

55. Do you agree with the structure of the initial draft TAR NC?
Answer: No, The 'Whereas' section of the draft TAR NC fails to address what the issue is that this code is intended to resolve. The scope of the draft TAR NC is unclear and covers only part of the transmission tariffs. The provisions do not provide clear rules, but offer many options and possible backdoors. Finally the draft TAR NC provides hardly any solutions for cross-border and market integration issues.
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)?
Answer: No, We have concerns in 2 areas. Article 4 of the draft TAR NC is not clear without having the benefit of figure 5 of the Supporting Document. Too many different terms are described without giving a clear context why this is needed. Secondly, the description of the cost allocation methods may be clear for the TSOs using a specific method, but to be part of EU legislation it should be easy to understand for 'everyone'.
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?
Answer: Yes, The draft TAR NC does not provide the level of transparency needed by network users. TSOs should make a tariff model available that enables network users to calculate the effect of changes to input parameters on tariffs at individual entry and exit points. Confidentiality should not be used as an excuse for not providing transparency. ENTSOG should consider addressing cross-border issues specifically and include more guidance where tariff issues hamper market integration. As an example we refer to the German conversion charge that acts as a barrier to market integration. The tariff network code should apply to all compulsory charges on network users. 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. ENTSOG should consider including the reset option as mitigating measure. Flow-based charges should always be expressed in monetary terms, not in kind, to avoid conflicts with the bundling of capacity products.
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.
Answer: Yes

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Chapter I: General Provisions	
1. Is the scope of the initial draft TAR NC as set out in Article 2 clear to you?	
Answer: Yes	
2 Do you agree with the scope of the initial draft TAR NC?	
Answer: Yes	
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	
Answer: Yes	
4. Are there any other definitions that should be included in the TAR NC?	
Answer: No	
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?	
Answer: Yes	
Chapter II: Cost Allocation Approach	
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?	
Answer: Yes	

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?
Answer: Yes
8. Are you satisfied with the two approaches for calculating distance as outlined in Article 7.6 of the initial draft TAR NC?
Answer: NR
9. If you are not satisfied with the two approaches, could you suggest other approaches for calculating distance?
Answer: NR
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?
Answer: NR
11. Do you agree with the inclusion of the asset allocation methodology as set out in Article 15 of the initial draft TAR NC?
Answer: Yes
12. Do you agree with the secondary adjustments as described in Articles 16 – 18 of the initial draft TAR NC?
Answer: No. Our concern is that secondary adjustments will be used too liberally and therefore differ significantly from primary costs.
13. Is it necessary to specify further criteria other than those outlined in Article 19 of the initial draft TAR NC?
Answer: No
14. If it is necessary, could you suggest additional criteria to those outlined in Article 19 of the initial draft TAR NC?
Answer: NR
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?

Answer: Yes
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?
Answer: NR
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?
<p>Answer: No. "We believe that the considerations given to storage tariffs in the draft TAR NC are too vague and do not adequately reflect the following:</p> <ul style="list-style-type: none"> - Storage is not a net source of supply or demand - Users have already paid entry and exit tariffs at import/ production and at end consumption. <p>We believe that storage facilities provide benefits to the overall system:</p> <ol style="list-style-type: none"> 1) Storage is not an additional source of demand or supply 2) Storage helps rational and efficient investments in the grid 3) Storage reduces operating expenses of TSOs 4) Storage helps reduce gas price volatility <p>Given the above arguments; we are of the opinion that the tariff-setting methodology for storage points should be harmonized in a more clear-cut manner to really take into account the above benefits of storage."</p>
Chapter III: Publication Requirements
18. Is the relationship between the regulatory period and tariff period, as defined in Article 3.7 and 3.10 clear to you?
Answer: Yes
19. Do you agree with the standardised format as set out in Article 26.1 of the initial draft TAR NC?
Answer: Yes
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?
Answer: NR
21. Are you concerned by the fact that tariffs are set / applied at different times of the year?
Answer: NR
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?
Answer: NR
23. Could you identify the benefits of the harmonisation of the tariff setting year, if any, for your business, and could you quantify them?
Answer: NR
24. Could you identify the costs of harmonisation of the tariff setting year, if any, for your business and could you quantify them?
Answer: NR
25. If applicable, do you think the benefits would outweigh the costs?
Answer: NR
26. Is the issue of knowing the tariffs for the relevant gas year before the auctions start very important to you?
Answer: NR
27. Are there any other issues or aspects that are more important than the issue specified in the previous question?
Answer: NR
Chapter IV: Reserve Prices
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?
Answer: Yes
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 I to Regulation (EC) No 715/2009?
Answer: Yes
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?

Answer: NR
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?
Answer: Yes
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)?
Answer: NR
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?
Answer: NR
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?
Answer: NR
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 as set out in Article 30.1(b) of the initial draft TAR NC?
Answer: NR
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?
Answer: NR
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?
Answer: Yes. We agree with the ex-ante approach.
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?
Answer: Yes
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?
Answer: NR
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?
Answer: NR
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?
Answer: NR
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?
Answer: NR
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?
Answer: NR
Chapter V: Revenue Reconciliation
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?
Answer: Yes
Chapter VI: Pricing of Bundled Capacity and Capacity at Virtual Interconnection Points
45. Do you agree with ENTSOG's proposal with regard to the way in 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?
Answer: Yes

46. Do you agree with ENTSOG's proposal with regard to the way in which 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?
Answer: Yes
Chapter VII: Payable Price
47. Are the mechanisms for fixed capacity prices described clearly enough in Section 7.1 of the Supporting Document?
Answer: NR
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?
Answer: NR
49. Do you have any further suggestions for calculating the fixed price premium referred to in Section 7.1 of the Supporting Document?
Answer: NR
Chapter VIII: Incremental and New Capacity
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?
Answer: NR
Chapter IX: Final and Transitional Provisions
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?
Answer: NR
52. Do you agree with the inclusion of the mitigating measures as set out in Article 47.2(a) and (b)?
Answer: NR
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?
Answer: NR

54. Do you agree with the text that ENTSOG has included in Article 49 on the timing of implementation?
Answer: NR
Chapter X: General Issues
55. Do you agree with the structure of the initial draft TAR NC?
Answer: NR
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)?
Answer: NR
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?
Answer: NR
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.
Answer: NR

Respondent:	SEDIGAS
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Chapter I: General Provisions	
1. Is the scope of the initial draft TAR NC as set out in Article 2 clear to you?	
Answer: No, The scope of the NC is fully open to interpretation by the National Regulatory Authority (hereinafter NRA). We deem that the NC must be more precise in the other points apart from the interconnection points in which this Regulation applies. Basically, the relation between CAM NC (Network code on Capacity Allocation Mechanism) and TAR NC is not clear. In this point, the doubt would arise in which points applies which NC or both. We request some clarifications about this topic.	
2 Do you agree with the scope of the initial draft TAR NC?	
Answer: NR	
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	
Answer: In regard the definitions, we consider that it is very important the mention the objective of achieving "an efficient operation of and/or to encourage investment" on the definition of the "locational signal" on article 3. It could be advisable to extend this definition including what is efficient operation and incorporate this concept in order sections on the NC as in Article 6 ("Parameters of the primary cost allocation methodologies"), specifically, in the points about a representation of transmission network and the quantity and direction of the gas flow.	
4. Are there any other definitions that should be included in the TAR NC?	
Answer: NR	
5. Do you agree with ENTSOG's proposal for the definition of transmission services as set out in Article 3.11 of	

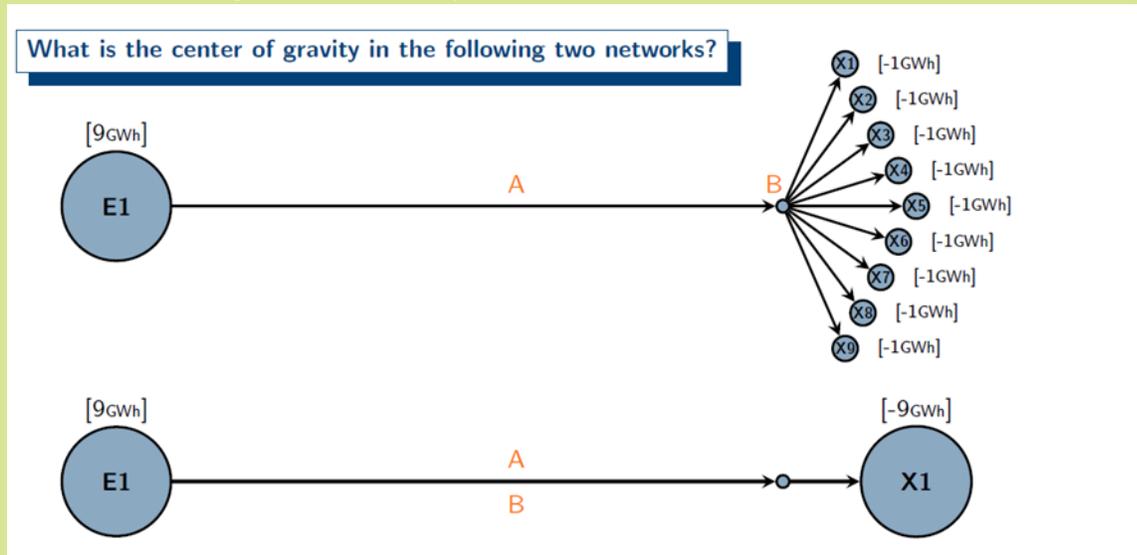
the initial draft TAR NC?
Answer: NR
Chapter II: Cost Allocation Approach
6. Is it clear which portion of the allowed or target revenue is used as an input to the cost allocation approach as set out in Article 5.1 of the initial draft TAR NC?
Answer: NR
7. Is the difference between cost allocation approach and cost allocation methodology as set out in Article 5 of the initial draft TAR NC clear and understandable?
Answer: NR
8. Are you satisfied with the two approaches for calculating distance as outlined in Article 7.6 of the initial draft TAR NC?
Answer: NR
9. If you are not satisfied with the two approaches, could you suggest other approaches for calculating distance?
Answer: NR
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?
Answer: NR
11. Do you agree with the inclusion of the asset allocation methodology as set out in Article 15 of the initial draft TAR NC?
Answer: No, We consider that the asset allocation methodology is completely out of scope of the TAR NC. Besides, there is to the added value of this methodology, in particular compared to the matrix approach. ENTSOG should stick to the 4 methodologies included in the TAR FG.
12. Do you agree with the secondary adjustments as described in Articles 16 – 18 of the initial draft TAR NC?
NR
13. Is it necessary to specify further criteria other than those outlined in Article 19 of the initial draft TAR NC?

NR

14. If it is necessary, could you suggest additional criteria to those outlined in Article 19 of the initial draft TAR NC?

Answer: In the paragraph 1(b)(ii) of the article 19 it is cited “the disadvantage of simplifying the representation of the transmission network.”. We deem that it is no necessary any simplification of the network. All the methodologies, including capacity weighted, are simple to calculate with the computer applications without necessity of any simplification in the network. For this reason, we request that it is not be considered any possibility of simplification due to this kind of simplification could distort the results of the cost allocation methodologies and, therefore, the tariffs and reserve prices.

On this particular topics, we have done some calculations that show that a simplification of the representation of network could be produced a relevant different in the results. For example, we have deemed the following network as a example:



In the first case, point B is obtained as the average of the clustering of the 10 points in the network. Point A is obtained as the weighted average, when the coordinates of each point are multiplied by the associated flows. In the second case, both averages lead to the same point.

Therefore, the above networks could be seen as two different representations of the same network, but we could check that the center of gravity is not the same.

Some methodologies could be very sensitive to the network representation, in this example case happen with the unweighted average, but the same issue arises when computing tariffs.

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?

Answer: NR

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?
Answer: NR
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?
Answer: NR
Chapter III: Publication Requirements
18. Is the relationship between the regulatory period and tariff period, as defined in Article 3.7 and 3.10 clear to you?
Answer: NR
19. Do you agree with the standardised format as set out in Article 26.1 of the initial draft TAR NC?
Answer: NR
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?
Answer: NR
21. Are you concerned by the fact that tariffs are set / applied at different times of the year?
Answer: NR
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?
Answer: NR
23. Could you identify the benefits of the harmonisation of the tariff setting year, if any, for your business, and could you quantify them?
Answer: NR
24. Could you identify the costs of harmonisation of the tariff setting year, if any, for your business and could you quantify them?

Answer: NR
25. If applicable, do you think the benefits would outweigh the costs?
Answer: NR
26. Is the issue of knowing the tariffs for the relevant gas year before the auctions start very important to you?
Answer: NR
27. Are there any other issues or aspects that are more important than the issue specified in the previous question?
Answer: NR
Chapter IV: Reserve Prices
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?
Answer: No, In regard to Chapter IV, "Reserve price", we consider that the NC is not clear about the application of the multipliers, seasonal factors and discounts for interruptible capacity in the case of points beyond the scope of CAM NC. The figure 3 (page 21) of the supporting document explain the case of points with auctions per CAM NC, but not other cases. We request a 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.
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 I to Regulation (EC) No 715/2009?
Answer: NR
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?
Answer: NR
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?

Answer: NR
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)?
Answer: NR
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?
Answer: NR
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?
Answer: NR
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 as set out in Article 30.1(b) of the initial draft TAR NC?
Answer: NR
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?
Answer: NR
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?
Answer: No. Interruptible products should only be priced with and ex-ante discount. As ACER explained in the consultation workshop the ex-post discount pushes the financial risk of interruption to the shippers.
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?
Answer: NR
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?
Answer: NR
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?
Answer: NR
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?
Answer: NR
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?
Answer: NR
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?
Answer: NR
Chapter V: Revenue Reconciliation
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?
Answer: Yes. However, the TAR NC does not detail how often the revenue account should be reconciled. We would recommend not delaying the reconciliation of the regulatory account and propose to do it on a yearly basis.
Chapter VI: Pricing of Bundled Capacity and Capacity at Virtual Interconnection Points
45. Do you agree with ENTSOG's proposal with regard to the way in 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?
Answer: NR
46. Do you agree with ENTSOG's proposal with regard to the way in which 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?

Answer: NR
Chapter VII: Payable Price
47. Are the mechanisms for fixed capacity prices described clearly enough in Section 7.1 of the Supporting Document?
Answer: NR
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?
Answer:
49. Do you have any further suggestions for calculating the fixed price premium referred to in Section 7.1 of the Supporting Document?
Answer: NR
Chapter VIII: Incremental and New Capacity
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?
Answer: NR
Chapter IX: Final and Transitional Provisions
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?
Answer: NR
52. Do you agree with the inclusion of the mitigating measures as set out in Article 47.2(a) and (b)?
Answer: NR
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?
Answer: NR
54. Do you agree with the text that ENTSOG has included in Article 49 on the timing of implementation?
Answer: NR

Chapter X: General Issues
55. Do you agree with the structure of the initial draft TAR NC?
Answer: NR
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)?
Answer: NR
57. After reviewing the initial draft TAR NC, do you find that there are other material issues that ENTOSOG should consider for the purpose of the refined draft TAR NC?
Answer: NR
58. Do you find the Supporting Document for consultation to be 'respondent-friendly' in terms of its readability, style, etc.? Please outline how ENTOSOG could improve future consultation documents.
Answer: NR

Respondent:	SSE
Contact Details	
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Country:	UK
Chapter I: General Provisions	
1. Is the scope of the initial draft TAR NC as set out in Article 2 clear to you?	
Answer: No, It has not been made clear why the TAR NC applies to non IPs. We believe the TAR NC should only apply to IPs. It is not clear how a single revenue reconciliation pot will avoid cross subsidy. Any under recovery from either IPs or non-IPs will be smeared to all Users.	
2 Do you agree with the scope of the initial draft TAR NC?	
Answer: Yes	
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	
Answer: Yes	
4. Are there any other definitions that should be included in the TAR NC?	
Answer: Yes, The complimentary revenue recovery charge and dedicated services should be added as defined terms.	
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?	
Answer: Yes, Support the approach that dedicated services and infrastructure, i.e. short haul are not included in the 5 % charges and may be based on charges other than capacity charges. However the term shorthaul is not used in the code, we consider that it should be referenced explicitly. We consider shorthaul services are needed to avoid inefficient by-pass of the transmission system.	

Chapter II: Cost Allocation Approach
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?
Answer: Yes
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?
Answer: Yes
8. Are you satisfied with the two approaches for calculating distance as outlined in Article 7.6 of the initial draft TAR NC?
Answer: Yes
9. If you are not satisfied with the two approaches, could you suggest other approaches for calculating distance?
Answer: n/a
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?
Answer: Yes
11. Do you agree with the inclusion of the asset allocation methodology as set out in Article 15 of the initial draft TAR NC?
Answer: Yes
12. Do you agree with the secondary adjustments as described in Articles 16 – 18 of the initial draft TAR NC?
Answer: Yes, However we are 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 mis-match 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 regulator period. It is also unclear if Art 16.3 and 16.1c are consistent if rescaling were to be the preferred option for avoiding negative charges.
13. Is it necessary to specify further criteria other than those outlined in Article 19 of the initial draft TAR NC?

Answer: No
14. If it is necessary, could you suggest additional criteria to those outlined in Article 19 of the initial draft TAR NC?
Answer: n/a
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?
Answer: Yes
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?
Answer: No
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?
Answer: No, Storage is not a source of supply or demand it only holds gas on a temporal basis. Users have already paid for entry and exit tariffs for imports and production and for end consumption. To charge again would amount to double charging and be discriminatory for users of storage. Only additional costs and benefits of gas storage should be taken into account to avoid cross subsidy between users of storage and non-storage users.
Chapter III: Publication Requirements
18. Is the relationship between the regulatory period and tariff period, as defined in Article 3.7 and 3.10 clear to you?
Answer: Yes
19. Do you agree with the standardised format as set out in Article 26.1 of the initial draft TAR NC?
Answer: No, A tariff model and relevant data should also be provided to enable market participants to determine future charges for the remainder of the regulatory period and as information becomes available the start of the next regulatory period. Market Participants will also need data and information to enable them to assess other charges that contribute to the total charges payable at a particular point. This would include dedicated services, flow based charges and likely revenue recovery charges.
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?

Answer: Yes
21. Are you concerned by the fact that tariffs are set / applied at different times of the year?
Answer: Yes, Users might experience different tariff years. This would create misalignment at the IP and double tariff changes for bundled units of IP capacity.
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?
Answer: Yes, Our preference would be for an October start to the tariff year.
23. Could you identify the benefits of the harmonisation of the tariff setting year, if any, for your business, and could you quantify them?
Answer: n/a
24. Could you identify the costs of harmonisation of the tariff setting year, if any, for your business and could you quantify them?
Answer: No
25. If applicable, do you think the benefits would outweigh the costs?
Answer: No, Although difficult to quantify, we believe the benefits will outweigh the costs of harmonising the tariff setting year.
26. Is the issue of knowing the tariffs for the relevant gas year before the auctions start very important to you?
Answer: Yes. 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.
27. Are there any other issues or aspects that are more important than the issue specified in the previous question?
Answer: The tariffs need to be published sufficiently well in advance to allow transparency before the auction. We would like to see charges 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 than alignment of the tariff year across EU states.

Chapter IV: Reserve Prices
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?
Answer: Yes
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 I to Regulation (EC) No 715/2009?
Answer: Yes
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?
Answer: Yes
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?
Answer: Yes, A cap that is too low could lead to cross subsidy between different users with different load factors. As a consequence of a low multiplier the burden of under recovery generated would be greater for those users who book domestic exit with a flat profile and this could be discriminatory. For example. The GB unconstrained NTS will allow a range of 0 to 1.5 cap for multipliers and seasonal factors. This will allow the perpetuation of under-recovery, as users will wait until within day/day ahead to buy capacity at zero cost. This leads to cross subsidy and tariff instability.
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)?
Answer: Yes, I support the 2nd option. Yes Support options 1 & 2 to have a cap of higher than 1.5. However, option 2 may provide more effective harmonisation across Europe, removing the discretion from NRAs.
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?
Answer: Yes, Yes to ensure a consistent approach and to consider a wider range of issues including avoiding cross subsidy and enhanced cost reflectivity.
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?
Answer: Yes, We consider this to be more Cost reflective.
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 as set out in Article 30.1(b) of the initial draft TAR NC?
Answer: No, We support the first alternative, to set the within day capacity product at the same level as the tariff of the daily product. It will be overly complex to calculate usage on an hourly basis.
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?
Answer: Yes, the methodology seems logical and cost reflective. However, 60 days' notice should be given of any change to tariff.
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?
Answer: Yes, 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
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?
Answer: Yes, We support transparency of information and therefore the publication of the probability of interruption.
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?
Answer: Yes
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?
Answer: Yes
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?

Answer: Yes
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?
Answer: Yes
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?
Answer: Yes
Chapter V: Revenue Reconciliation
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?
Answer: No, Clear in principle but not in practice as it will not prevent cross subsidy between domestic and IP users, i.e. if limited income was recovered from IPs the under-recovery would then be smeared to all users. This will be further exacerbated across entry and exit users. It is therefore, very unlikely that a single regulatory pot will be cost reflective and avoids cross subsidy which has been the case in GB over a number of years. A solution would be to ring fence under-recovery to IPs and non IPs and between entry and exit. Without this charges will not be cost reflective and will be discriminatory.
Chapter VI: Pricing of Bundled Capacity and Capacity at Virtual Interconnection Points
45. Do you agree with ENTSOG's proposal with regard to the way in 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?
Answer: Yes
46. Do you agree with ENTSOG's proposal with regard to the way in which 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?
Answer: Yes
Chapter VII: Payable Price
47. Are the mechanisms for fixed capacity prices described clearly enough in Section 7.1 of the Supporting Document?
Answer: No, The principles are clear but some of the details are not clear such as how revenue from the premium would be kept separate from allowed revenue and what indexation options might be allowed. Predictability of prices is important for incremental or new capacity allocation processes when substantial

commitment by shippers will be needed to ensure the economic test is met. Therefore we consider that fixed price options should be a feature of the tariff code.
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?
Answer: Yes. The proposals to allow fixed priced charging are to be supported and congratulated. Company Boards will not support booking capacity at an unknown floating price and thus expose themselves to an unknown liability. A fixed price will encourage long term bookings by users and will facilitate investment. Only having a floating price will protect the interests of TSOs but neglect the interests of customers and ultimately the competitiveness of the EU.
49. Do you have any further suggestions for calculating the fixed price premium referred to in Section 7.1 of the Supporting Document?
Answer: The mechanisms to close under-recovery gaps are welcomed. However, the "fixed price + premium" mechanism seems overly complex compared with the "fixed price + indexation" or "fixed price + variable" charge which we prefer from an implementation perspective.
Chapter VIII: Incremental and New Capacity
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?
Answer: NR
Chapter IX: Final and Transitional Provisions
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?
Answer: No, "There should be an option to surrender capacity contracts. If contracts are moved from fixed to floating price, then the Code must facilitate the NRA to allow the user the option to surrender capacity if they want. It is grossly unfair and possibly a breach of national contract law to have a material change of contract by way of price, but then not allow the option of capacity surrender if the user so desires. Giving the user the option to surrender capacity will facilitate the following benefits: • Enhanced choice and competition for shippers, allowing them to choose between short term contracting or long term certainty. • The TSO will still be allowed to recover allowed revenue. • Help to expose stranded assets that would otherwise be inefficiently subsidised so that unused capacity can be substituted to where it is most needed. • Allow for discovery of an optimum solution because users will seek the most efficient solution and not argue for a vested interest if they think they will be held to unfair treatment by the Code."
52. Do you agree with the inclusion of the mitigating measures as set out in Article 47.2(a) and (b)?
Answer: Yes

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?
Answer: Yes
54. Do you agree with the text that ENTSOG has included in Article 49 on the timing of implementation?
Answer: Yes
Chapter X: General Issues
55. Do you agree with the structure of the initial draft TAR NC?
Answer: Yes
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)?
Answer: Yes
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?
Answer: Yes
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.
Answer: Yes

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Chapter I: General Provisions	
1. Is the scope of the initial draft TAR NC as set out in Article 2 clear to you?	
Answer: NR	
2 Do you agree with the scope of the initial draft TAR NC?	
Answer: NR	
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	
Answer: NR	
4. Are there any other definitions that should be included in the TAR NC?	
Answer: NR	
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?	
Answer: NR	
Chapter II: Cost Allocation Approach	
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?	
Answer: NR	

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?
Answer: NR
8. Are you satisfied with the two approaches for calculating distance as outlined in Article 7.6 of the initial draft TAR NC?
Answer: NR
9. If you are not satisfied with the two approaches, could you suggest other approaches for calculating distance?
Answer: NR
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?
Answer: NR
11. Do you agree with the inclusion of the asset allocation methodology as set out in Article 15 of the initial draft TAR NC?
Answer: NR
12. Do you agree with the secondary adjustments as described in Articles 16 – 18 of the initial draft TAR NC?
Answer: NR
13. Is it necessary to specify further criteria other than those outlined in Article 19 of the initial draft TAR NC?
Answer: NR
14. If it is necessary, could you suggest additional criteria to those outlined in Article 19 of the initial draft TAR NC?
Answer: NR
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?

Answer: NR
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?
Answer: NR
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?
<p>Answer: No. Whilst we agree that the storage transmission benefits principle is a very necessary and important one, (see the Waters Wye Associates report on the benefits of GB gas storage: http://www.eua.org.uk/sites/default/files/WWA-Gas-Transmission-Benefits-of-GB-Gas-Storage-Report.pdf) SSEHL does not consider that the consideration outlined in Article 23 is sufficient for gas storage. Whilst we agree with ENTSG that NRAs are best placed to consider any net benefit storage facilities may provide the transmission system as well as minimising any adverse effect on cross-border trade, GSOG believes that the NC should include key principles for setting gas transmission tariffs for entry and exit in respect of gas storage facilities in an appropriate and sufficiently consistent manner across the single European gas market. The recently published WWA report clearly demonstrates a significant diversity of transmission charging arrangements among EU Member States in relation to gas storage. Given the key harmonisation objective of TAR NC as set out in the ACER Framework Guideline and related IA, includes specific reference to ACER's view that the basic principles adopted in setting transmission tariffs for gas storage should be harmonised, we consider it essential that the NC should go further than the current draft in this respect, by providing more explicit guidance to European gas TSOs and NRAs. SSEHL considers that the principle of no double recovery of transmission costs in the relevant storage-related tariffs should be included. As ENTSG is aware, gas storage users already pay entry and exit tariffs when gas is brought onto or taken off the gas transmission system. SSEHL also considers that tariffs for entry and exit points from and to gas storage should reflect only those specific, additional transmission costs (if any) which relate directly to the connection and use of the gas storage facility, after taking into account the benefits provided to the transmission system. Our proposal in this respect is set out below. Article 23 Storage of the current draft NC includes the following: When the national regulatory authority sets or approves the transmission tariffs for the storage facilities, the following shall be taken into consideration:</p> <ol style="list-style-type: none"> (1) the net benefits that the storage facilities may provide to the transmission system; (2) the need to promote efficient investment in the transmission system; (3) the need to minimise detrimental effects on cross-border trade. <p>SSEHL proposed additions to Article 23 are as follows:</p> <ol style="list-style-type: none"> (4) the principle of "no double recovery" of transmission costs in the tariffs applicable at a storage connection point. (5) tariffs for entry and exit points from and to gas storage shall have a default price of zero and shall reflect only those specific, additional transmission costs (if any) which relate directly to the connection and use of the gas storage facility, after taking into account the benefits mentioned in Art. 23 (1). <p>SSEHL also notes there is widespread support for these principles among European gas stakeholders,</p>

including both EFET and GSE. These views have been clearly expressed to ENTSOG during the prior informal consultation process, as well as during the development of related business rules, and we are at a loss to understand on what policy grounds ENTSOG has chosen to ignore them.
Chapter III: Publication Requirements
18. Is the relationship between the regulatory period and tariff period, as defined in Article 3.7 and 3.10 clear to you?
Answer: NR
19. Do you agree with the standardised format as set out in Article 26.1 of the initial draft TAR NC?
Answer: NR
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?
Answer: NR
21. Are you concerned by the fact that tariffs are set / applied at different times of the year?
Answer: NR
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?
Answer: NR
23. Could you identify the benefits of the harmonisation of the tariff setting year, if any, for your business, and could you quantify them?
Answer: NR
24. Could you identify the costs of harmonisation of the tariff setting year, if any, for your business and could you quantify them?
Answer: NR
25. If applicable, do you think the benefits would outweigh the costs?
Answer: NR

26. Is the issue of knowing the tariffs for the relevant gas year before the auctions start very important to you?
Answer: NR
27. Are there any other issues or aspects that are more important than the issue specified in the previous question?
Answer: NR
Chapter IV: Reserve Prices
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?
Answer: NR
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 I to Regulation (EC) No 715/2009?
Answer: NR
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?
Answer: NR
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?
Answer: NR
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)?
Answer: NR
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?
Answer: NR

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?
Answer: NR
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 as set out in Article 30.1(b) of the initial draft TAR NC?
Answer: NR
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?
Answer: NR
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?
Answer: NR
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?
Answer: NR
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?
Answer: NR
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?
Answer: NR
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?

Answer: NR
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?
Answer: NR
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?
Answer: NR
Chapter V: Revenue Reconciliation
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?
Answer: NR
Chapter VI: Pricing of Bundled Capacity and Capacity at Virtual Interconnection Points
45. Do you agree with ENTSOG's proposal with regard to the way in 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?
Answer: NR
46. Do you agree with ENTSOG's proposal with regard to the way in which 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?
Answer: NR
Chapter VII: Payable Price
47. Are the mechanisms for fixed capacity prices described clearly enough in Section 7.1 of the Supporting Document?
Answer: NR
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?
Answer: NR
49. Do you have any further suggestions for calculating the fixed price premium referred to in Section 7.1 of the Supporting Document?

Answer: NR
Chapter VIII: Incremental and New Capacity
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?
Answer: NR
Chapter IX: Final and Transitional Provisions
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?
Answer: NR
52. Do you agree with the inclusion of the mitigating measures as set out in Article 47.2(a) and (b)?
Answer: NR
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?
Answer: NR
54. Do you agree with the text that ENTSOG has included in Article 49 on the timing of implementation?
Answer: NR
Chapter X: General Issues
55. Do you agree with the structure of the initial draft TAR NC?
Answer: NR
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)?
Answer: NR
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?
Answer: NR

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.

Answer: NR

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Chapter I: General Provisions	
1. Is the scope of the initial draft TAR NC as set out in Article 2 clear to you?	
<p>Answer: No, It is unclear why the code should explicitly allow for NRAs to apply the code to points beyond the defined scope and define how such application should work, especially as no mandatory terms are given in this respect. Clarity would benefit from merely stating what the code does apply to. Article 2.4 says very little with respect to how interconnectors should actually be treated adding confusion to the text while the supporting documentation points to the fact that in case of under recovery TSO managing interconnectors would find it difficult to raise their tariffs. No matters how true this may be there are only three ways to address the issues: - The interconnector is allowed to recover the under revenue in a period longer than one year - The interconnector is obliged to set part of the revenues aside to cope with situations of under recovery - The interconnector finds a solution by seeking integration with the adjacent entry-exit systems While the third could be left to the voluntary action of the TSO. The first two would be better addressed in the body of the code in relevant sections.</p>	
2 Do you agree with the scope of the initial draft TAR NC?	
<p>Answer: No, The description of the scope should be simplified and be limited to the following text. "This regulation shall apply to interconnection points. Chapters I, II, III, V, IX shall also apply to points other than interconnection points." "This regulation shall not apply in Member states for the duration of derogations granted under article 49 of the Directive 2009/73/EC.</p>	
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	
<p>Answer: No, In general the definitions are ok, however in a few cases some improvement to add clarity may help. Locational signals could be modified as "differential pricing mechanism applied to specific entry/exit points in order to achieve an efficient operation of the transmission system and/or to encourage investment</p>	

in the transmission system. Regulatory period in the form published and in combination with the given definition of transmission tariff may lead to understand that multipliers, seasonal factors and secondary adjustments are redefined only at the end of each regulatory period. Target revenue should refer to non-price cap regimes. Tariff period seems unnecessary. Transmission service poses more fundamental problems in that, being so vague and so much open to national rules, it provides no comfort with respect to the portion of allowed revenues that are actually subject to the code leaving the door wide open to potentially discriminatory charges and situations of cross-subsidization. The definition should focus on the mere transportation of gas leaving aside all services that can be clearly geographically located as well as dedicated services. A definition of dedicated service should be then added to the code.

4. Are there any other definitions that should be included in the TAR NC?

Answer: No, Please see answer 5.

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?

Answer: No, Please see answer 3. As a guiding principle the definition of transmission services should be made as broad as possible and exclude only services that can be easily and exclusively attributed to local costs and to dedicated services. A cap on the non-transmission services, other than balancing charges, would help to limit the risk described in the relevant para in answer 3, as suggested in the ACER Framework Guidelines. Also, 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 to additional definitions for each of the items listed when such definition is not yet available in other codes. The complexity of the sections of the paragraph dedicated to this issue in the consultation supporting document proves that the definition as provided leaves room for very diverse interpretations. Particularly delicate is the case of "quality conversion" which supposedly should cover both gas quality conversion fees and future costs of network adaptation with the latter covering both modification of existing transmission assets and end-users appliances. The two should rather be treated differently as they correspond to costs generated by different classes of users.

Chapter II: Cost Allocation Approach

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?

Answer: Yes, The concept itself is clear however the formulation of article 4 and 5 together risks making the part of the code dedicated to cost allocation methodologies irrelevant or marginal. This said article 5 presents a number of fundamental problems:

- 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

<p>- Article 5.7 opens to a number of unpredictable outcomes and pushes further away the goal of harmonising tariffs methodologies in the internal market. Also, we think there should be full transparency over the proportion of allowed or target revenue which do not constitute transmission services revenues, including how this revenue is reconciled and how the charges for dedicated services are determined. The same is true for both commodity charges driven by gas flows and complementary revenue recovery charges, if used. Transparency requirements should apply to all charges.</p>
<p>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?</p>
<p>Answer: No, The term cost allocation approach only brings confusion to the text and could be easily avoided in the wording of the code. Alternatively the definition used in the supporting document could be added to the code.</p>
<p>8. Are you satisfied with the two approaches for calculating distance as outlined in Article 7.6 of the initial draft TAR NC?</p>
<p>Answer: Yes, The problem is not with the methodologies themselves, both of which may have merits. It is rather in the fact that the code provides no guidance or merit order in choosing between one and the other contributing to the general impression we have on the code: poor simplification, no harmonisation and partial contribution to transparency.</p>
<p>9. If you are not satisfied with the two approaches, could you suggest other approaches for calculating distance?</p>
<p>Answer: Please see answer 8. As said it is not a matter of methodology but of merit order and circumstances criteria. For instance one could say that the airline should be preferred unless this would evidently lead to a substantial distortion of the allocated values. Please note that similar comments apply to article 7.5 and 7.7.</p>
<p>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?</p>
<p>Answer: Yes, Compared to other sections of the code this one provides more guidance and rightly imposes the use of observed costs for the existing transmission system characterized by constant or decreasing demand and/or limited or stable supply sources, while stating that incremental costs shall be used to reflect the costs of expanding the existing transmission system. However, in identifying three alternatives for the definition of incremental costs, i.e. long run average incremental costs, standardised costs, and investment plan based costs, the risk is to leave ample discretion between one system and the other. In this respect a merit order based on the availability of data should be defined with a preference for long run average incremental costs, followed by standardised cost and finally by investment plan based costs only when the previous two cannot apply.</p>
<p>11. Do you agree with the inclusion of the asset allocation methodology as set out in Article 15 of the initial</p>

draft TAR NC?
Answer: No, Our understanding is that this methodology is ultimately a subcase and in order to avoid lengthy description ENTSOG may consider merging it with the matrix methodology. This said we note that should ENTSOG decide to leave it in as a separate case we are under the impression that the current formulation would allow for arbitrary definition of group of users opening to potentially discriminatory situations.
12. Do you agree with the secondary adjustments as described in Articles 16 – 18 of the initial draft TAR NC?
Answer: No, The descriptions are clear however the criteria to select the relevant adjustment methodology remain vague and may lead to highly unpredictable outcomes. In particular, reference to competition, in the retail market or in the renewable energy sector, or to security of supply has the inherent potential to create forms of cross-subsidization. If nothing else 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. Such risk is particularly evident in article 18.3 when de facto cross-subsidization is made legitimate by the need of a TSO to compete with another TSO. In this regard, we believe that the wording suggested by the ACER Framework Guidelines saying that benchmarking at one point should not come at the expenses of tariff levels at other points should be included in the code 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.
13. Is it necessary to specify further criteria other than those outlined in Article 19 of the initial draft TAR NC?
Answer: Yes, Please see answer 12.
14. If it is necessary, could you suggest additional criteria to those outlined in Article 19 of the initial draft TAR NC?
Answer: Please see answer 12.
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?
Answer: No, We believe that a consultation should always be due if nothing else to test the argument that no change is necessary. The scope of the consultation should also cover the explanation of a simplified tariff model to be added to the publication requirements. Any parameter relevant to tariff setting and tariff evolution (e.g. RAB, transmission services revenue, under/over recovery) should be published at regular intervals during the regulatory period (e.g. quarterly), not just every 4 years when the cost allocation approach is reviewed under Article 21. In our view, there would be considerable merit in requiring the postage stamp to be used as a harmonised cost allocation methodology counterfactual throughout the EU. This would provide stakeholders with a single holistic view of how EU transmission tariffs could be determined consistently across the EU. It would also serve to demonstrate the trade-offs between cost

<p>reflectivity and simplification in Member States not using the postage stamp methodology. Finally, it would also provide stakeholders with a high level comparative view of relative TSO efficiency across the EU. In such case systems using the postage stamp as selected methodology would have to pick an alternative methodology as counterfactual.</p>
<p>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?</p>
<p>Answer: No, This said we would like to share the observation that the application of multipliers and seasonal factors, by determining alternative capacity booking profiling, have the potential to create forms of unfair cross-subsidization moving away from the results that the cost allocation test may give. For this reason they should also be subject to scrutiny and consultations, probably separately from the one on the selected cost methodology, to be performed at least every two years.</p>
<p>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?</p>
<p>Answer: No, We maintain a preference for a default solution that assigns a zero reserve price to entry/exit capacity towards and from storage facility in line with the expected contribution to reduced needs of peak capacity and improved flexibility of the system brought about by storage. Any deviation from the default option as analysis in a dedicated cost-benefit analysis should be subject to a dedicated consultation.</p>
<p>Chapter III: Publication Requirements</p>
<p>18. Is the relationship between the regulatory period and tariff period, as defined in Article 3.7 and 3.10 clear to you?</p>
<p>Answer: No, The definition of regulatory period may lead to the understanding that multipliers and seasonal factors are defined for the duration of the regulatory period rather than for the tariff period which we believe is not ENTSG's intention. In light of the reflections shared in chapter 3.1 of the consultation supporting document there may be ground to say that the cost allocation approach review may have to be completed at least before the end of the tariff year before the last one of a given regulatory period to ensure visibility on not less than two tariff years.</p>
<p>19. Do you agree with the standardised format as set out in Article 26.1 of the initial draft TAR NC?</p>
<p>Answer: Yes, In general we agree with the format selected and the information highlighted however all these data risk being muted if they are not accompanied by at least a simplified version of the tariff model and a correlated explanatory manual. The goal of the code is to make the tariff level predictable to the extent possible. Without the tool mentioned the goal is simply missed.</p>
<p>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?</p>

Answer: Yes, We share the reasons behind this choice and support it.
21. Are you concerned by the fact that tariffs are set / applied at different times of the year?
Answer: Yes, EU network codes represent in general a big harmonisation opportunity while we know that transition to new ways to operate always comes with costs. Harmonising the tariff year, the regulatory periods, the timing of the notification of reference prices, multipliers and seasonal factors, the assessment methodology to measure the risk of interruptibility for interruptible capacity and the related discount may well come with adjustment costs. However, focus should be on observing the benefits of bringing the different national markets together by allowing a more immediate compare of business opportunities across Europe. Furthermore, in the case of notification timing for reference prices, multipliers and seasonal factors, interruptible capacity information harmonisation among countries and alignment with the CAM auction calendar is even more important. 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. The reference prices, seasonal factors and multipliers for CAM NC points should be set and published before the annual March auction.
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?
Answer: Yes, Please see answer 21.
23. Could you identify the benefits of the harmonisation of the tariff setting year, if any, for your business, and could you quantify them?
Answer: Please see answer 21 and also: <ul style="list-style-type: none"> • Knowledge pooling reducing resources dedicated to country specific aspects • Decision making processes unified across national markets • Possibility to better devise Europe wide marketing strategies
24. Could you identify the costs of harmonisation of the tariff setting year, if any, for your business and could you quantify them?
Answer: No, We understand TSOs claim that a strong harmonisation push in this respect would come with costs and we would be happy to see them quantified and compared to the benefit the market would gain.
25. If applicable, do you think the benefits would outweigh the costs?
Answer: Yes, Definitely so by contributing to making markets closer and easier to compare when strategic marketing choices are made.

26. Is the issue of knowing the tariffs for the relevant gas year before the auctions start very important to you?
Answer: Yes, 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. Providing forecasts of reserve prices for subsequent capacity years, based on the best information available to the TSO at the time, will also help shippers assess the implications of longer term capacity bookings. This should happen in addition to the obligation to publish working tariff models. Please also see answer 21 and following.
27. Are there any other issues or aspects that are more important than the issue specified in the previous question?
Answer: No further issue identified.
Chapter IV: Reserve Prices
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?
<p>Answer: Yes, The allowed multiplier ranges identified in the initial draft TAR NC seem to be compliant with ACER Framework Guidelines and in line with the discussion on this topic we had during the Stakeholder Joint Working Sessions. However we have two remarks that we would like to reiterate:</p> <ol style="list-style-type: none"> 1. 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 Network Code, some capacity products are priced more attractively than before this would entail a competitive disadvantage for them. To address this concern 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. 2. The possibility to use multipliers <1 for pricing short term capacity products would not take into consideration all of the objectives identified in art. 28.5. Only in the short term it 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. Also, multipliers <1 would not provide long term signals for investments and (ii) enhance cost-reflectivity. In other words, we believe that by pricing short term products with a multiplier <1 the following aspects are not duly taken into consideration: <ol style="list-style-type: none"> a. LT capacity contracts ensure stable revenues (and a return on investment) for TSOs (or the system) over a long period of time b. LT capacity contracts entail substantial risks for network users, connected to unfavourable and unforeseeable market developments Therefore, we would welcome a provision in the code stating 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, delinking them from the concept of congestion. This

is further justified in a context of auction based capacity allocation where premiums are supposed to provide signals and resources to solve congestions.
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 I to Regulation (EC) No 715/2009?
Answer: No, As it has been pointed out during the network code development process, there is some doubt about whether the criteria for implementing the day-ahead UIOLI mechanism in CMP are appropriate in the context of the TAR NC. Linking the two regulations together in this way may have unforeseen consequences. Rather than trying to complement the definition of congestion by adding further criteria (e.g. ENTSOG's suggested < 10% technical capacity offered on a daily basis on average over the year), or redefining congestion based on capacity that has been allocated following an auction, we think it would be simpler just to remove the link between congestion and the range of allowed multipliers than can be applied. Please also refer to answer 28.
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?
Answer: No, The proposal would entail that network users do not know the multiplier to be applied to short-term products when participating in yearly auctions. This would not allow them to develop a booking strategy that takes into consideration the competitiveness of the alternatives to yearly products.
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?
Answer: Yes, See answer to question 28. We are open to a higher multiplier than 1.5, because there is no proper justification given for this number, but the higher limit should be included in the code. We invite ENTSOG to justify this higher cap. The requirements of article 28.5 are too vague to be used as a safeguard instead of a cap.
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)?
Answer: No, I don't agree with the suggested options (please explain below) Please see answer 31.
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?
Answer: No, We believe the criteria set out in article 28.5 are too vague to be used for setting the multipliers.

<p>We would welcome a provision in the code stating that multipliers are to be used exclusively to minimize the potential revenue shortfall from network users, shifting from booking annual capacity to booking short-term products. In fact, 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 as cross-subsidization, competitiveness, security of supply, ...</p>
<p>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?</p>
<p>Answer: Yes, No comment.</p>
<p>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 as set out in Article 30.1(b) of the initial draft TAR NC?</p>
<p>Answer: No, Pricing should reflect the usability of the capacity product to the extent possible, although it is true that where capacity is marketed in kWh/d the first formula could be acceptable.</p>
<p>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?</p>
<p>Answer: No, The proposed method to calculate seasonal factors is overly complicated. In our view a seasonal factor should on average over a year be equal to 1. In the proposed method the average seasonal factor can be higher than 1 and de facto acts as an additional multiplier. We could agree to combine 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. Seasonal factors, if used, should be calculated annually and not be reset during the tariff period, as currently allowed for in Article 31.5. This would undermine shippers' booking strategy. In addition, seasonal factors should also be subject to NRA approval at all times, which is not entirely clear from the current drafting of Article 28.3.</p>
<p>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?</p>
<p>Answer: No, In general terms we believe that in a well-functioning market TSOs should maximize the offer of firm capacity and minimize the offer of interruptible products, as foreseen and promoted by the introduction of CMP Framework Guidelines. At not contractually congested Interconnection Points (IPs) this is not a big issue. From our perspective, in these cases there should be no offer of interruptible products at all. At contractually congested IPs, TSOs shall maximize the offer of firm capacity through the Oversubscription and Buy-Back mechanism provided by CMP. In any case we do not support the use of an interruption discount to be calculated ex-post because this would not incentivise TSOs to use the above mentioned mechanism.</p>

In case of OSBB implementation when all firm capacity is sold out day-ahead, TSOs should offer interruptible capacity at a zero reserve price. 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.
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?
Answer: Yes, Please see also answer 21.
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?
Answer: No, With regards to the offer of non-physical backhaul capacity products we believe that it is important to avoid that network users using forward flow capacity cross-subsidises the backhaul flows. In this context, as a way to incentivise its use, the reserve price of backhaul capacity should be set at a discount with respect to firm capacity. However, this discount should reflect (i) the risk of interruption and (ii) the fact that reverse flow do not originate fuel gas costs. 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.
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?
Answer: Yes, Please see answer 37.
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?
Answer: Yes, Please see answer 37.
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?
Answer: No, 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.
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?

Answer: No, Please see answer 37. We do not agree with the proposal of an ex-post discount. This would transfer all risk to network users without an appropriate reward.
Chapter V: Revenue Reconciliation
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?
Answer: Yes, We understand that the sub-accounts merely serve to increase transparency but have no role in the redistribution of the under/over-recovery within the system in defining the allowed revenues in the year following the relevant one. However, we believe that details of the sub-accounts should also be made available to NRAs and to shippers on an annual basis. This will help all parties to understand the degree of cross-subsidy that may be occurring between different classes of user as a result of having a single regulatory account. Finally, to the extent that allowed revenues are 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 reconciled. The draft TAR NC is not clear about how any over- or under-recovery of revenues from other regulated activities (as described in Article 4.6) is handled.
Chapter VI: Pricing of Bundled Capacity and Capacity at Virtual Interconnection Points
45. Do you agree with ENTSOG's proposal with regard to the way in 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?
Answer: No, The network code on CAM requires that VIPs are established only if they facilitate the economic and efficient use of the system. The proposals for setting the VIP tariff seems to ignore the above and simply replaces existing different tariffs with a single 'average' tariff. This works contrary to an economic and efficient use of the system. Please also see answer 46.
46. Do you agree with ENTSOG's proposal with regard to the way in which 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?
Answer: No, We would like to see base reference prices used to calculate the weighted average only as referred to overall entry/exit zone and not per individual TSO. Moreover, once again captive shippers may end up paying more without the possibility to exit their transportation agreements unless a reset option is granted to them. Finally, 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.
Chapter VII: Payable Price
47. Are the mechanisms for fixed capacity prices described clearly enough in Section 7.1 of the Supporting Document?
Answer: Yes, Explanation is clear however clarity and comfort should stem out of the binding text and not from the supporting document. The explanation of the fixed price + variable charge is not necessarily

reflected in the code proposal. For example, it is not clear that the variable charge would apply to both fixed and floating prices and no clarity is found in this respect in article 4.5, although this would be a very important aspect to take into account. Moreover, the indexation element would need some specification, for instance it should be clarified that only operational costs should be indexed and in some instances maintenance costs but surely not the capex component of the RAB. Equally, in defining the premium for fixed price in the second case TSOs should take into account the contribution of long-term booking to their revenue stability, manifest for instance in lower financing costs guaranteed by long-term booking or in the contribution to cover otherwise sunk costs TSOs would have to bear if only short-term booking were to materialise.

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?

Answer: Yes, This proposal is very much appreciated in that it takes into account the importance of fixed tariff to underpin long-term booking and at the same time it envisages a number of alternatives to set such price taking into account the specificity of the relevant network. Where more clarity cannot be added and given the complexity of the issue, it would probably be better to refrain from defining in the code how the fix prices should be set. ENTSOG may want to consider having fix prices as default option in the context of incremental and new capacity and at least in the case of capacity allocated via open seasons.

49. Do you have any further suggestions for calculating the fixed price premium referred to in Section 7.1 of the Supporting Document?

Answer: Please see answer 47 and 48. 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. Also for dedicated investments the possibility of a fixed price might reduce financing costs to the transmission system operators and offset the risk premium.

Chapter VIII: Incremental and New Capacity

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?

Answer: No, "We have no concerns in terms of coherence however we note the following issues with respect to article 42 to 46:

- It is unclear the level of transparency for the level of the estimated costs that will work as reference for the economic test. The formulation of such estimates will have a major bearing in determining whether an investment will go forward or not. The mere definition of a higher or lower contingency level in the cost definition could be crucial. For this reason a sufficiently deep break down of the envisaged costs should be foreseen at the time of the publication.
- In article 46 to point 4 and 5 another element should be added: NRAs may ask TSOs to seek optimisation and efficiency potential by modifying the technical design of the project or reopening the

auditing of the cost estimate."
Chapter IX: Final and Transitional Provisions
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?
Answer: Yes, Interpretation seems correct. However, the mitigating measures proposed in the 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. In fact, as it stands this code clearly incentivizes network users to shift to short-term capacity bookings and as a consequence TSOs will likely increase tariffs to offset shorter bookings.
52. Do you agree with the inclusion of the mitigating measures as set out in Article 47.2(a) and (b)?
Answer: No, The proposed measures are not sufficient as they do not address the challenges captive users have in a changing regulatory environment. In a 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.
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?
Answer: No, Please see answer 54
54. Do you agree with the text that ENTSOG has included in Article 49 on the timing of implementation?
Answer: No, 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.
Chapter X: General Issues
55. Do you agree with the structure of the initial draft TAR NC?
Answer: Yes, No comment in this respect other than about the length and the wordiness of the document which may have benefit from the inclusion of more formulas or less details on the allowed cost allocation methodologies.
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)?
Answer: Yes, We have already expressed our concerns with respect to the content of the cost allocation methodologies section where we feel that while a great deal of details are brought together, they do not necessarily contribute either to simplification or to harmonisation and probably it would have been sufficient to limit the code to a principle based description of the allowed methodologies, given the wide number of

variants, if individual aspects of the methodologies are taken into account, remaining possible according to the draft.

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?

Answer: Yes, Flow-based charges should always be expressed in monetary terms to avoid conflicts with the use of bundled capacity and single-sided nominations. Also, 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. Also, a definition of the potential weight of the complementary revenue recovery charge may prove necessary to avoid to make completely irrelevant the content of this code. With respect to article 9 we repeat an argument used elsewhere and ask for tariff to 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. Also, in the same article we question the value of point 3 as this simply seems to point to an outcome that would result considering the split a output rather than an input. With respect to the descriptions of the different cost allocation methodologies – articles 10 to 15 – we remain of the idea that the code fails to both 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. Finally, we remain of the opinion that the reset option as presented at the Madrid Forum by a number of associations merits further consideration and should not be dismissed to avoid that the implementation of the code is accompanied by a high number of legal litigations as this would be the worst possible outcome of this very time and resource consuming regulatory exercise. In this regard we are aware of the complexities that the reset option may cause, in particular for those networks with a high transit component, but believe that its effects would not be dramatically different from what will happen at the end of existing contracts. The reset option will simply accelerate the process and reduce volatility in the interim. This is true considered the bias towards short-term bookings this code and, in general, the most recent regulatory changes have brought and will bring along.

The consequences of such situation are such that one of the following scenario will inevitably materialise:

1. Capacity is gradually mothballed (switch off compressors, reduce numbers of feeders) until congestion is created and capacity has value above marginal cost. Notably mothballing ultimately goes against the desire to have spare capacity for supply security
 2. The floor price of short term capacity auctions goes up to a level where allowed revenues might be recovered. However, multipliers >1 may drive demand for capacity into a negative spiral
 3. Owners of the pipeline take a hit to their allowed revenue probably through reduction of the RAB but in extreme cases this can only be a partial solution for TSOs
 4. Some socialisation, preferably on a regional or continental scale, with the inevitable complexity that cross-border transfers may pose but also with the evident benefits of a wider distribution of losses
- Introducing a reset option in combination with measures that take into account the above scenario is probably the best possible compromise.

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.

Answer: Yes, Generally speaking and unless we have said the opposite with respect to specific sections, e.g. definition of scope, the document has been very helpful in outlining the key concerns. This said we noted that some of matters discussed during the stakeholders engagement session have been left out, ref. to issues addressed in answer 57.

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Chapter I: General Provisions	
1. Is the scope of the initial draft TAR NC as set out in Article 2 clear to you?	
Answer: No. The second sentence of article 2 reads "(...) shall also apply to points other than interconnection points". It is not clear what is meant by 'points' in this respect (EU entry & exit points, delivery points, border points....). Clarification would be much appreciated. For sake of clarity and the avoidance of doubt, we suggest publication of a list of points.	
2 Do you agree with the scope of the initial draft TAR NC?	
Answer: NR	
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	
Answer: No. The definition of 'seasonal factor' refers to a seasonal gas flow. However, there is not definition of this term. We propose to clarify when a flow qualifies as seasonal, to limit the use of seasonal factors and to increase transparency on the application.	
4. Are there any other definitions that should be included in the TAR NC?	
Answer: NR	
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?	
Answer: NR	

Chapter II: Cost Allocation Approach
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?
Answer: NR
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?
Answer: NR
8. Are you satisfied with the two approaches for calculating distance as outlined in Article 7.6 of the initial draft TAR NC?
Answer: NR
9. If you are not satisfied with the two approaches, could you suggest other approaches for calculating distance?
Answer: NR
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?
Answer: No. Vattenfall believes that the Network Code provides TSOs and NRAs with a substantial amount of freedom, with regards to the choice in cost allocation methodology. However, the Network Code text does not provide much guidance and predictability for network users. From discussions during the SJWSs and the text of the FG and NC, we conclude that the ultimate view 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 NC would oblige or encourage TSOs and/or NRAs to select the cost allocation model that is closest to their current one. If this is not the goal of the NC, 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. As we mentioned during the SJWSs, 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). More specifically, Vattenfall believes 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, we believe 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, we believe clear rules should be set out on how to select it.
11. Do you agree with the inclusion of the asset allocation methodology as set out in Article 15 of the initial

draft TAR NC?
Answer: No. We believe that the initial set of 6 methodologies already imply that full EU harmonisation will not take place. If this is not the intention, we do not necessarily oppose adding another method. However, we do strongly believe that transparency in the choice of methodology and the application of it must be provided. The current description does not provide any clarity to Vattenfall with regards to the likely choice of method in the markets where we are active. This should be improved.
12. Do you agree with the secondary adjustments as described in Articles 16 – 18 of the initial draft TAR NC?
Answer: NR
13. Is it necessary to specify further criteria other than those outlined in Article 19 of the initial draft TAR NC?
Answer: NR
14. If it is necessary, could you suggest additional criteria to those outlined in Article 19 of the initial draft TAR NC?
Answer: NR
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?
Answer: NR
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?
Answer: NR
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?
Answer: NR
Chapter III: Publication Requirements
18. Is the relationship between the regulatory period and tariff period, as defined in Article 3.7 and 3.10 clear to you?
Answer: NR

19. Do you agree with the standardised format as set out in Article 26.1 of the initial draft TAR NC?
Answer: NR
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?
Answer: NR
21. Are you concerned by the fact that tariffs are set / applied at different times of the year?
Answer: Yes, the biggest concern of Vattenfall is with the lack of information on tariffs at the time of booking. When we sell products to customers, they want to know what they will pay. In addition, for almost all investment decisions, capacity plays a part in determining whether or not a project makes financial sense. Regarding the commodity prices, we have experience, tools, people and transparent data that helps us assess prices that are not yet determined. On the capacity side, regulatory change determines the risk and this – at this moment in the European markets – is not a risk that can be calculated, reasoned or determined sufficiently. For this reason, Vattenfall proposes a simple (for the customers of the TSO) system in which capacity products are offered at a regulated price. In principle, this price should be set for the whole duration of the capacity contract. However, as ENTSG has mentioned several times that this is not achievable, we believe a possible alternative is to provide a transparent overview of the elements that may lead to a change in the tariff in the following period. This can be paired with a tariff estimation by the relevant TSO for the following period.
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?
Answer: As mentioned above, we are only concerned with a tariff setting time that provides Vattenfall 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.
23. Could you identify the benefits of the harmonisation of the tariff setting year, if any, for your business, and could you quantify them?
Answer: We believe that harmonising the tariff setting year could improve cross-border flows. However, this effect is minor if only the tariff setting is harmonised, rather than the actual products.
24. Could you identify the costs of harmonisation of the tariff setting year, if any, for your business and could you quantify them?
Answer: NR
25. If applicable, do you think the benefits would outweigh the costs?

Answer: NR
26. Is the issue of knowing the tariffs for the relevant gas year before the auctions start very important to you?
Answer: Yes. Yes, please see our response to question 21 and further. Total overview of costs is required to make commodity investment decisions. Although capacity is only part of the overall costs, they do have the ability to make or break a deal, especially in a competitive market.
27. Are there any other issues or aspects that are more important than the issue specified in the previous question?
Answer: Yes
Chapter IV: Reserve Prices
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?
Answer: No. Yes, with the exception of paragraph 5, regarding a multiplier higher than 1.5. We believe ENTSOG has not presented evidence that a situation could occur in which 1.5 is not high enough. We believe that it is already questionable why short term products should be proportionately more expensive than long term contracts. However, we are willing to accept the range as presented in the Framework Guideline, if the establishment of the multiplier is transparent and non-discriminatory. However, we cannot accept a differentiation between long and short term contracts that is even bigger than the already proposed factor of 1.5.
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 I to Regulation (EC) No 715/2009?
Answer: No. Yes, 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 higher than 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.
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?

Answer: Yes. Vattenfall does not necessarily oppose providing clarity on the way in which multipliers are decided upon. We support the link with the level of booked long term capacity. However, we do not support a differentiation between yearly and quarterly products. In addition, we believe the proposed percentage is too high. Especially in the beginning, the market will still be exploring the new internal energy market and all the new rules following from the Network Code. We believe 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 possibly, after thorough consideration, be grounds to consider a multiplier higher than 1. Following from the above answers, we would like to point out that 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.

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?

Answer: No, we believe 1.5 and 1.0, as mentioned in the FG should be the maximum for short term products. We believe that this supports the wish of the Commission and the market to move away from the old situation where pipeline investments were required to help gas reach the end users. In the current situation, there is no longer a direct link between the producer of the gas and the user of this gas. There can be one or several parties in between and efficiency can be found in this process. The current market works on a balance between short and long term products, for instance to allow for the more flexible use of power plants. Restricting it by punishing this shift away from long term contracts towards a more balanced mix of contract durations is not advisable. We believe that tariffs will undergo a change, when booking is allowed to meet actual flow requirements. However, we do not believe this is 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. We understand that this provides a changed risk for TSOs. However, this could be solved 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.

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)?

Answer: No. Vattenfall does not support multipliers higher than 1.5.

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?

Answer: Yes. Although we generally agree that short-long term incentives, effective revenue recovery and cross-subsidisation should be taken into account when deciding on anything relating to tariffs, we believe article 28.5 could drastically improve if it would indicate how these elements should be taken into account. We believe the articles of regulation, especially European regulation, should be S.M.A.R.T. to improve the

chances that each European market will interpret these rules in the same manner.
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?
Answer: NR
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 as set out in Article 30.1(b) of the initial draft TAR NC?
Answer: NR
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?
Answer: NR
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?
Answer: No. Vattenfall firmly believes that the proposal for interruptible capacity with a discount only to be provided if and when the interruption takes place, is not a useful product. The use of this product should be prevented, or at the least, restricted. We believe an interruptible product can only be used by (and therefore sold to) users that are flexible enough to deal with a possible interruption. It is this flexibility that should be compensated, whether or not an interruption takes place. Even if the interruption does not take place, the flexibility must be present, which warrants a lower tariff. In addition to the above, we would like to point out that the firm capacity reserve price should already cover the cost of the grid. For this reason, it is not necessary – and possibly even undesirable – to have a reserve price higher than zero for interruptible capacity. If a higher reserve price is proposed, or indeed made possible within the Network Code, we want to ask ENTSOG to clarify why such reserve price is allowed and how this does not increase the risk of over-recovery and thereby price volatility.
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?
Answer: Yes. Yes, Vattenfall appreciates full transparency on interruptible products and values a complete report.
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?
Answer: Yes. Yes, we support this. It is Vattenfall's wish and belief 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. We suggest using any additional income from this tariff to be used to facilitate the realisation of more physical bidirectional points.
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?
Answer: NR
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?
Answer: Yes. We do not oppose this method. 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.
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?
Answer: NR
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?
Answer: NR
Chapter V: Revenue Reconciliation
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?
Answer: NR
Chapter VI: Pricing of Bundled Capacity and Capacity at Virtual Interconnection Points
45. Do you agree with ENTSOG's proposal with regard to the way in 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?

Answer: NR
46. Do you agree with ENTSOG's proposal with regard to the way in which 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?
Answer: NR
Chapter VII: Payable Price
47. Are the mechanisms for fixed capacity prices described clearly enough in Section 7.1 of the Supporting Document?
Answer: NR
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?
Answer: Yes. Vattenfall supports and appreciates the willingness of ENTSOG to consider the concerns of market parties. We would support a transparent mechanism that shows the risk premium that is applied to 'fix' the price of the capacity contract. We would expect the TSO to 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. We believe options 3 and 4 are not suitable, as they contain a variable charge for revenue recovery, which turns the product back into a flexible tariff. Both options 1 and 2 appear to be the same, as they consist of a tariff and a yearly risk premium. In principle it doesn't matter if this is equal over time or increases over time, as both of these can be calculated back to NPV for the valuation of the product. More important is the link between the fixed and the floating products. Vattenfall finds it important that there is not fragmentation of the market by separating the available capacity into two parts, one fixed and one floating price. We believe a way must be found to ensure that an auction provides the most optimal balance between fixed and floating, without discriminating between the two and without locking part of the capacity in one or the other type of pricing method.
49. Do you have any further suggestions for calculating the fixed price premium referred to in Section 7.1 of the Supporting Document?
Answer: Please see our response to question 48.
Chapter VIII: Incremental and New Capacity
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?
Answer: NR
Chapter IX: Final and Transitional Provisions

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?
Answer: No. Vattenfall strongly supports the general thought that mitigating measures are required in a situation where possible substantial changes take place that will affect captive customers and existing contracts. Whilst the mitigating measures in the NC reflect the provisions of the Framework Guideline, we do not think they are sufficient. They do not adequately address the significant changes in the gas market since the introduction of the 3rd package or the risks faced by shippers resulting from implementation of the TAR NC. Rather than introduce mitigating measures for a time period which lasts a maximum of two years after the TAR NC applies we, along with a number of industry associations, are convinced ENTSOG needs to be more ambitious and introduce a capacity reset mechanism on entry into force of the TAR NC. This would be the only form of mitigating measure necessary at IPs. However, we believe the proposed measures do not sufficiently, if at all, take into account the possible effects of a methodology change on captive customers. For this reason, separate mitigating measures should be put in place for these points that connect directly to users of natural gas.
52. Do you agree with the inclusion of the mitigating measures as set out in Article 47.2(a) and (b)?
Answer: NR
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?
Answer: No. Vattenfall does not see an urgency in the methodology change and can therefore support a minimum of 18 months. However, increased transparency on pricing does not affect existing business cases. Earlier implementation of this could provide a great benefit to many markets.
54. Do you agree with the text that ENTSOG has included in Article 49 on the timing of implementation?
Answer: NR
Chapter X: General Issues
55. Do you agree with the structure of the initial draft TAR NC?
Answer: NR
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)?
Answer: NR
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?

Answer: Yes. We understand that two of the important goals of the tariff NC are to increase transparency and facilitate the shift from an 'old world' long term, physical flow based Europe, towards a more flexible and virtual system. With regards to the first goal, transparency, we believe the NC could and should realise more by providing a standard for publishing data in all markets. Standard formats and definitions and locations of the data will increase transparency and the NC should provide such a standard or at least require the joint TSOs to establish one. In addition, we believe price transparency is still not achieved as long as bookings by market parties take place before the price of the product is published. The second goal of enabling a shift towards a more flexible market, that consists of mid to long term commitments for stability and shorter term actions, is also strongly supported by Vattenfall. We accept that such a change has consequences, which may include slightly higher capacity prices, to offset bookings that are more tailored to the actual required use of this capacity. However, we believe that if all capacity receives this correction in price level, it should also all benefit from the increase capacity that requires the price adjustment. In this respect, we believe non-discrimination must be ensured by applying booking flexibility at all points, including end-user exits. As long as this cannot be secured, any tariff increases should not be applied to these points. Finally, we have only filled out a response for the questions that we believe add something to the responses from EFET, Energie Nederland and some other industry organisations. We have actively been involved in these responses and have only added a specific Vattenfall response where our opinion differs from or adds detail to the industry organisation response.

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.

Answer: Yes. We strongly support the presence of the supporting document, as it provides insight into the thought process of ENTSOG in the drafting of the Network Code.

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Chapter I: General Provisions	
1. Is the scope of the initial draft TAR NC as set out in Article 2 clear to you?	
Answer: yes	
2 Do you agree with the scope of the initial draft TAR NC?	
Answer: Yes	
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	
Answer: No. In order to avoid misunderstandings the definition of allowed revenue in Article 3, number 1 shall be complemented as follows: "allowed revenue means the total revenue that a transmission system operator is entitled to obtain for the provision of all the regulated services within a given time period under a non-price cap regime, and the amount of which is to be determined by the NRAs."	
4. Are there any other definitions that should be included in the TAR NC?	
Answer: Yes. VKU proposes the following 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."	
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?	

<p>Answer: No. In the definition of “transmission services” those activities which are defined under the applicable national rules, such as balancing, metering, odourisation, are excluded. In the view of VKU these activities should be regulated by the respective national regulatory authority, if they are offered by a natural monopolist. VKU proposes to complement Art. 4.6 as follows: “A part of the allowed or target revenue of the transmission system operator, which is other than transmission services revenue, shall be outside of the application of the cost allocation approach set out in Article 5(1). This part of the allowed or target revenue may be recovered by charges other than those set out in paragraphs 2 to 5. This also applies to the allowed or target revenue for services which are not defined in the network code but regulated by the respective national regulatory authority.”</p>
<p>Chapter II: Cost Allocation Approach</p>
<p>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?</p>
<p>Answer: Yes</p>
<p>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?</p>
<p>Answer: Yes</p>
<p>8. Are you satisfied with the two approaches for calculating distance as outlined in Article 7.6 of the initial draft TAR NC?</p>
<p>Answer: Yes</p>
<p>9. If you are not satisfied with the two approaches, could you suggest other approaches for calculating distance?</p>
<p>Answer: NR</p>
<p>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?</p>
<p>Answer: Yes</p>
<p>11. Do you agree with the inclusion of the asset allocation methodology as set out in Article 15 of the initial draft TAR NC?</p>
<p>Answer: Yes</p>
<p>12. Do you agree with the secondary adjustments as described in Articles 16 – 18 of the initial draft TAR NC?</p>

Answer: Yes
13. Is it necessary to specify further criteria other than those outlined in Article 19 of the initial draft TAR NC?
Answer: Yes. Cf. answers to number 14 and 57.
14. If it is necessary, could you suggest additional criteria to those outlined in Article 19 of the initial draft TAR NC?
Answer: One additional criterion should be the assurance of stable network tariffs.
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?
Answer: Yes
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?
Answer: No
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?
Answer: No. VKU welcomes that the benefits from storage facilities to the transmission system shall be taken into consideration by the NRAs when approving the transmission tariffs for storage facilities. In this context it will 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.
Chapter III: Publication Requirements
18. Is the relationship between the regulatory period and tariff period, as defined in Article 3.7 and 3.10 clear to you?
Answer: Yes. Cf. answer to question no. 4 concerning the definition of the tariff period.
19. Do you agree with the standardised format as set out in Article 26.1 of the initial draft TAR NC?
Answer: No. VKU welcomes standardised formats but asks to resign at detailed prescriptions. VKU suggests considering that besides the publication of the tariff information there must also be the control of the network tariffs by the national regulatory agency. The timely decision and declaration of the regulatory

agency about tariffs is more important to forecast network tariffs than transparent publications about cost allocation.
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?
Answer: Yes
21. Are you concerned by the fact that tariffs are set / applied at different times of the year?
Answer: Yes. VKU sees the benefit of harmonised tariff setting dates to foster competition. For network users with cross-border activities it would ease numerous processes such as the assessment of tariffs. Nevertheless, VKU wants to point out that publishing all network tariffs at the same time is not necessary. Regulation has to make sure that every market participant knows the relevant tariffs at that time when he has to calculate the tariffs for his customers. Thus, harmonising tariff periods between DSOs and TSOs is of high relevance: For example, German regulation defines that the DSO has to publish preliminary tariffs for the mass market 12 weeks before the 31st of December (1st of January: date of publication of DSO tariffs). Therefore, it is necessary at this time of the year that the German DSO knows the relevant TSO tariffs, because they make up a considerable amount of his own tariffs.
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?
Answer: No. Cf. answer to Nr. 21: National regulatory agencies should be able to define tariff publication dates that are harmonised with already existing national regulation.
23. Could you identify the benefits of the harmonisation of the tariff setting year, if any, for your business, and could you quantify them?
Answer: For trading companies which act internationally, a harmonised tariff setting year might be beneficial, but the benefit cannot be quantified.
24. Could you identify the costs of harmonisation of the tariff setting year, if any, for your business and could you quantify them?
Answer: No. The process of harmonisation itself would cause costs for TSOs, DSOs, and other actors since many processes would have to be adapted. 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.
25. If applicable, do you think the benefits would outweigh the costs?
Answer: Yes. Since neither benefits nor costs can be quantified, this question cannot be answered reliably. In

the long run, the costs resulting from the harmonisation process (which only occur once) will be outweighed by the benefits.
26. Is the issue of knowing the tariffs for the relevant gas year before the auctions start very important to you?
Answer: Yes
27. Are there any other issues or aspects that are more important than the issue specified in the previous question?
Answer: NR
Chapter IV: Reserve Prices
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?
Answer: Yes
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 I to Regulation (EC) No 715/2009?
Answer: No. 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.
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?
Answer: Yes
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?
Answer: Yes
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)?
Answer: Yes. As a TSO is a regulated entity, it should be left up to the NRA to determine a higher level of

multipliers.
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?
Answer: Yes. VKU agrees with the criteria, but would suggest adding tariff stability as an additional criterion as follows: "... d) "the need to guarantee tariff stability compared to former tariff periods."
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?
Answer: Yes
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 as set out in Article 30.1(b) of the initial draft TAR NC?
Answer: Yes
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?
Answer: Yes
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?
Answer: No. VKU is in favour of setting ex-ante discounts for interruptible capacity. An ex-post discount as a reimbursement would not adequately reflect the risk of a potential interruption.
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?
Answer: Yes. VKU is in favour of setting ex-ante discounts for interruptible capacity. An ex-post discount as a reimbursement would not adequately reflect the risk of a potential interruption.
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?
Answer: Yes

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?
Answer: Yes
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?
Answer: Yes
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?
Answer: Yes
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?
Answer: No. Cf. question 37.
Chapter V: Revenue Reconciliation
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?
Answer: Yes
Chapter VI: Pricing of Bundled Capacity and Capacity at Virtual Interconnection Points
45. Do you agree with ENTSOG's proposal with regard to the way in 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?
Answer: Yes
46. Do you agree with ENTSOG's proposal with regard to the way in which 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?
Answer: Yes
Chapter VII: Payable Price
47. Are the mechanisms for fixed capacity prices described clearly enough in Section 7.1 of the Supporting Document?

Answer: Yes
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?
Answer: Yes
49. Do you have any further suggestions for calculating the fixed price premium referred to in Section 7.1 of the Supporting Document?
Answer: NR
Chapter VIII: Incremental and New Capacity
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?
Answer: Yes
Chapter IX: Final and Transitional Provisions
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?
Answer: No. The current Article 47 gives the impression that the mitigating measures are only defined for a transitional period of 24 months. If a consultation that is defined in Article 20 initiates a significant change of the cost allocation methodology, this change can also result in an increase of tariffs of more than 20 %. For this case, mitigating measures are also needed. With regard to this, a 24-months period is too short and should be extended. Generally, major shifts in tariffs should be prevented.
52. Do you agree with the inclusion of the mitigating measures as set out in Article 47.2(a) and (b)?
Answer: No. Cf. question 51.
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?
Answer: Yes
54. Do you agree with the text that ENTSOG has included in Article 49 on the timing of implementation?
Answer: Yes
Chapter X: General Issues
55. Do you agree with the structure of the initial draft TAR NC?

Answer: Yes
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)?
Answer: Yes
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?
<p>Answer: Yes. VKU would like to point to the linkage between the gas and the heating market. The gas customer has two fields of action: He can choose between different suppliers of gas and in addition, he can choose between different heating systems. Consequently, a new network cost allocation methodology that results in a cost increase will probably jeopardize the gas market, because the customer is incentivised to make a fuel switch for his heating system. As the network cost of the TSO can cause a considerable amount of the DSO's tariffs for large customers, this scenario has to be considered. An increase in network cost by a different cost allocation methodology at one entry or exit point does not necessarily result in a decrease at another network access point and fostered competition. The gas market is challenged by the customers' additional option. He can step out of the gas market choosing a different heating system like district heating. Therefore, to avoid jeopardising the gas market, VKU sees tariff stability as a basic objective that should be integrated into the network code (cf. our answer on question 14). Entry/exit-split: In Article 9.3b, the following should be added, because price stability is of high importance to the connected parties (e.g. DSOs): "... c) another objective which legitimates an entry-exit split other than 50/50 is tariff stability compared to preceding tariff periods." Publication requirements: One aim of the publication requirements in articles 24 and 25 is to enable network users to check the correct calculation of the transmission tariffs. In general, a higher degree of transparency has positive effects for network users. Another potential effect has to be considered, too: It is the regulator's task to check the correctness of the tariffs. If network users are enabled to retrace the tariff calculation the regulators might reduce their control activities and shift responsibilities to the network users. This has to be avoided. Furthermore, for efficiency reasons one competent institution should regulate the network tariffs. This is more beneficial for the market than every customer controlling the network tariffs. Revenue reconciliation. According Article 38.2b, the regulatory account shall be reconciled with the aim to return to the network users the over-recovery of the allowed revenues from transmission services. It shall be clarified that the over-recovery is not necessarily being returned to the same network users. This is due to the fact that network users (or the intensity of network usage from single network users) changes over time; hence a precise allocation of the over-recovery is not manageable.</p>
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.
Answer: Yes

Respondent:	VNG Energie Czech
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Chapter I: General Provisions	
1. Is the scope of the initial draft TAR NC as set out in Article 2 clear to you?	
Answer: Yes	
2 Do you agree with the scope of the initial draft TAR NC?	
Answer: Yes	
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	
Answer: Yes	
4. Are there any other definitions that should be included in the TAR NC?	
Answer: No	
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?	
Answer: NO the proposal is too wide for national interpretation especially for the local and regional transmissions. Furthermore exclusion from transmission services are also exclusions from publication requirements of this NC. Thus, if there will be no change in the definition of transmission services there should be at least a change in the publication requirements of Chapter III to make the price of the excluded elements also more transparent.	
Chapter II: Cost Allocation Approach	

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?
Answer: Yes
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?
Answer: Yes
8. Are you satisfied with the two approaches for calculating distance as outlined in Article 7.6 of the initial draft TAR NC?
Answer: Yes
9. If you are not satisfied with the two approaches, could you suggest other approaches for calculating distance?
Answer: NR
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?
Answer: Yes
11. Do you agree with the inclusion of the asset allocation methodology as set out in Article 15 of the initial draft TAR NC?
Answer: NO there are already enough cost allocation methodologies implementing more options will hinder the market harmonization and make it less transparent.
12. Do you agree with the secondary adjustments as described in Articles 16 – 18 of the initial draft TAR NC?
Answer: Yes
13. Is it necessary to specify further criteria other than those outlined in Article 19 of the initial draft TAR NC?
Answer: No
14. If it is necessary, could you suggest additional criteria to those outlined in Article 19 of the initial draft TAR NC?
Answer: NR

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?
Answer: Yes
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?
Answer: No
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?
Answer: Yes
Chapter III: Publication Requirements
18. Is the relationship between the regulatory period and tariff period, as defined in Article 3.7 and 3.10 clear to you?
Answer: Yes
19. Do you agree with the standardised format as set out in Article 26.1 of the initial draft TAR NC?
Answer: NO because there is no transparency regarding the part of allowed revenues which not fed in to the cost allocation methodology.
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?
Answer: Yes
21. Are you concerned by the fact that tariffs are set / applied at different times of the year?
Answer: Yes
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?
Answer: YES it is important for shippers who operate in Europe to have sufficient transparent information about the tariffs at the same time before the annual auction in March. Different periods would make it more difficult for comparisons and assessment.

23. Could you identify the benefits of the harmonisation of the tariff setting year, if any, for your business, and could you quantify them?
Answer: No
24. Could you identify the costs of harmonisation of the tariff setting year, if any, for your business and could you quantify them?
Answer: No
25. If applicable, do you think the benefits would outweigh the costs?
Answer: Yes
26. Is the issue of knowing the tariffs for the relevant gas year before the auctions start very important to you?
Answer: YES it is important for network users to know the tariffs before the auction starts.
27. Are there any other issues or aspects that are more important than the issue specified in the previous question?
Answer: No
Chapter IV: Reserve Prices
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?
Answer: NO the implementation of multipliers will discriminate the holders of long-term capacity contracts because they cannot adjust to the new circumstances. Any multiplier below 1 is an invitation to free riders behaviour to the expense of other network users.
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 I to Regulation (EC) No 715/2009?
Answer: NO because 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
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?

Answer: Yes
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?
Answer: No
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)?
Answer: Yes, I support the 2nd option
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?
Answer: Yes
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?
Answer: Yes
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 as set out in Article 30.1(b) of the initial draft TAR NC?
Answer: Yes
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?
Answer: No
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?
Answer: NO because the ex-post discount will not show the risk of interruption
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?
Answer: Yes
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?
Answer: Yes
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?
Answer: Yes
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?
Answer: Yes
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?
Answer: NO the shipper will not be able to estimate the risk of interruption if all IPs are calculated together. The IPs should be grouped in dependency of the interruption risk.
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?
Answer: Yes
Chapter V: Revenue Reconciliation
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?
Answer: Yes
Chapter VI: Pricing of Bundled Capacity and Capacity at Virtual Interconnection Points
45. Do you agree with ENTSOG's proposal with regard to the way in 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?
Answer: Yes

46. Do you agree with ENTSOG's proposal with regard to the way in which 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?
Answer: Yes
Chapter VII: Payable Price
47. Are the mechanisms for fixed capacity prices described clearly enough in Section 7.1 of the Supporting Document?
Answer: Yes
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?
Answer: NO any flexible components in a fixed price mechanism miss the point of the advantage of a fixed price in this case the uncertainty about the actual price increase.
49. Do you have any further suggestions for calculating the fixed price premium referred to in Section 7.1 of the Supporting Document?
Answer: NR
Chapter VIII: Incremental and New Capacity
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?
Answer: NO the TAR NC will discriminate the holders of long-term transmission capacity contracts therefore a reset clause should be included.
Chapter IX: Final and Transitional Provisions
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?
Answer: NO the TAR NC will discriminate the holders of long-term transmission capacity contracts therefore a reset clause should be included.
52. Do you agree with the inclusion of the mitigating measures as set out in Article 47.2(a) and (b)?
Answer: NO see answer 51
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?

Answer: Yes
54. Do you agree with the text that ENTSOG has included in Article 49 on the timing of implementation?
Answer: Yes
Chapter X: General Issues
55. Do you agree with the structure of the initial draft TAR NC?
Answer: Yes
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)?
Answer: Yes
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?
Answer: No
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.
Answer: Yes

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Chapter I: General Provisions	
1. Is the scope of the initial draft TAR NC as set out in Article 2 clear to you?	
Answer: Yes	
2 Do you agree with the scope of the initial draft TAR NC?	
Answer: Yes	
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	
Answer: Yes	
4. Are there any other definitions that should be included in the TAR NC?	
Answer: No	
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?	
Answer: No, the definition is too open and gives Member States significant choices to exclude transmission activities from the regulated revenue for transmission services which is subjected to the cost allocation approach. In particular the exclusion of local and regional transmission provides considerable scope for national interpretation. Furthermore publication requirements are restricted to transmission services and not to the total allowed revenues.	
Chapter II: Cost Allocation Approach	

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?
Answer: Yes
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?
Answer: Yes
8. Are you satisfied with the two approaches for calculating distance as outlined in Article 7.6 of the initial draft TAR NC?
Answer: Yes
9. If you are not satisfied with the two approaches, could you suggest other approaches for calculating distance?
Answer: NR
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?
Answer: Yes
11. Do you agree with the inclusion of the asset allocation methodology as set out in Article 15 of the initial draft TAR NC?
Answer: No, it will constrict harmonization of the EU.
12. Do you agree with the secondary adjustments as described in Articles 16 – 18 of the initial draft TAR NC?
Answer: Yes
13. Is it necessary to specify further criteria other than those outlined in Article 19 of the initial draft TAR NC?
Answer: No
14. If it is necessary, could you suggest additional criteria to those outlined in Article 19 of the initial draft TAR NC?
Answer: NR

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?
Answer: Yes
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?
Answer: NR
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?
Answer: Yes
Chapter III: Publication Requirements
18. Is the relationship between the regulatory period and tariff period, as defined in Article 3.7 and 3.10 clear to you?
Answer: Yes
19. Do you agree with the standardised format as set out in Article 26.1 of the initial draft TAR NC?
Answer: No, The publication requirements should also include the costs excluded under Article 3.11 draft NC TAR.
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?
Answer: Yes
21. Are you concerned by the fact that tariffs are set / applied at different times of the year?
Answer: Yes
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?
Answer: Yes, Network users should be able to assess the development of the tariffs for upcoming periods on both sides of the national borders. Different tariff and regulatory periods will make it difficult to assess and less transparent.

23. Could you identify the benefits of the harmonisation of the tariff setting year, if any, for your business, and could you quantify them?
Answer: No
24. Could you identify the costs of harmonisation of the tariff setting year, if any, for your business and could you quantify them?
Answer: No
25. If applicable, do you think the benefits would outweigh the costs?
Answer: Yes
26. Is the issue of knowing the tariffs for the relevant gas year before the auctions start very important to you?
Answer: Yes, For trading companies it would be very useful to know TSO tariffs for the relevant gas year before the auctions start.
27. Are there any other issues or aspects that are more important than the issue specified in the previous question?
Answer: No
Chapter IV: Reserve Prices
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?
Answer: No, Any multiplier below 1 is an invitation to free riders behaviour to the expense of other network users. Furthermore 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 network code.
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 I to Regulation (EC) No 715/2009?
Answer: No, Because the localization of congestion points may change over time therefore also forecasts should be taking into account.
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?
Answer: Yes
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?
Answer: No
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)?
Answer: Yes, I support the 2nd option
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?
Answer: Yes
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?
Answer: Yes
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 as set out in Article 30.1(b) of the initial draft TAR NC?
Answer: Yes
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?
Answer: Yes
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?
Answer: No, The price for interruptible capacity should never be the same as the firm price because the

products have different probabilities of interruption.
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?
Answer: Yes
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?
Answer: Yes
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?
Answer: Yes
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?
Answer: Yes
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?
Answer: No, because it will not show the network user the risk of interruption.
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?
Answer: Yes
Chapter V: Revenue Reconciliation
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?
Answer: Yes
Chapter VI: Pricing of Bundled Capacity and Capacity at Virtual Interconnection Points
45. Do you agree with ENTSOG's proposal with regard to the way in 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?

Answer: Yes
46. Do you agree with ENTSOG's proposal with regard to the way in which 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?
Answer: Yes
Chapter VII: Payable Price
47. Are the mechanisms for fixed capacity prices described clearly enough in Section 7.1 of the Supporting Document?
Answer: Yes
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?
Answer: No, The fixed-price + premium or additional variable charges doesn't offer sufficient price certainty in which case you are back to floating price.
49. Do you have any further suggestions for calculating the fixed price premium referred to in Section 7.1 of the Supporting Document?
Answer: No
Chapter VIII: Incremental and New Capacity
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?
Answer: Yes
Chapter IX: Final and Transitional Provisions
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?
Answer: No, The mitigating measures are not sufficient. They do not address the significant changes and risks faced by network users resulting from the implementation if the NC TAR.
52. Do you agree with the inclusion of the mitigating measures as set out in Article 47.2(a) and (b)?
Answer: No, see answer 51.
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?
Answer: Yes
54. Do you agree with the text that ENTSOG has included in Article 49 on the timing of implementation?
Answer: Yes
Chapter X: General Issues
55. Do you agree with the structure of the initial draft TAR NC?
Answer: Yes
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)?
Answer: Yes
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?
Answer: NR
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.
Answer: Yes

Respondent:	VNG
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Chapter I: General Provisions	
1. Is the scope of the initial draft TAR NC as set out in Article 2 clear to you?	
Answer: Yes	
2 Do you agree with the scope of the initial draft TAR NC?	
Answer: Yes	
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	
Answer: Yes	
4. Are there any other definitions that should be included in the TAR NC?	
Answer: No	
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?	
Answer: No (please explain below)	
<p>All transport and transit contracts of any sort should apply under the rules of the NC TAR. Furthermore the current NC proposal is open for national interpretation: "transmission services' means the services provided by the transmission system operator for the purpose of transmission, excluding the activities defined under the applicable national rules, such as..." As a result, there is no restriction to the exclusion of activities from the transmission revenue. Especially the exclusion of so called local and regional transmission is not clear. Furthermore the publication requirements in Chapter III are restricted to transmission services only.</p>	

Chapter II: Cost Allocation Approach
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?
Answer: Yes
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?
Answer: Yes
8. Are you satisfied with the two approaches for calculating distance as outlined in Article 7.6 of the initial draft TAR NC?
Answer: Yes
9. If you are not satisfied with the two approaches, could you suggest other approaches for calculating distance?
Answer: NR
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?
Answer: Yes
11. Do you agree with the inclusion of the asset allocation methodology as set out in Article 15 of the initial draft TAR NC?
Answer: No because of including more cost allocation methodologies will hamper the harmonization of the market. Furthermore more methodologies will make it for network user more complex to compare the tariffs and there methodologies and less transparent. When the asset allocation methodology applies further specification needs to be identified under which criteria and conditions the methodology may apply. More important would be that the chosen methodology applies for all transport and transit contracts otherwise the used methodology would be misappropriated.
12. Do you agree with the secondary adjustments as described in Articles 16 – 18 of the initial draft TAR NC?
Answer: Yes
13. Is it necessary to specify further criteria other than those outlined in Article 19 of the initial draft TAR NC?

Answer: No
14. If it is necessary, could you suggest additional criteria to those outlined in Article 19 of the initial draft TAR NC?
Answer: NR
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?
Answer: Yes
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?
Answer: NR
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?
Answer: Yes
Chapter III: Publication Requirements
18. Is the relationship between the regulatory period and tariff period, as defined in Article 3.7 and 3.10 clear to you?
Answer: Yes, The considerations for tariff settings for storage facilities are sufficient. Furthermore, we think that gas storage users already pay entry- and exit tariffs at import/production and at end consumption. Therefore, only any additional costs and benefits of gas storages (e.g. reduced investments regarding peak capacity of the transmission system and import facilities and reduced OPEX) should be taken into account to avoid cross-subsidies between network users storing or not storing gas. Double burdening of storage customers should be avoided.
19. Do you agree with the standardised format as set out in Article 26.1 of the initial draft TAR NC?
Answer: No because at the moment publication requirements are restricted to transmission services and not to total allowed revenues: there is no transparency regarding the part of the allowed revenue that is not fed into the cost-allocation methodology. Therefore the publication requirements should also include the allowed revenues. The benefits of publication requirements for the market should outweigh the costs of such obligation of TSO, shippers and regulators. Therefore transparency should not be far in excess of the network code. More important is to ensure that TSOs (NRAs where relevant) provide information regarding the forecast including charges for non-transmission services of the tariffs and IP development as accurately as

possible for a temporal horizon of approx. 2 years ahead.
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?
Answer: Yes
21. Are you concerned by the fact that tariffs are set / applied at different times of the year?
Answer: Yes
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?
Answer: Yes, With regard to cross-border trade it should be possible to ensure tariff periods in line with CAM NC (GWJ Oct.-Sep.). However more important is that tariffs, multipliers and seasonal factors (where used) have to be published and fixed for one year at least 30 days before annual CAM auctions in March. (necessary for shippers to plan the level of capacity bookings). Furthermore there are still upcoming problems for bundles capacity products if tariff periods differ on either sides of the IPs.
23. Could you identify the benefits of the harmonisation of the tariff setting year, if any, for your business, and could you quantify them?
Answer: Yes, harmonization increases efficiency and decreases overhead costs. Harmonisation promotes competition in- and between the EU member states, it guarantees a more operational consistency, price and planning certainty which would support a more frequent and efficient cross-border trade.
24. Could you identify the costs of harmonisation of the tariff setting year, if any, for your business and could you quantify them?
Answer: No, difficult to quantify specific costs but there is an expectation that they are mainly procedural and IT related. The costs for shipper are probably to be one-off while the occurring benefits are continuous.
25. If applicable, do you think the benefits would outweigh the costs?
Answer: Yes
26. Is the issue of knowing the tariffs for the relevant gas year before the auctions start very important to you?
Answer: Yes
27. Are there any other issues or aspects that are more important than the issue specified in the previous

question?
Answer: No
Chapter IV: Reserve Prices
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?
Answer: No, The objective of the TAR NC is to have clear and objective rules for a harmonized transmission tariff structure in the EU which takes into account the non-discrimination between system users, effective competition and an efficient functioning of the market. From supplier perspective the implementation of multipliers will set wrong signals to the capacity market. In fact IPs who haven't been booked would become even less attractive with a multiplier higher 1. As a result it will restrict market liquidity and distort trade across border. In case of IPs with a high degree of utilization a multiplier less 1 could be an invitation for free riders' behaviour at the expense of other network users. Such multipliers discriminate the holders of long-term transmission capacity contracts and therefore distort competition.
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 I to Regulation (EC) No 715/2009?
Answer: No, 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. It is stated in the 2014 ACER annual report on congestion at interconnection points in Q4/2013 report that the different data sources were not fully consistent in identifying congested IPs. Moreover only the third quarter of 2013 was used to cover the short period. The report ends with the conclusion that the report cannot provide a complete overview on all instances of congestion present in the EU. Regulatory and policy decisions should not be based on the findings of this report. Furthermore the report only takes into account one booking platform (PRISMA) where not all TSOs are registered at the moment. We think one single booking platform for the EU will help to achieve the objectives of NC TAR and CAM NC. From supplier perspective only one booking platform (e.g. PRISMA) should exist it would be cost efficient and time saving and increases transparency. Therefore one single platform for the capacity market in the EU is required and only one should be installed. More than one platform undermines named advantages.
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?
Answer: Yes, As already stated in question 28 that implementing multipliers will not meet the objective of the NC TAR. Should multipliers be applied we agree with ENTSOG's alternative proposal to set multiplier ranges on the basis of the percentage of technical capacity that was booked
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?
Answer: No, Multipliers will restrict market liquidity and support market foreclosure. Higher multipliers will constrain the cross-border flow and make the IPs even less profitable.
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)?
Answer: Yes, I support the 2nd option. A cap of 1.5 should be refined in the TAR NC.
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?
Answer: Yes
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?
Answer: Yes
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 as set out in Article 30.1(b) of the initial draft TAR NC?
Answer: Yes, The first alternative (Article 30.1(b)(i) is more convenient with regards to the implementation. However the second alternative (Article 30.1(b)(ii) would be more accurate because it takes into account the exact duration of the product. Therefore we prefer the second option for calculating reserve prices for within-day standard capacity products.
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?
Answer: Yes, 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.
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?
Answer: No, The only possible calculation of the reserve price for interruptible capacities should be a combination of ex-ante and ex-post discount. Due to the fact that the ex-post discount will not show the risk

of interruption which determines the value of the product the ex-post discount should not apply on its own.
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?
Answer: Yes.
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?
Answer: Yes, We agree with ENTSOGs opinion 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.
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?
Answer: Yes
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?
Answer: Yes
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?
Answer: No, 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
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?
Answer: No, See answer to question 37.
Chapter V: Revenue Reconciliation
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?

Answer: Yes
Chapter VI: Pricing of Bundled Capacity and Capacity at Virtual Interconnection Points
45. Do you agree with ENTSOG's proposal with regard to the way in 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?
Answer: Yes, but it should be made clear that reserve prices at a VIP will be based on the reference prices as determined under Article 40.2. Multipliers and seasonal factors).Should be applied to unbundle VIP products only not to the IP underlying the VIP.
46. Do you agree with ENTSOG's proposal with regard to the way in which 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?
Answer: Yes
Chapter VII: Payable Price
47. Are the mechanisms for fixed capacity prices described clearly enough in Section 7.1 of the Supporting Document?
Answer: Yes
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?
Answer: No, cause the idea of fixed price is to reduce uncertainty about the actual price that shipper will pay in future. The proposals include flexible components such as indexation, a premium, a variable charge or a combination of all. Any combination with a flexible component is not a fixed price anymore and therefore increases the uncertainty about the actual price that the shipper will pay at a time in the future. Furthermore the TSOs need to agree that both sides of an IP have either floating or a fix price. The proposal for a fixed price plus indexation would be preferred due to the fact that indexation is a calculable risk.
49. Do you have any further suggestions for calculating the fixed price premium referred to in Section 7.1 of the Supporting Document?
Answer: No
Chapter VIII: Incremental and New Capacity
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?
Answer: Yes

Chapter IX: Final and Transitional Provisions
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?
Answer: Yes
52. Do you agree with the inclusion of the mitigating measures as set out in Article 47.2(a) and (b)?
Answer: No, A delay in increase of tariffs resulting from the implementation of the TAR NC over a number of tariff periods does not solve the problem at all. If there are any mitigating measures at IPs, it is absolutely necessary to have the same conditions for both sides in connection with the application of the CAM NC (bundled capacity products). Equal conditions are requested for all affected TSOs!
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?
Answer: Yes
54. Do you agree with the text that ENTSOG has included in Article 49 on the timing of implementation?
Answer: Yes
Chapter X: General Issues
55. Do you agree with the structure of the initial draft TAR NC?
Answer: Yes
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)?
Answer: Yes
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?
Answer: Yes, The implementation of the TAR NC will discriminate the holders of long-term transmission capacity contracts and therefore distort competition. Holders of existing contracts are in any event obliged to pay the annual capacity price without being able to opt for short-term products. Additionally the EU regulation determine that holders of existing contracts have to pay the applicable regulated tariff even in the case when the transmission price is not the same originally agreed by the parties at the time the existing agreement were signed. Therefore mitigation measures such as the right to opt for early termination of the agreements or a reduction of contracted volumes should be implemented in the network code to promote non-discrimination, effective competition and an efficient functioning of the market. In our opinion the reset

clause will accelerate the completion of an integrated European gas market, it will solve most of the congestion issues and will improve competition thanks to a level playing field. Furthermore mandatory bundling has reduced the value of existing unmatched capacities. In several cases (mismatch of technical capacity, IP linking several pipes...), capacity has become completely useless, but still have to be paid by shippers. A reset clause will give TSOs more facilities to match their technical capacities on both sides of the borders and to adapt their offer to capture higher value. Reset clause or not, TSOs must adapt to a higher level of short term booking, and to possibly higher tariff uncertainty. This is an unavoidable consequence of regulation and gas demand decrease. In any cases, TSOs are protected by the revenue regulation, whereas shippers cannot price their capacities due to regulatory discrimination. Regulatory setup imposes long term shippers to support the bulk of the stranded costs, to the benefit of their competitors booking short term products. Following the Gas Target Model, the creation of more entry-exit zones with several TSOs can be expected. The experience of Germany shows, that the resulting tariffs after such mergers can be inappropriate, if the tariffs are calculated separately by each TSO. Especially in the absence of VIPs – when different IPs of several TSOs still connect the same entry-exit zones – some shippers may have arbitrarily competitive advantages due to tariff differences. Such tariff differences can be expected to increase, because shippers will book the cheaper point as long as this point is not congested. These advantages for some hinder fair competition between shippers in the entry-exit zone. To create a level playing field at the gas market, it is important to determine tariffs jointly by the cooperating TSOs in the entry-exit zone. Art. 5.5 should be amended as such to oblige the respective TSOs or NRAs to determine tariffs jointly. Jointly price setting in the entry exit zone can also increase price stability, especially when long-term bookings are expired at IPs of small TSOs.

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.

Answer: Yes

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Chapter I: General Provisions	
1. Is the scope of the initial draft TAR NC as set out in Article 2 clear to you?	
Answer: NR	
2 Do you agree with the scope of the initial draft TAR NC?	
Answer: NR	
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	
Answer: NR	
4. Are there any other definitions that should be included in the TAR NC?	
Answer: NR	
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?	
Answer: NR	
Chapter II: Cost Allocation Approach	
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?	
Answer: NR	

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?
Answer: NR
8. Are you satisfied with the two approaches for calculating distance as outlined in Article 7.6 of the initial draft TAR NC?
Answer: NR
9. If you are not satisfied with the two approaches, could you suggest other approaches for calculating distance?
Answer: NR
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?
Answer: NR
11. Do you agree with the inclusion of the asset allocation methodology as set out in Article 15 of the initial draft TAR NC?
Answer: NR
12. Do you agree with the secondary adjustments as described in Articles 16 – 18 of the initial draft TAR NC?
Answer: NR
13. Is it necessary to specify further criteria other than those outlined in Article 19 of the initial draft TAR NC?
Answer: NR
14. If it is necessary, could you suggest additional criteria to those outlined in Article 19 of the initial draft TAR NC?
Answer: NR
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?

Answer: NR
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?
Answer: NR
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?
Answer: NR
Chapter III: Publication Requirements
18. Is the relationship between the regulatory period and tariff period, as defined in Article 3.7 and 3.10 clear to you?
Answer: NR
19. Do you agree with the standardised format as set out in Article 26.1 of the initial draft TAR NC?
Answer: NR
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?
Answer: NR
21. Are you concerned by the fact that tariffs are set / applied at different times of the year?
Answer: NR
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?
Answer: NR
23. Could you identify the benefits of the harmonisation of the tariff setting year, if any, for your business, and could you quantify them?
Answer: NR

24. Could you identify the costs of harmonisation of the tariff setting year, if any, for your business and could you quantify them?
Answer: NR
25. If applicable, do you think the benefits would outweigh the costs?
Answer: NR
26. Is the issue of knowing the tariffs for the relevant gas year before the auctions start very important to you?
Answer: NR
27. Are there any other issues or aspects that are more important than the issue specified in the previous question?
Answer: NR
Chapter IV: Reserve Prices
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?
Answer: NR
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 I to Regulation (EC) No 715/2009?
Answer: NR
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?
Answer: NR
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?
Answer: NR
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)?
Answer: NR
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?
Answer: NR
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?
Answer: NR
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 as set out in Article 30.1(b) of the initial draft TAR NC?
Answer: NR
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?
Answer: NR
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?
Answer: NR
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?
Answer: NR
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?
Answer: NR

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?
Answer: NR
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?
Answer: NR
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?
Answer: NR
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?
Answer: NR
Chapter V: Revenue Reconciliation
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?
Answer: NR
Chapter VI: Pricing of Bundled Capacity and Capacity at Virtual Interconnection Points
45. Do you agree with ENTSOG's proposal with regard to the way in 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?
Answer: NR
46. Do you agree with ENTSOG's proposal with regard to the way in which 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?
Answer: NR
Chapter VII: Payable Price
47. Are the mechanisms for fixed capacity prices described clearly enough in Section 7.1 of the Supporting Document?

Answer: NR
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?
Answer: NR
49. Do you have any further suggestions for calculating the fixed price premium referred to in Section 7.1 of the Supporting Document?
Answer: NR
Chapter VIII: Incremental and New Capacity
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?
Answer: NR
Chapter IX: Final and Transitional Provisions
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?
Answer: NR
52. Do you agree with the inclusion of the mitigating measures as set out in Article 47.2(a) and (b)?
Answer: NR
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?
Answer: NR
54. Do you agree with the text that ENTSOG has included in Article 49 on the timing of implementation?
Answer: NR
Chapter X: General Issues
55. Do you agree with the structure of the initial draft TAR NC?
Answer: NR

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)?
Answer: NR
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?
Answer: Yes. Due to your questionnaire, we would like to send you our comments to the chapter II "cost allocation approach". "4. The same primary cost allocation methodology shall apply to all entry and exit points in an entry-exit system. 5. In an entry-exit system where more than one transmission system operator is active, the national regulatory authority(-ies) shall take either of the following decisions: (a) all the transmission system operators within such entry-exit system shall apply the cost allocation methodology jointly; (b) each of those transmission system operators shall apply the cost allocation methodology separately." Our business model is based on purchasing gas on a long term basis combined with using asset based storage capacity which are booked for several years. To achieve our obligations under the purchase contracts and to make available our storage capacity at the virtual trading points on a secured basis, it is necessary to book entry and exit capacity also on a secured long term basis (particularly with regard to limited availability of firm transport capacity). This bookings are especially made in one network which finally leads to relatively low tariffs compared the other network operator within this market area. In case of one primary cost allocation methodology within one market area, we expect to pay significantly higher tariffs to compensate the booking performance of traders which book mainly on daily/monthly/quarterly basis. For our core market we expect financial effects of approx. more than 50 mill. €/a. We propose to delete the possibility to choose between 5.a or 5.b and apply only 5. b., because it should not be the intention of the European network operator to punish trader which generate security of supply by long term bookings.
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.
Answer: NR