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european network
of transmission system operators
for gas

Brussels – 29 March 2017

Implementation Workshop

Tariff Network Code

Image Courtesy of Thyssengas

Brussels – 29 March 2017

Introduction

TAR NC Implementation Workshop

Irina Oshchepkova

Tariff Subject Manager, ENTSOG

Image Courtesy of Thyssengas

Agenda

Welcome — ENTSOG's Implementation WS

- Registration and welcome coffee
- ENTSOG and TAR NC

1st Session — Introduction

- TAR NC process
- Tariff-setting process overview
- TAR NC: final building block of the EU internal gas market?
- Q&A
- Coffee break

Agenda

2nd Session — Implementation and Publication

- Scope and implementation timeline
- Publication requirements
- Regulatory account
- Q&A
- Lunch break

3rd Session — Consultation

- Consultation requirements
- Interruptible capacity pricing
- Q&A
- Coffee break
- Prime movers
- Q&A
- Conclusions

Introduction

agenda

Thank You for Your Attention

Irina Oshchepkova
Subject Manager, Tariffs

ENTSOG -- European Network of Transmission System Operators for Gas
Avenue de Cortenbergh 100, B-1000 Brussels

EML: Irina.Oshchepkova@entsog.eu
WWW: www.entsog.eu

Brussels – 29 March 2017

ENTSOG and TAR NC

TAR NC Implementation Workshop

Jan Ingwersen

General Manager, ENTSOG

Image Courtesy of Thyssengas

Long journey

2011-2012	Request to develop 29 Jun 2012	Request to develop 19 Dec 2013	Code sent to ACER on 26 Dec 2014	MS meeting end 30 Sep 2016	17 March 2017 and 6 April 2017

EC Priority List

Framework Guidelines

17 months

Network Code

12 months

Evaluation

10 months

Comitology

12 months

Publication and Entry Into Force

6 months

Notes for Slide 8

For further details on the TAR NC establishment process, please refer to p. 14-15 of the IDoc

TAR NC Implementation Workshop

Notes for Slide 10 [1]

Introduction and Meeting Objectives

- This is a new format of the Workshop with focus on implementation of existing legislation
- We have organised this Meeting for stakeholders for 2 reasons: (1) to give some insight on our view of the TAR NC implementation; and (2) to get some feedback from stakeholders on this insight

Introducing the IDoc

- This is a new approach by ENTSOG to explore the implementation challenges. For us, it is one method in the development of the 'smarter' implementation and a toll reply to the Madrid Forum invitation to 'support' the TAR NC implementation. For stakeholders, the IDoc provides an overview of the TAR NC concepts and timelines; the IDoc tries to explain the TAR NC concepts from ENTSOG's perspective.
- The legal text of the TAR NC is flexible, therefore: (1) the IDoc is an attempt to align the implementation practices as it outlines the good (not the best) practices from our point of view; (2) the IDoc also serves as a tool to identify the 'difficult areas' where the discussions are coming up.
- The draft IDoc has been shared with the EC, ACER and NRAs; we have received around 350 comments from ACER and NRAs and addressed more than 80% of them

Notes for Slide 10 [2]

Going forward

- The IDoc is a 'living document' and the current version is open for your feedback
- We plan to have the second version of it which will: (1) consider your feedback received; and (2) elaborate on any outstanding issues
- The second version will be published around 1 October 2017 which is the second application date of the TAR NC
- The details will be explained to you at the end of today's Meeting

Thank You for Your Attention

Jan Ingwersen
General Manager, ENTSOG

ENTSOG -- European Network of Transmission System Operators for Gas
Avenue de Cortenbergh 100, B-1000 Brussels

EML: Jan.Ingwersen@entsog.eu
WWW: www.entsog.eu

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1st Session: Introduction

Tariff Network Code process

Benedikt Klauser

entsog

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Brussels – 29 March 2017

Tariff setting process overview

TAR NC Implementation Workshop

Malcolm Arthur

Business Area Manager, Market, ENTSOG

Image Courtesy of Thyssengas

Agenda

1. Setting the scene
2. Overview of tariff-setting

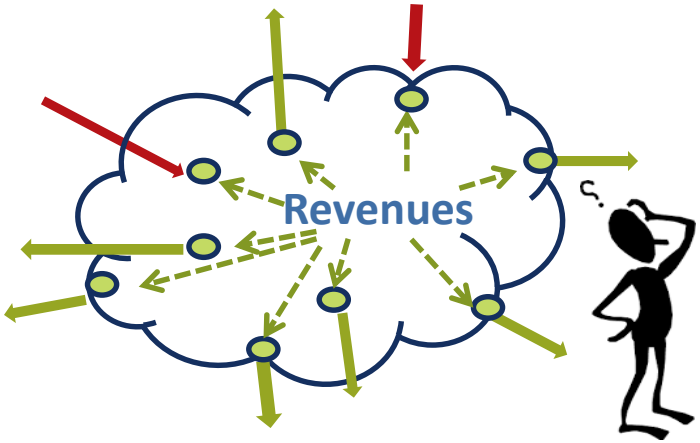
1. Setting the scene

What we are trying to achieve?

What transportation costs should be recovered? — Out of scope

What stakeholders are these costs recovered from? — In scope

Entry-exit system



Tariffs should be:

- Cost reflective ✓
- Minimise cross subsidies ✓
- Non-discriminatory ✓

Notes for Slide 19

Another principle not mentioned among the 3 principles on the previous slide (cost-reflectivity, minimise cross-subsidies, non-discrimination) is facilitating of cross-border trade. Ultimately, the TAR NC rules try to find the balance between addressing all the relevant principles.

Balance of which stakeholder pays

FORWARD FLOW

Gas Flow

Reverse flow

Low multipliers

High multipliers

domestic

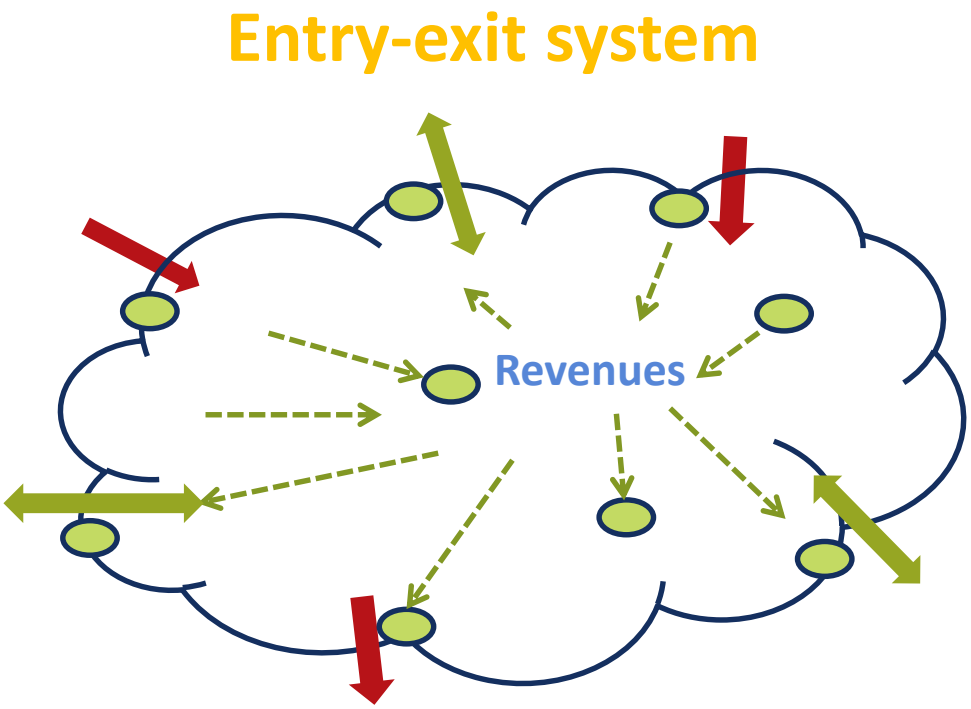
Network user

Cross border

TAR NC – Revenue recovery

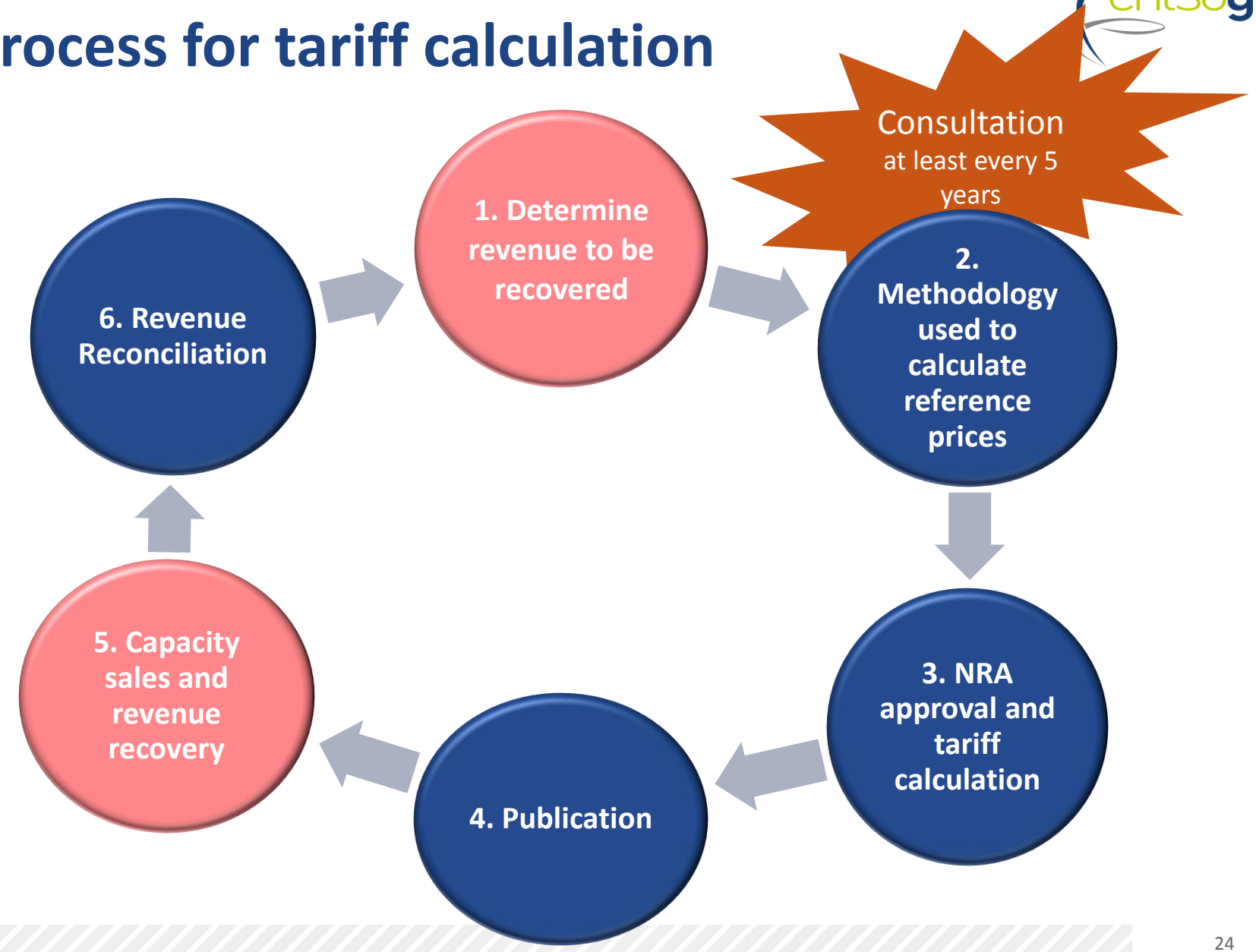
Overall aim is to recovery revenues

- Revenues recovered at each entry and exit point
- Reference price methodology (RPM) used to determine reference price at each point
- Reference price is for yearly capacity
- Prices for other standard capacity products are derived from the reference price

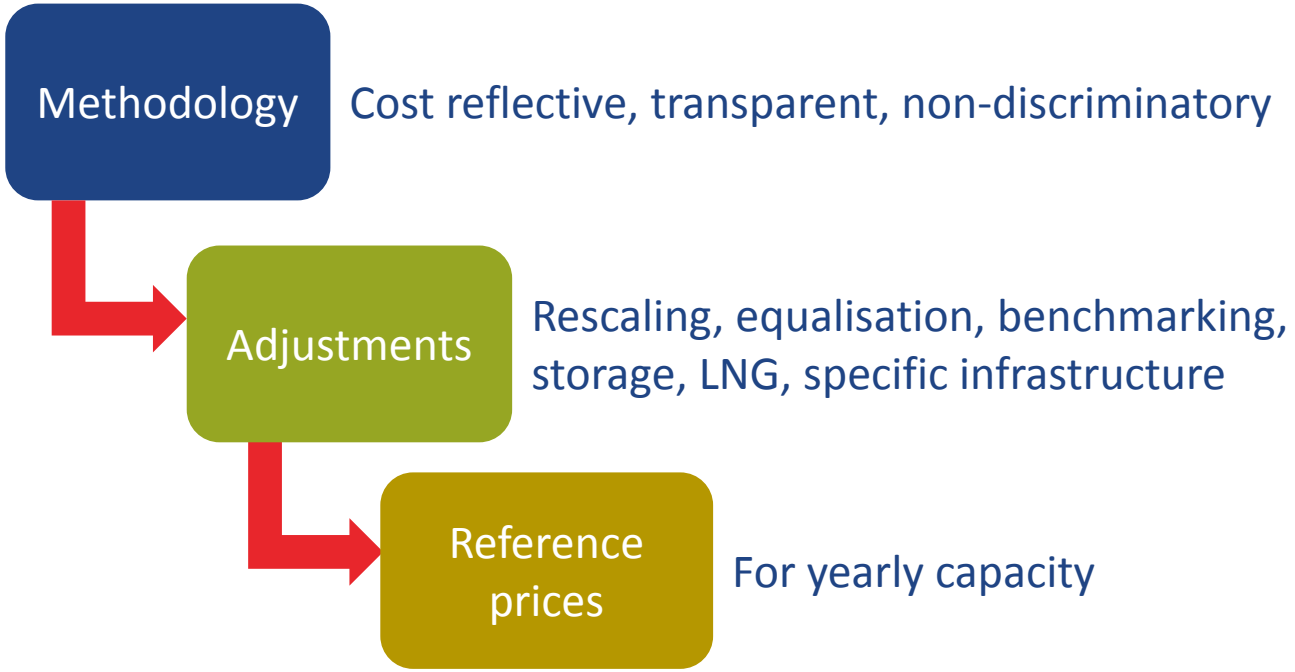


2. Overview of tariff-setting

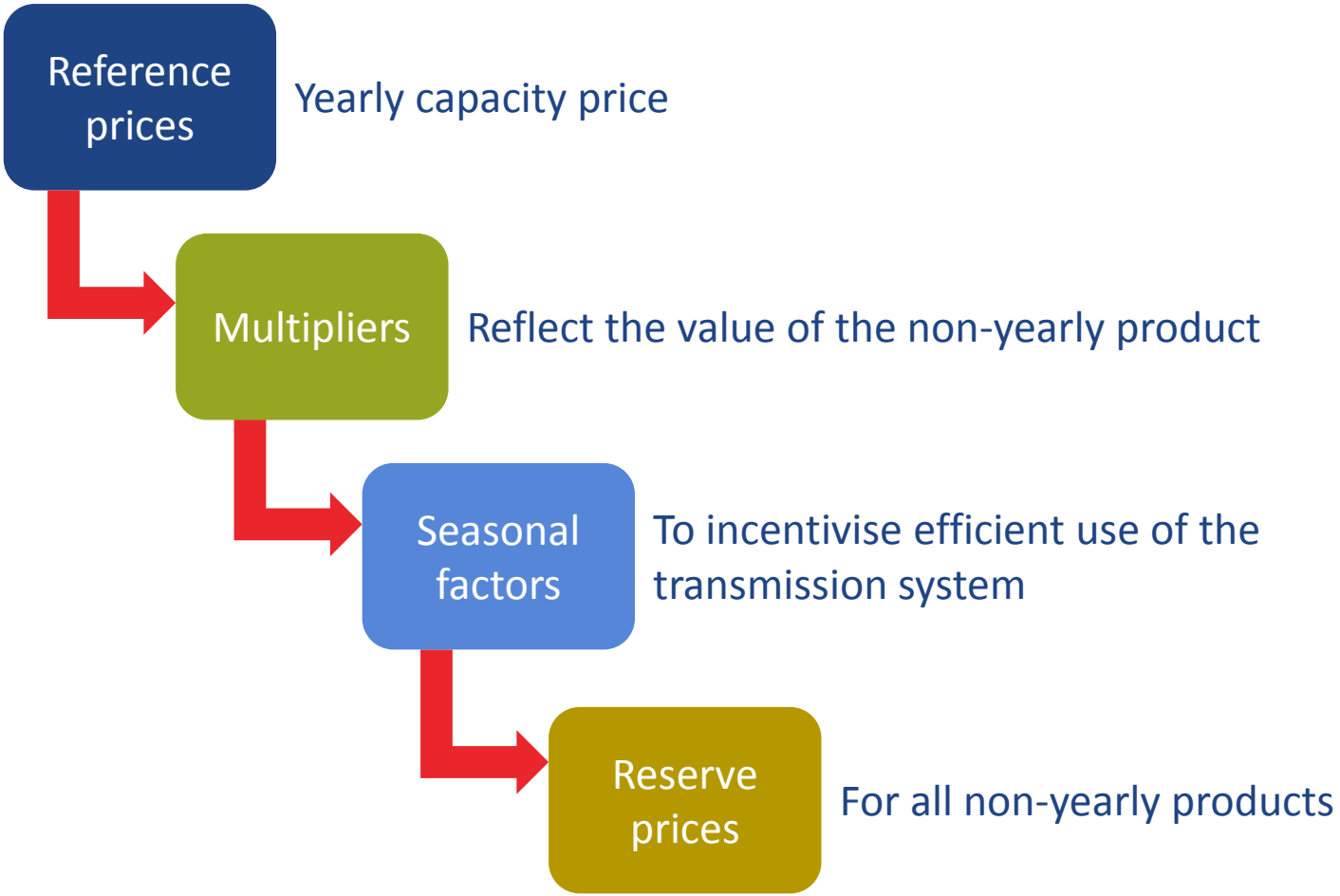
Process for tariff calculation



Reference price calculation



Reserve price



Now for the detail

Thank You for Your Attention

Malcolm Arthur
Business Area Manager, Market, ENTSOG

ENTSOG -- European Network of Transmission System Operators for Gas
Avenue de Cortenbergh 100, B-1000 Brussels

EML: malcolm.arthur@entsog.eu
WWW: www.entsog.eu

ACER
Agency for the Cooperation of Energy Regulators

TAR NC: final building block of the EU internal gas market ?

Tom Maes Vice-chair ACER Gas Working Group, and Co-chair ACER Tariff Task Force

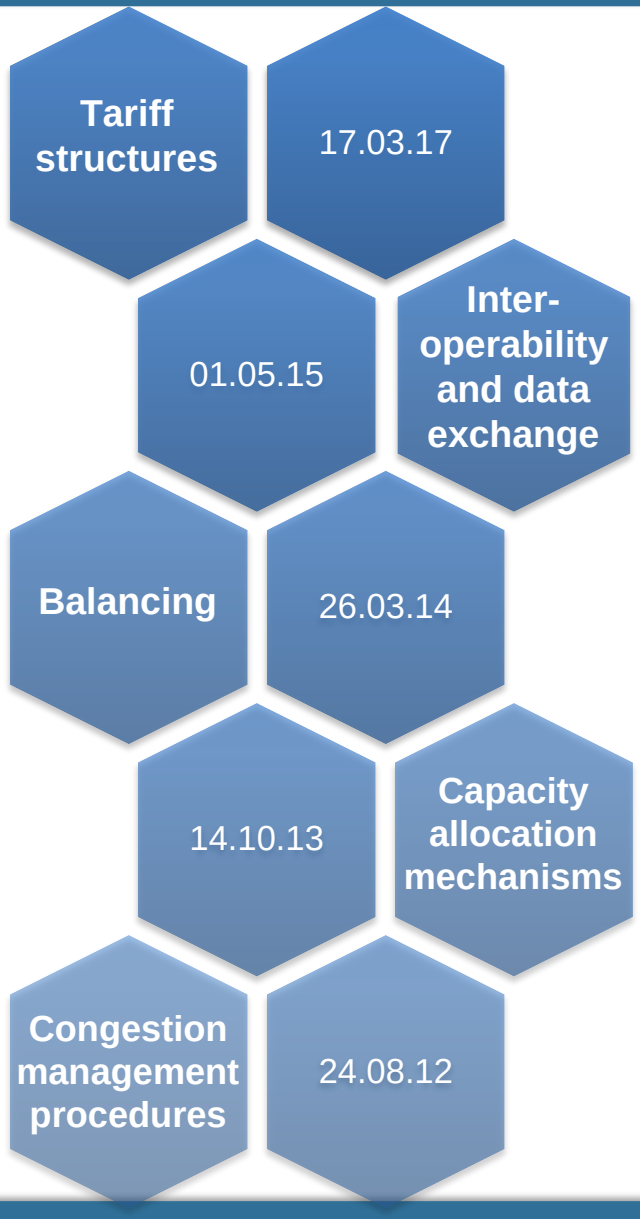
ENTSOG Implementation Workshop for the Tariff Network Code for Gas
29 March 2017, Brussels

Overview

- Setting the scene
  - The big picture
  - Back to basics
  - Benefits for consumers
- Mission from Madrid
  - Regulators' contribution to the iDoc
  - Consultation template
  - Cost allocation assessment
- Conclusion

The big picture

- Quo vadis?



Back to basics

Complementing CAM

- Price setting for standard products
- Tariff stability for market participants and TSOs

Transparency

- Publication and justification of reference price methodology
- Review by ACER

Cross-border efficiency

- Same reference price methodology applied to all entry and exit points
- Equally used to reconcile differences between budget and actuals

Benefits for consumers

Transparency

- Publication requirements
- Consultation requirements
- Minimum notice period for tariff publication

Efficient trade & competition

- Capacity based pricing
- Default rule on entry-exit split
- Cap & floor on multipliers and seasonal factors
- Harmonised pricing of non-firm products

Avoidance of cross-subsidies & discrimination

- Coordinated approach to cost allocation: benchmark reference price methodology + ACER review
- Streamlined approach to rescaling, equalisation and benchmarking

Framework for efficient investment

- Harmonised revenue reconciliation
- Economic test for incremental/new capacity
- Payable price – predictability for all users

Mission from Madrid

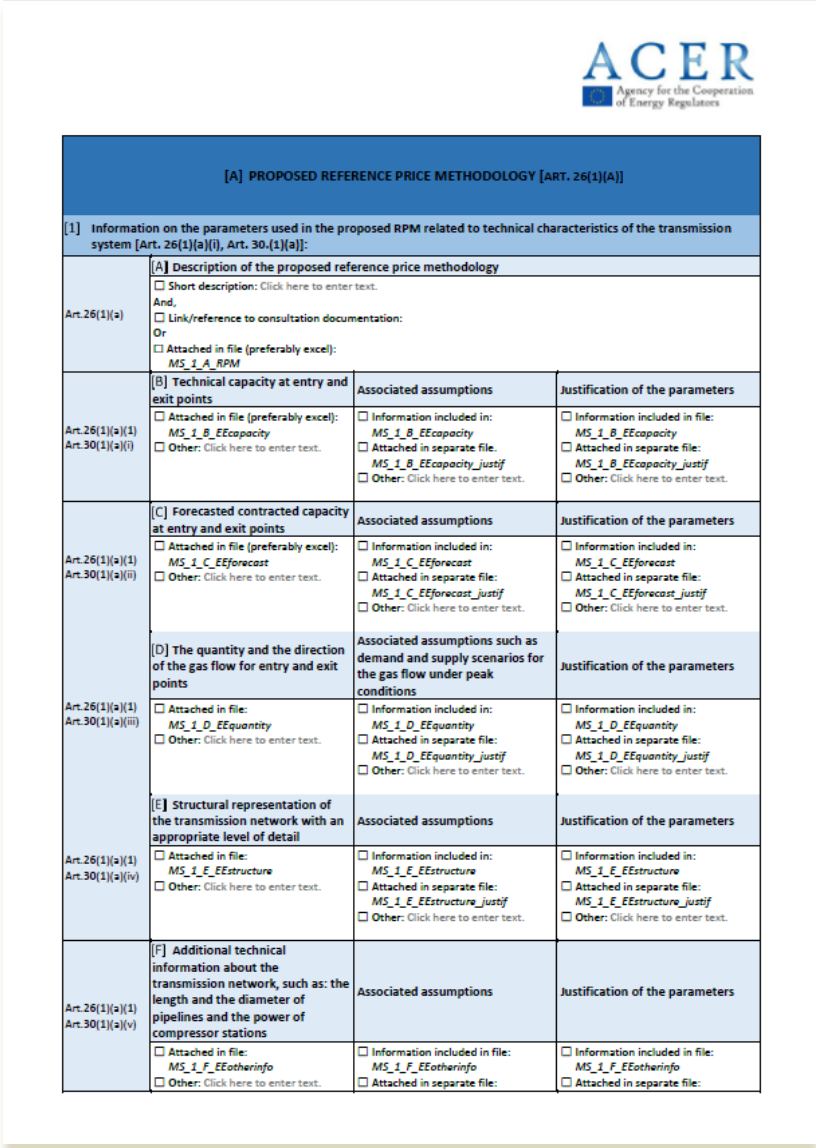
"The Forum encourages Member States, NRAs and all involved market participants to ensure the timely implementation of these rules and invites ACER and ENTSOG to support and monitor the implementation and report back to the Forum."

Regulators' contribution to the iDoc

- Our contribution to the iDoc is justified by the importance of having a good implementation
- Read the disclaimer ☺
  - ENTSOG largely took on board ACER and NRAs' feedback
  - The feedback to this document in no way commits ACER or NRAs' institutions
  - iDoc is open for further feedback
- Need for further discussion from NRAs' perspective, e.g.
  - Differentiation between transmission and non-transmission services
  - Conditional firm capacity products will be assessed by ACER
  - In some MS, an alignment of tariff period with the gas year may be considered
- Reviewed version announced for October
- Examples are 'AS IS', not 'TO BE'
  - Consultations at national level will start later this year
  - Consultation responses will be valuable input for resolving open issues

Consultation template

- **Generic review of the tariff regime beyond the report obligation to ACER**
- **Available to NRAs and TSOs before 5th July 2017**
- **Supports the implementation process**
  - » Completeness: Full list of the consultation requirements
  - » Clarity: References to legal text
  - » Explanatory: Rationale behind the consultation elements
- **Provides transparency and comparability of content**
  - » Readability: Summary of the national tariff consultation
  - » Comparability: Homogenisation of submission documents
  - » Transparency: Justification of tariff methodology choices
  - » *Could* include best practices for selected articles
- **Could be built into ACER's website as an electronic submission survey**



[A] PROPOSED REFERENCE PRICE METHODOLOGY [ART. 26(1)(A)]			
[1] Information on the parameters used in the proposed RPM related to technical characteristics of the transmission system [Art. 26(1)(a)(i), Art. 30.(1)(a)]:			
Art.26(1)(a)	[A] Description of the proposed reference price methodology ☐ Short description: Click here to enter text. And, ☐ Link/reference to consultation documentation: Or ☐ Attached in file (preferably excel): *MS_1_A_RPM*		
Art.26(1)(a)(i) Art.30(1)(a)(i)	[B] Technical capacity at entry and exit points	Associated assumptions	Justification of the parameters
	☐ Attached in file (preferably excel): *MS_1_B_EEcapacity* ☐ Other: Click here to enter text.	☐ Information included in: *MS_1_B_EEcapacity* ☐ Attached in separate file. *MS_1_B_EEcapacity_justif* ☐ Other: Click here to enter text.	☐ Information included in file: *MS_1_B_EEcapacity* ☐ Attached in separate file: *MS_1_B_EEcapacity_justif* ☐ Other: Click here to enter text.
Art.26(1)(a)(ii) Art.30(1)(a)(ii)	[C] Forecasted contracted capacity at entry and exit points	Associated assumptions	Justification of the parameters
	☐ Attached in file (preferably excel): *MS_1_C_EEforecast* ☐ Other: Click here to enter text.	☐ Information included in: *MS_1_C_EEforecast* ☐ Attached in separate file: *MS_1_C_EEforecast_justif* ☐ Other: Click here to enter text.	☐ Information included in: *MS_1_C_EEforecast* ☐ Attached in separate file: *MS_1_C_EEforecast_justif* ☐ Other: Click here to enter text.
Art.26(1)(a)(iii) Art.30(1)(a)(iii)	[D] The quantity and the direction of the gas flow for entry and exit points	Associated assumptions such as demand and supply scenarios for the gas flow under peak conditions	Justification of the parameters
	☐ Attached in file: *MS_1_D_EEquantity* ☐ Other: Click here to enter text.	☐ Information included in: *MS_1_D_EEquantity* ☐ Attached in separate file: *MS_1_D_EEquantity_justif* ☐ Other: Click here to enter text.	☐ Information included in: *MS_1_D_EEquantity* ☐ Attached in separate file: *MS_1_D_EEquantity_justif* ☐ Other: Click here to enter text.
Art.26(1)(a)(iv) Art.30(1)(a)(iv)	[E] Structural representation of the transmission network with an appropriate level of detail	Associated assumptions	Justification of the parameters
	☐ Attached in file: *MS_1_E_EEstructure* ☐ Other: Click here to enter text.	☐ Information included in: *MS_1_E_EEstructure* ☐ Attached in separate file: *MS_1_E_EEstructure_justif* ☐ Other: Click here to enter text.	☐ Information included in: *MS_1_E_EEstructure* ☐ Attached in separate file: *MS_1_E_EEstructure_justif* ☐ Other: Click here to enter text.
Art.26(1)(a)(v) Art.30(1)(a)(v)	[F] Additional technical information about the transmission network, such as: the length and the diameter of pipelines and the power of compressor stations	Associated assumptions	Justification of the parameters
	☐ Attached in file: *MS_1_F_EEotherinfo* ☐ Other: Click here to enter text.	☐ Information included in file: *MS_1_F_EEotherinfo* ☐ Attached in separate file:	☐ Information included in file: *MS_1_F_EEotherinfo* ☐ Attached in separate file:

Cost allocation assessment

- The cost allocation assessment described in article 5 is one of the main provisions of the Tariff NC. It enters into force in 2017
- It allows assessing the trade-offs between intra-system and cross-system flows and provides a simple result that is comprehensive to stakeholders
- NRAs will have to determine how to carry out this assessment:
  - What are the cost drivers (most likely distance, capacity, commodity…)?
  - How to calculate distances for intra-system and cross-system flows?
  - How to split capacities used by both intra-system and cross-system flows (entry IPs, potentially IP with storages facilities…)?
  - ➔ All these parameters will require assumptions (e.g. flow scenarios).
- The way to implement this assessment is key. It will have a significant impact on the reference price methodology (Chapter 2, which will have to be applied before May 2019).

Conclusions

- TAR NC is last of a series, but ‘clean energy package’ and ‘quo vadis study’ will shape EU internal gas market further
- TAR NC rests on strong founding principles; coordinated implementation is key to deliver expected benefits for consumers
- Regulators have commented ENTSOG’s iDoc
- National consultations remain to be the essential fora to resolve open issues

ACER
Agency for the Cooperation of Energy Regulators

Thank you for your attention!

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Question and Answer session

2nd Session:
Focus on Implementation and Publication

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Brussels – 29 March 2017

Scope and implementation timeline

TAR NC Implementation Workshop

Irina Oshchepkova

Tariff Subject Manager, ENTSOG

Image Courtesy of Thyssengas

Agenda

1. TAR NC scope
    1.1. Default rule
    1.2. Extension
2. TAR NC implementation timeline
    2.1. Application dates
    2.2. Compliance dates
3. Conclusion

Notes for Slide 43

Why is this topic important? It is important since when and where to apply the TAR NC rules is the its basis.

These two aspects – scope and implementation timeline – are not quite straightforward. The rules of the TAR NC are not the same for all the points and moreover, they do not apply at the same time.

1. TAR NC scope

1.1. Default rule

Default rule: where?

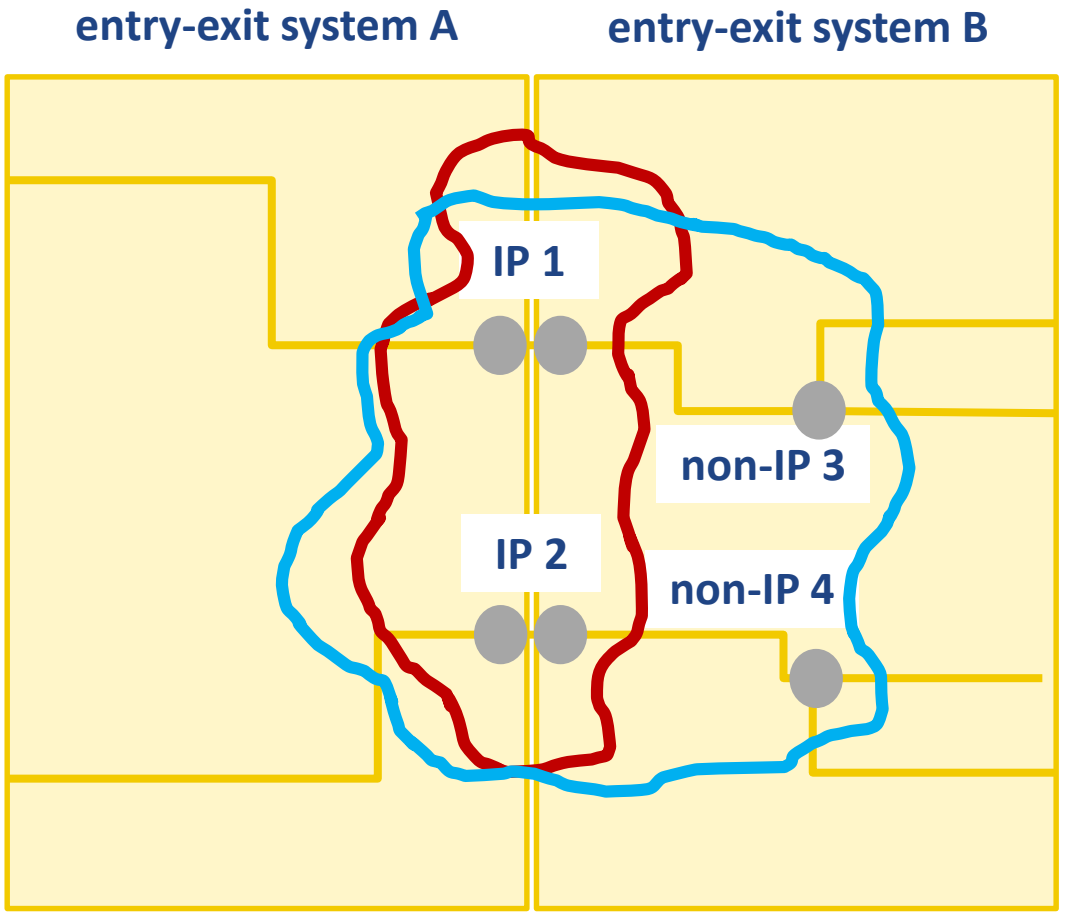
CAM NC

All to IPs

TAR NC

Partly to IPs only – ‘limited scope’ rules

Partly to IPs and non-IPs – ‘broader scope’ rules



Notes for Slide 46

Here we have 2 entry-exit systems. The systems are connected with two interconnection points. There are also two non-IPs (domestic points).

The CAM NC applies at IPs (in red).

The scope of the TAR NC is not homogenous. Some rules apply by default only at IPs (in red). Some rules apply at all points (in blue).

Default rule: what?

TAR NC scope > CAM NC scope

All points

- Ch. I ‘General provisions’
- Ch. II ‘Reference price methodologies’
- Ch. IV ‘Reconciliation of revenue’
- Ch. VII ‘Consultation requirements’ (except for Art. 28)
- Ch. VIII ‘Publication requirements’
- Ch. X ‘Final and transitional provisions’

TAR NC scope = CAM NC scope

IPs only

- Ch. III ‘Reserve prices’
- Ch. V ‘Pricing of bundled capacity and capacity at VIPs’
- Ch. VI ‘Clearing and payable price’
- Ch. VII ‘Consultation requirements’ (only for Art. 28)
- Ch. IX ‘Incremental capacity’

Notes for Slide 48

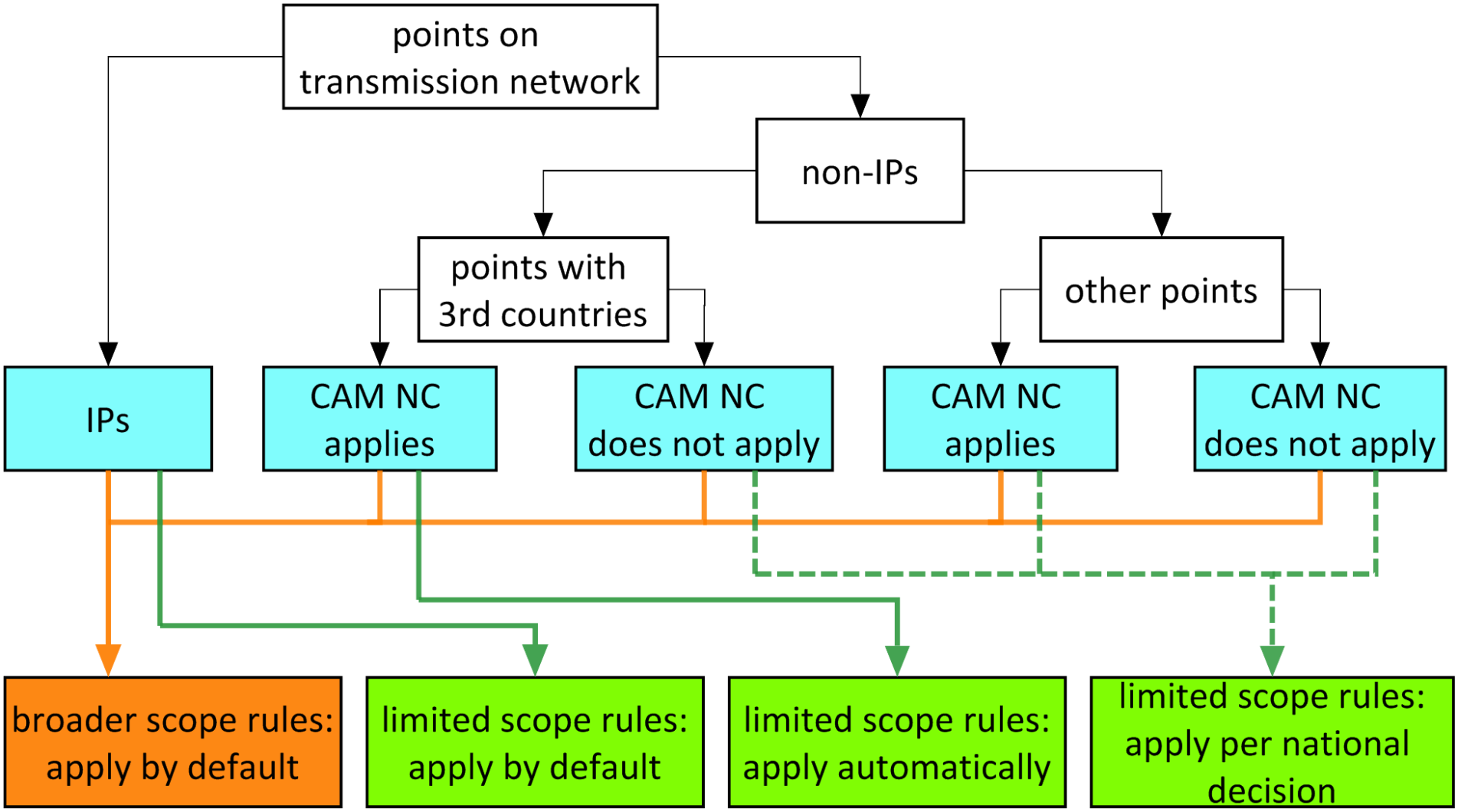
The rules in the pink box have broader scope. The scope is broader than the scope of the CAM NC.

The rules in the blue box have limited scope. The scope is the same as the scope of the CAM NC by default.

1. TAR NC scope

1.2. Extension

Extension: all non-IPs



Notes for Slide 51

All points are split into IPs and non-IPs. Non-IPs are split into points with third countries and other points (e.g. domestic points).

The boxes at the bottom (orange and green) are the broader/limited scope rules of the TAR NC. The boxes in blue are different points which can be represented by 3 categories: (1) IPs; (2) non-IPs where the CAM NC applies; and (3) non-IPs where the CAM NC does not apply,

The solid line means that the connection is explicit in the TAR NC. The dashed line means that it is ENTSOG's assumption.

Broader scope rules apply at all points by default – this is why there is an orange solid line connections the broader scope rules with all 5 categories of the points. For limited scope rules, there are 3 options:

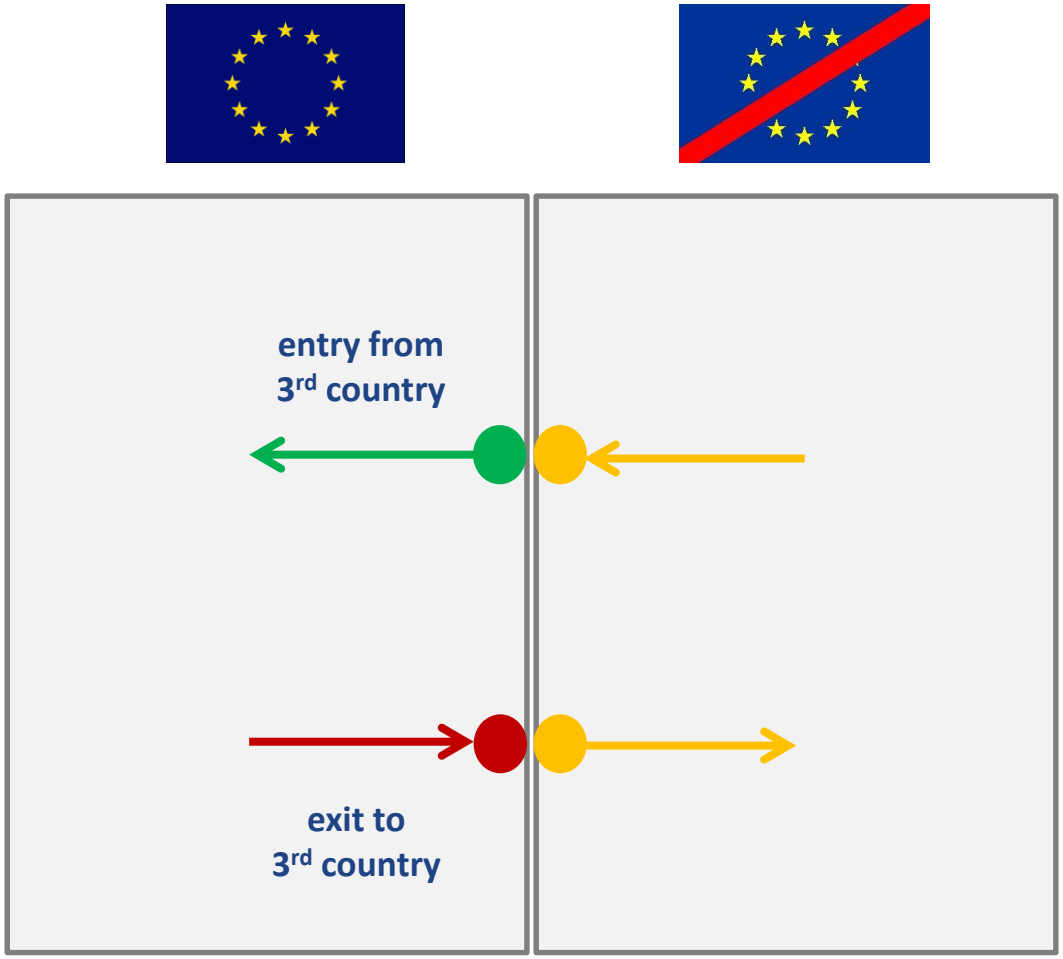
- At IPs, the limited scope rules apply by default – the TAR NC is explicit on this.
- At third-country points where the CAM NC applies, the limited scope rules apply automatically – the TAR NC is explicit on this. 'Automatically' means that it is not necessary to have a separate NRA decision for applying the TAR NC in case there was a NRA decision to apply the CAM NC.
- At other points, the limited scope rules may apply per national decision – the TAR NC is not explicit on this

Extension: non-IPs with 3rd countries

Green/red points

'broader scope' rules apply by default

'limited scope' rules apply automatically if NRA decided to apply CAM NC



Yellow points

distinction between Energy Community and other countries

Notes for Slide 53

At the EU side of the border, the application of the TAR NC depends on which rule is concerned:

- The broader scope rules apply be default.
- The limited scope rules apply automatically if the CAM NC applies at these points.

At the non-EU side of the border, the application of the TAR NC depends on which border it is. If it is an Energy Community Contracting Party then the test is more difficult than for another third country. The Energy Community Contracting Parties shall endeavour to apply the NCs (Decision of Ministerial Council of the EnC of 6 October 2011).

2. TAR NC implementation timeline

2.1. Application dates

Application dates: overview

Entry into force, 6 April 2017

- Ch. I ‘General provisions’
- Ch. V ‘Pricing of bundled capacity and capacity at VIPs’
- Ch. VII ‘Consultation requirements’
- Ch. IX ‘Incremental capacity’
- Ch. X ‘Final and transitional provisions’

1 October 2017

- Ch. VI ‘Clearing and payable price’
- Ch. VIII ‘Publication requirements’

31 May 2019

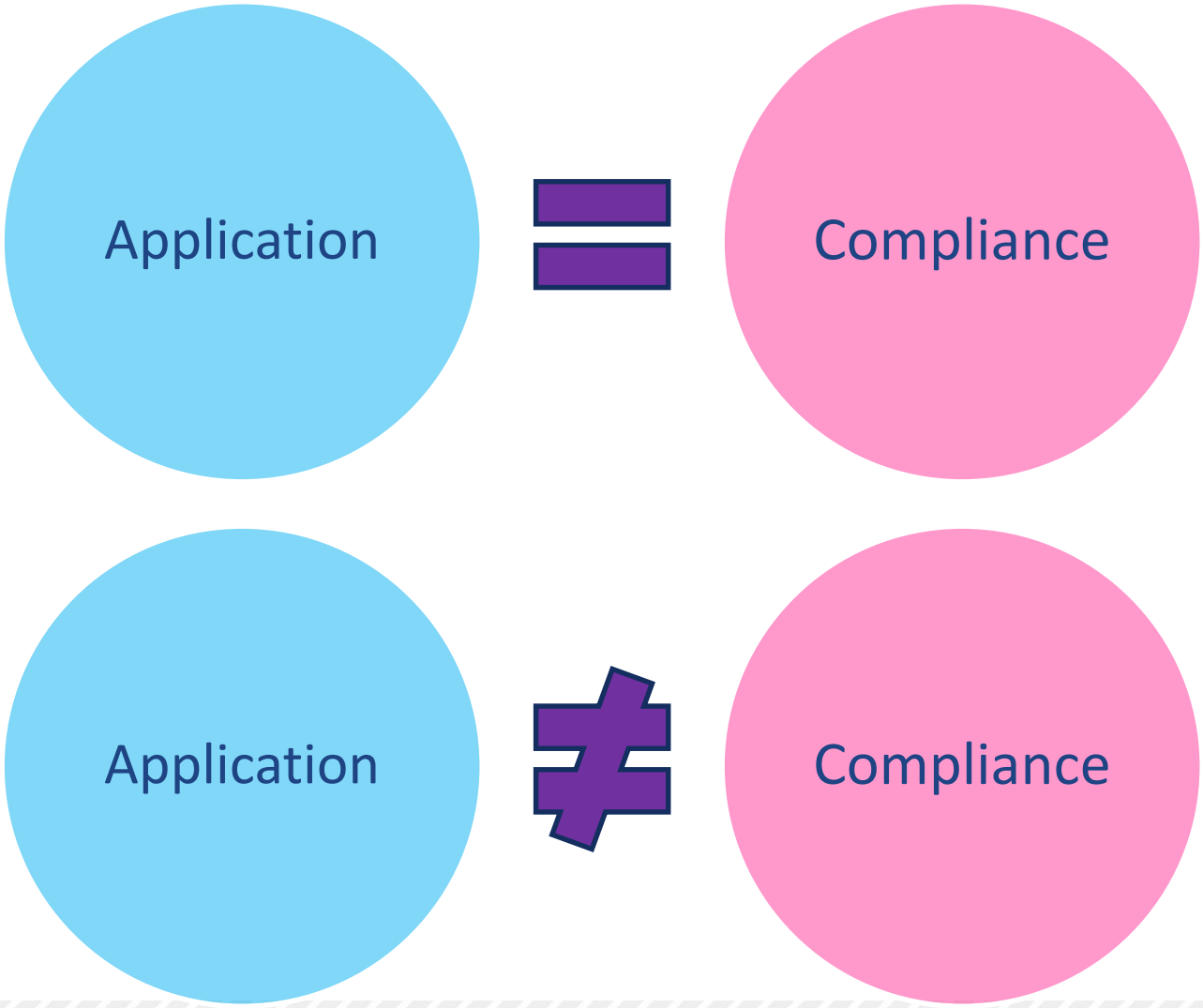
- Ch. II ‘Reference price methodologies’
- Ch. III ‘Reserve prices’
- Ch. IV ‘Reconciliation of revenue’

Notes fro Slide 56

The TAR NC is the first NC which has different application dates for its different rules.

- Half of the Code applies as from the entry force
- 2 Chapters apply as from October 2017 – ‘Publication requirements’ and ‘Clearing and payable price’
- 3 Chapters apply only as from 31 May 2019 – ‘RPM’, ‘Reserve prices’ and ‘Reconciliation of revenue’

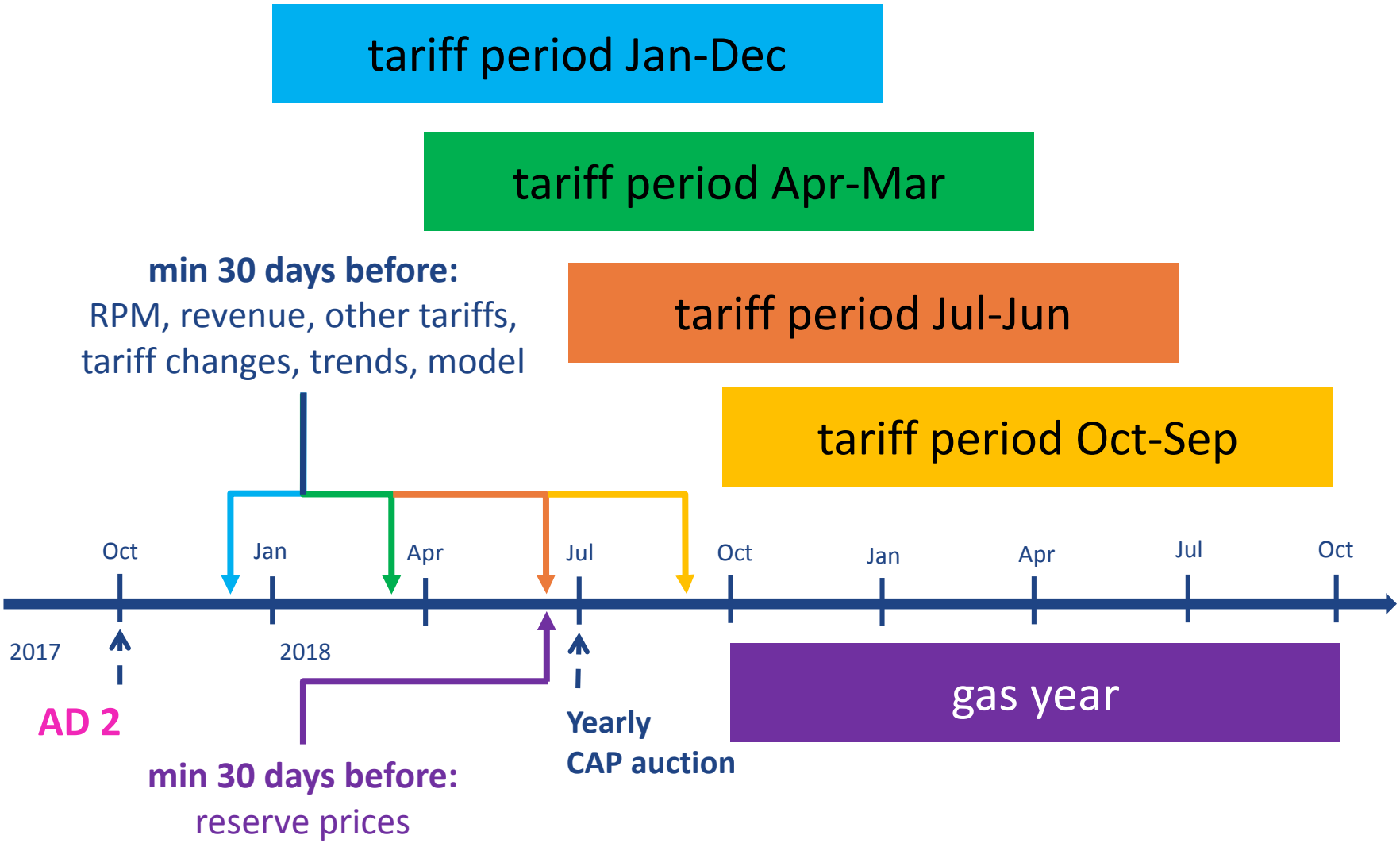
Application dates: consequences



2. TAR NC implementation timeline

2.2. Compliance dates

Compliance: example 1



Notes for Slide 60

This is the first example when the application date does not coincide with the compliance date – Chapter on publication requirements. This Chapter applies as from October 2017, this is marked in pink on the timeline. However, the compliance with the obligations in this Chapter takes place later.

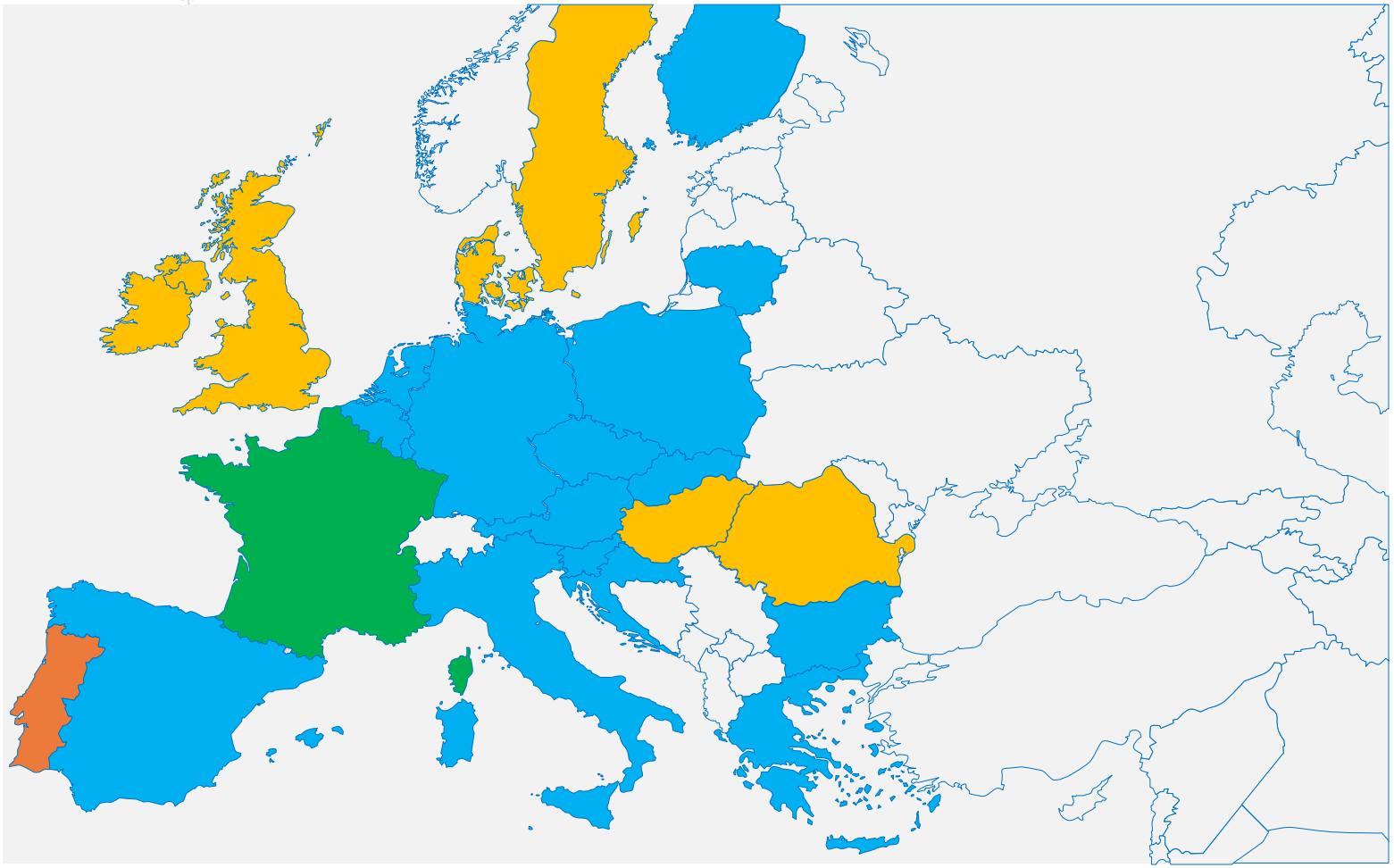
When to publish **tariff information before the annual yearly capacity auction**:

- Gas year – October to September
- Annual yearly capacity auction will take place in 2018 will be in July (not in March)
- The TAR NC sets out that the binding reserve prices covering the gas year will need to be published minimum 30 days before the auction

When to publish **other tariff information before the tariff period**:

- Different tariff periods applied throughout the EU, and in most cases it lasts just one year; 4 cases of a tariff period equal to one year are shown (January-December, April-March, July-June, October-September)
- The TAR NC sets out that certain information needs to be published minimum 30 days before the tariff period: information on methodology, revenue, other tariffs not published before the auction, tariffs changes, trends and tariff model

Different tariff periods



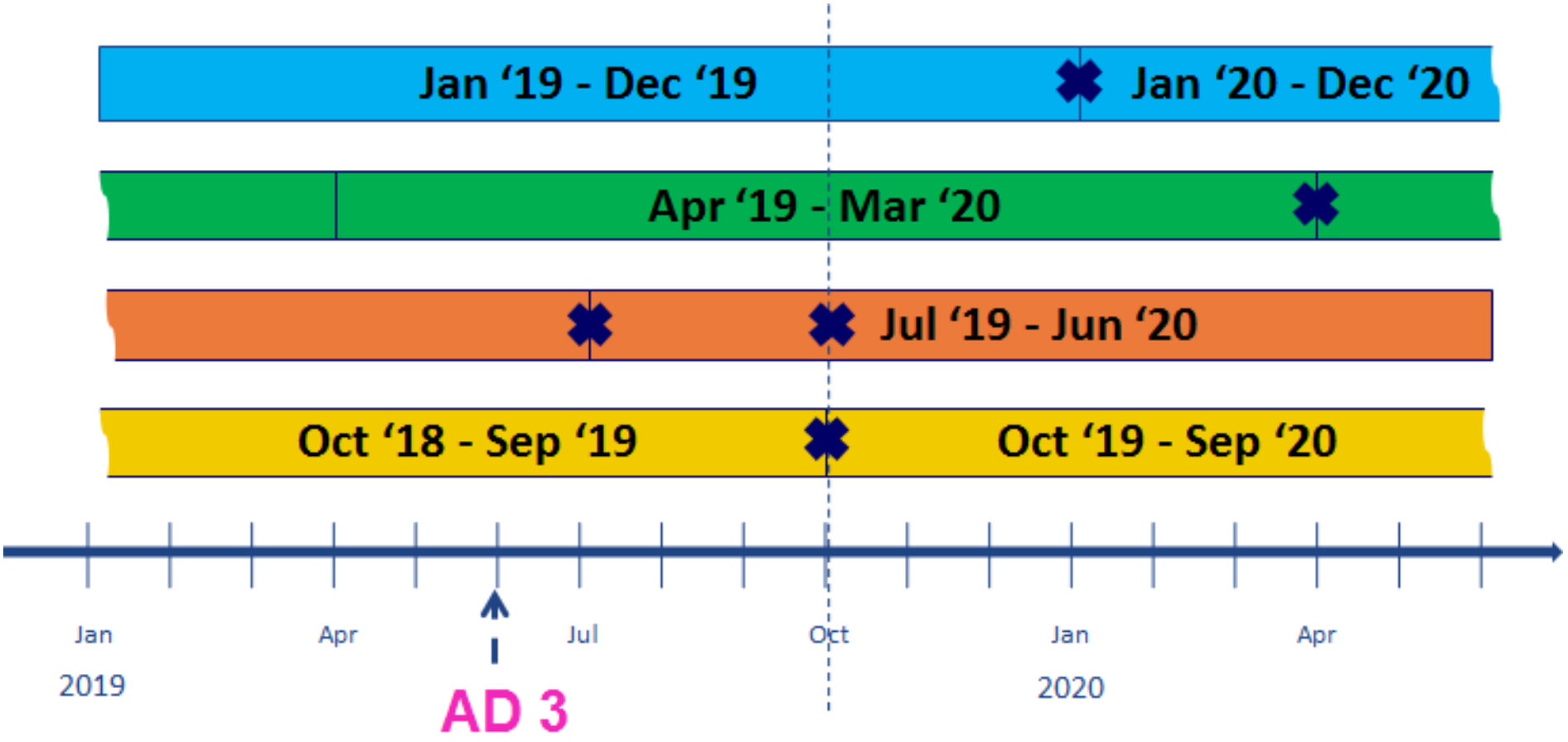
Notes for Slide 62

The map shows different tariff periods applied throughout the EU.

BE and AT are marked in blue as January-December tariff period. However, their tariff period lasts not one but four years: (1) BE: 2016-2019; (2) AT: 2017-2020.

HU switches to October-September tariff period as from 2017.

Compliance: example 2



Notes for Slide 64

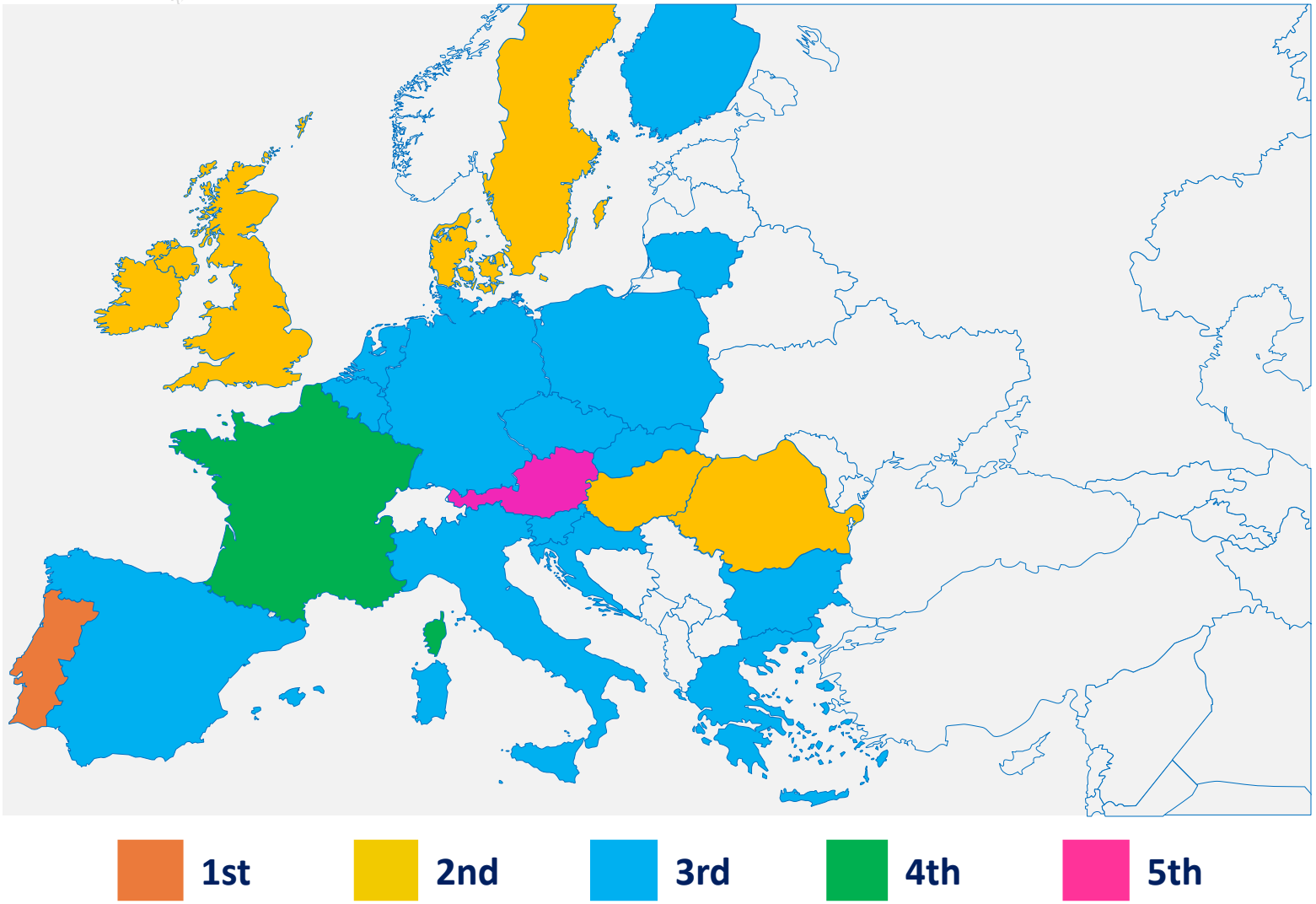
This is the second example when the application date does not coincide with the compliance date – Chapter on RPM.

The application date for this Chapter is 31 May 2019. However, it does not mean that as from 1 June 2019 we have the new tariffs throughout the EU. This is because the TAR NC allows for keeping the tariffs until the end of the prevailing tariff period.

The diagram shows 4 cases of a one-year tariff period. The blue crosses represent when the new tariffs begin to apply: (1) 1 October 2019 for October-September tariff period; (2) 1 January 2020 for January-December tariff period; (3) 1 April 2020 for April-March tariff period.

For July-June tariff (Portugal), the new tariffs will apply as from July 2019 for non-IPs. For IPs, the new tariffs will apply as from October 2019. Otherwise, Portugal would need to have started the final consultation already in December 2016 when the TAR NC was still under the scrutiny of the EP and Council.

‘New’ tariffs

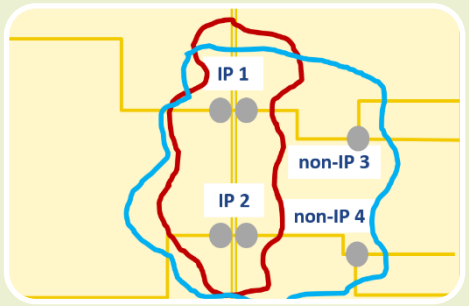


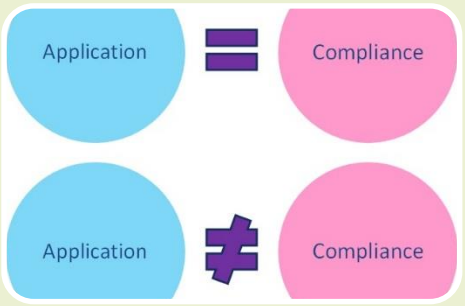
Notes for Slide 66

The map shows the order in which different countries switch to the new tariffs. The colours are exactly the same as on the previous map as it is linked to the tariff period, except for AT as the current tariff period ends in December 2020 (switch to the new tariffs is as from January 2021).

3. Conclusion

Something to take away





Grasp logic

Manage compliance

Understand impact

Notes for Slide 69

Understanding the non-homogeneous nature of the TAR NC scope and implementation timeline has the following impact:

- Grasp the logic and structure of the TAR NC
- Manage the compliance with the TAR NC rules
- Understand the impact on your business

Thank You for Your Attention

Irina Oshchepkova
Subject Manager, Tariffs

ENTSOG -- European Network of Transmission System Operators for Gas
Avenue de Cortenbergh 100, B-1000 Brussels

EML: Irina.Oshchepkova@entsog.eu
WWW: www.entsog.eu

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for gas

Brussels – 29 March 2017

Publication Requirements

TAR NC Implementation Workshop

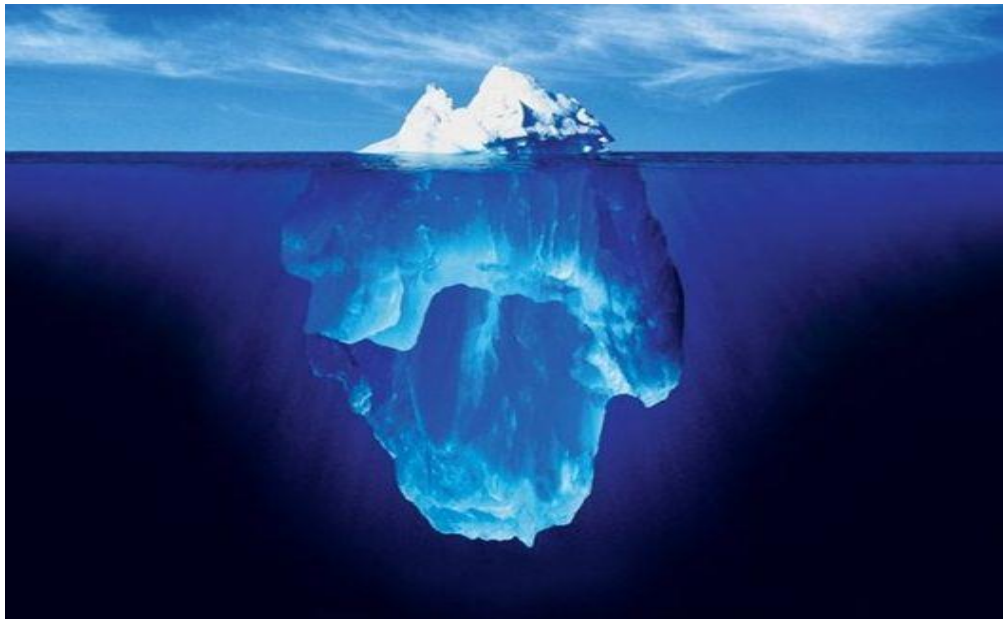
Seán Kinsella, ENTSOG Tariff Adviser

Andreas Martens, ENTSOG Tariff Adviser

Image Courtesy of Thyssengas

Transparency

- Transparent
- Objective
- Non-discriminatory
- Predictability
- Comprehensibility



- **Transparency is a key achievement of TAR NC**

Notes for Slide 73

Article 13(1) and Article 18(2) of the Gas Regulation envisage the following set of requirements to be met when setting tariffs or the methodologies used to calculate them: (1) be transparent; (2) be objective; (3) be applied in a non-discriminatory manner.

Article 18(2) foresees that TSOs or NRAs must publish the information on tariff derivation, tariff methodology and tariff structure. Also, it indicates the particular limits of the contents of the information that is to be published – such information should be **'reasonably and sufficiently detailed'**. The purpose of publishing this information is: **first**, to secure the tariffs that meet the requirements just mentioned (such as 'transparent, objective and non-discriminatory'); and **second**, to facilitate efficient utilisation of the transmission network.

Meeting such requirements is aimed at fulfilling the following goals:

- to enable tariff **predictability for the third parties** – so that they are able to estimate the value of the current reference price as well as for the subsequent year(s) within the rest of the current regulatory period;
- to ensure **tariff comprehensibility for the third parties** – so that they are able to understand: (1) the costs underlying the transmission services; (2) all the services offered by the TSO; (3) transmission tariffs; (4) how individual transmission tariffs are derived; (5) the reasons for the difference, if any, between the individual transmission tariffs.

Agenda

1. **What to publish**
   - 1.1. Before annual yearly capacity auction / tariff period
   - 1.2. Tariff changes, trends, model
2. **When to publish**
   - 2.1. Deadlines and ‘separate’ reserve prices
3. **How to publish**
   - 3.1. Standardised section of TSO/NRA Website
   - 3.2. ENTSOG Transparency Platform
4. **Conclusion**

1. ‘What’ to publish

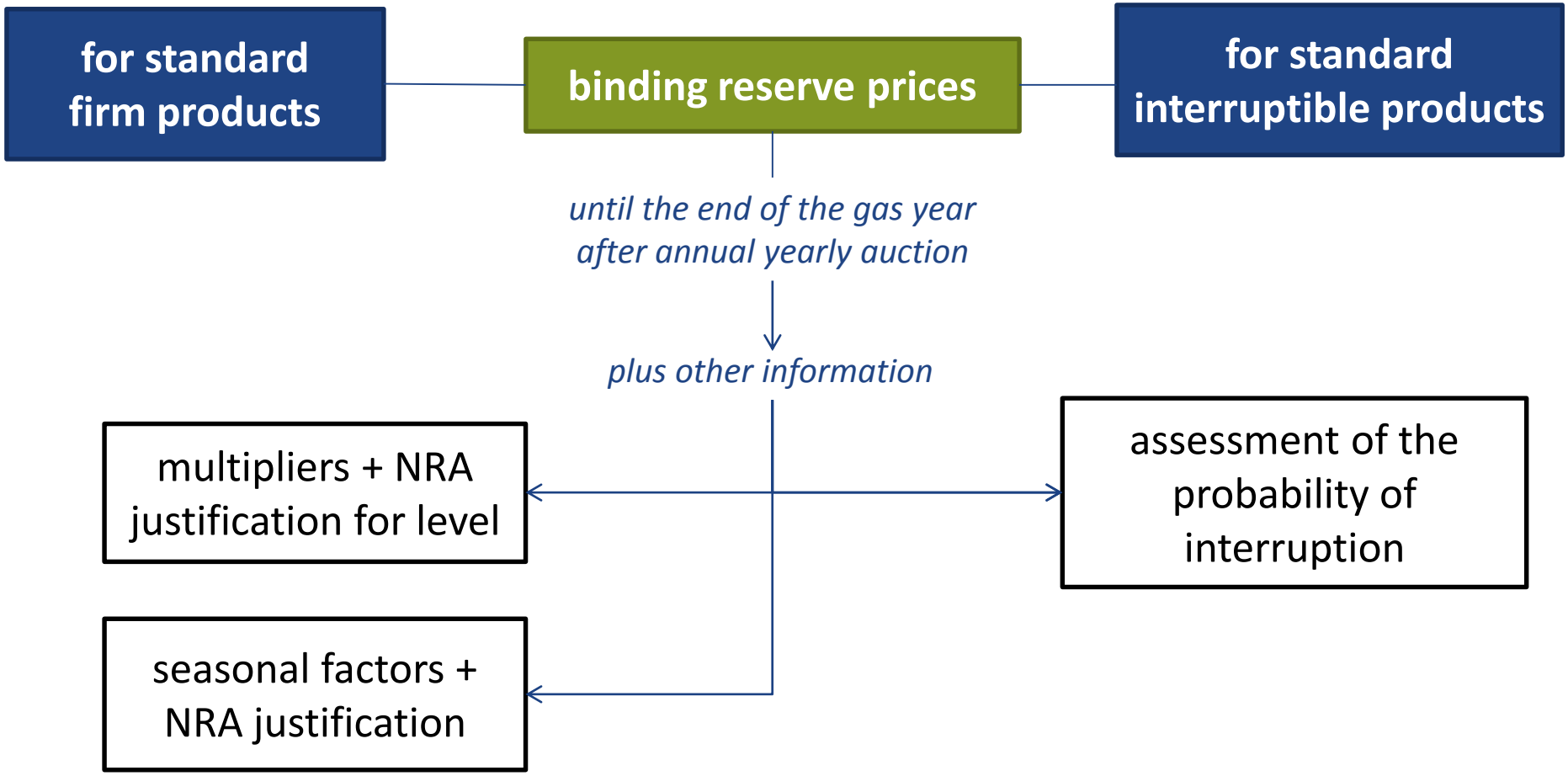
Notes for Slide 76

The TAR NC outlines two sets of tariff-related information for publication:

(1) the set of information **before the annual yearly capacity auctions**; and
(2) the set of **information before the tariff period**.

Splitting this information into two sets ensures clarity concerning the publication of particular information at different times of the year. The 'dual' publication reflects the mismatch between the timing of the auctions and different start dates for tariff periods throughout the EU.

What to publish before annual yearly capacity auctions [1]



Notes for Slide 78

The slide above summarises the set of information for publication before the annual yearly capacity auctions. The reserve price applicable until at least the end of the gas year beginning after the annual yearly capacity auction, for firm and interruptible products. To ensure sufficient clarity regarding the derivation of binding reserve prices published before the auctions, this set also includes information on: **(1)** applied multipliers and justification for their level; **(2)** applied seasonal factors and justification for their application; and **(3)** an assessment of the probability of interruption. And although not shown on the slide, a list of the types of standard interruptible capacity products, discounts, probability of interruption per capacity product, how it is calculated, and historical/forecasted data used in estimations.

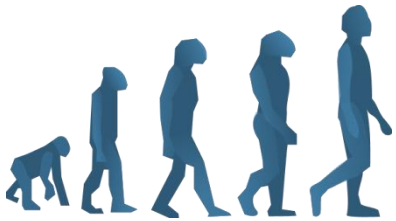
Therefore, although such publication of reserve prices and the associated information occurs before the annual yearly capacity auctions, it covers all standard capacity products. Such information needs to be published both at IPs and non-IPs where the CAM NC applies.

For the first time when the information before the annual yearly capacity auctions is published in June 2018, it may not be the full set of information as Chapter III 'Reserve prices' applies as from 31 May 2019.

What to publish before tariff period [1]

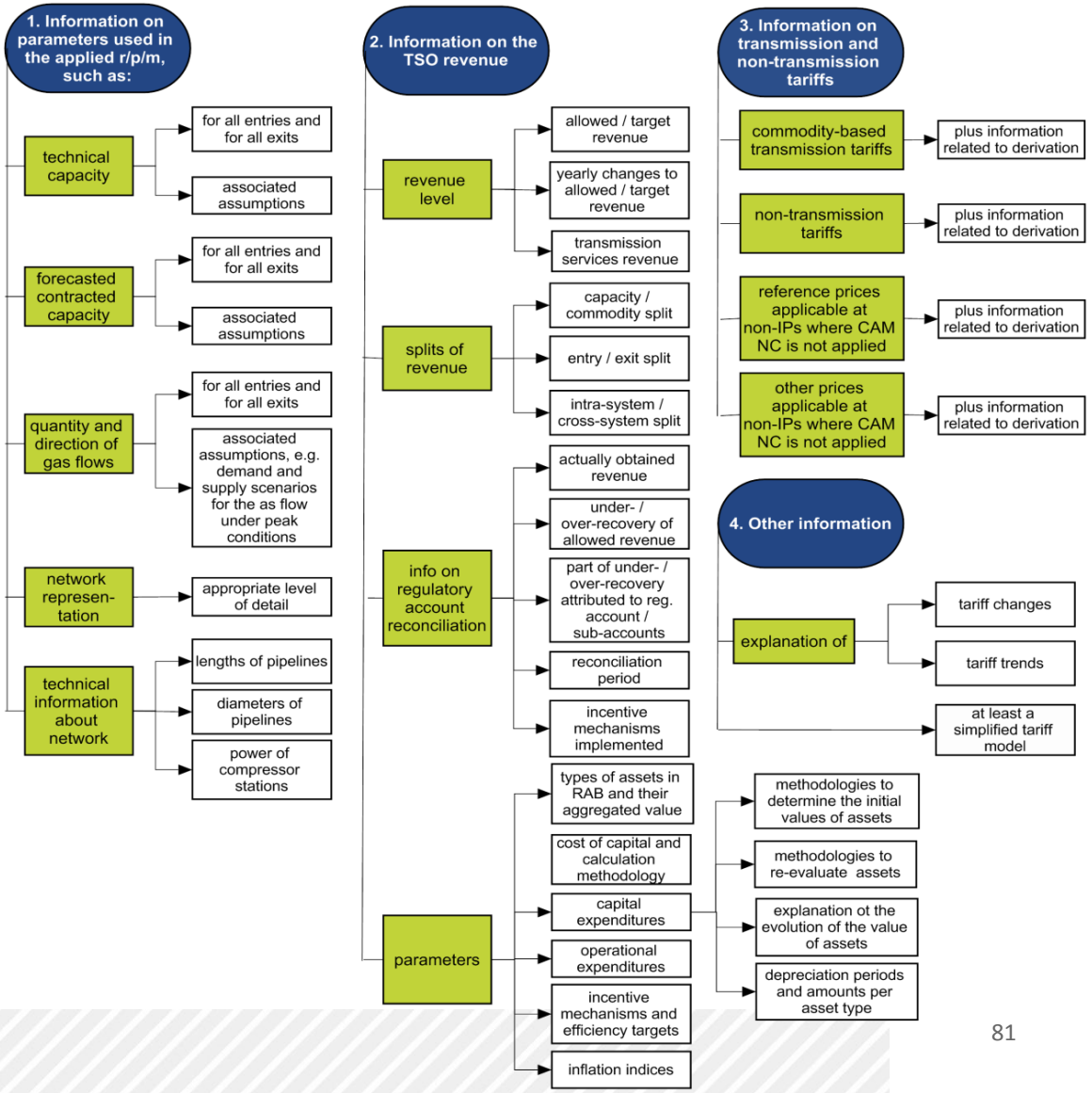
4 blocks of information

- **Methodology parameters**
- **Revenue information**
- **Other tariffs not published before auctions**
- **Tariff evolution**



Notes for Slide 80

Four blocks illustrate the set of information to publish before the tariff period: (1) methodology parameters related to technical characteristics of the transmission system; (2) TSO revenue information; (3) transmission and non-transmission tariffs, which are not published before the annual yearly capacity auctions; and (4) additional information related to tariff evolution.



Tariff changes, trends and model

Year 1/4 (Y=0) Reserve price = 32 units

Year 2/4 (Y+1) Reserve price = 30 units

- **Tariff change:** - 2 units

Year 3/4 (Y+2) Reserve price = 31 units

- **Tariff trend:** +1 units

Year 4/4 (Y+3) Reserve price = 38 units

- **Tariff trend:** +8 units

Tentative information, however third parties can make reasonable estimation

Notes for Slide 82 [1]

This figure shows an example of information to be published on tariff changes/trends for a given standard capacity product. The regulatory period is four years, and the prevailing tariff period is year 1 of 4, while the information is published for the tariff period which is year 2 of 4. Therefore, the reserve price for year 2/4 is binding while the reserve prices for years 3/4 and 4/4 are predictions.

Notes for Slide 82 [2]

The figure in the previous slide shows ‘other’ information that needs to be published before the tariff period, comprising information on tariff changes, tariff trends and at least a simplified tariff model. Such information only concerns transmission tariffs. Annex P of the IDoc provides a description of the simplified tariff model. As for the information on tariff changes/trends, the TAR NC provides stakeholders with the opportunity to understand:
The **derivation of tariffs** – an explanation of the reasons why tariffs changed as compared to the past (tariff changes);
The **future evolution of tariffs** – an explanation of the reasons why tariffs may change in future, based on the best estimates (tariff trends).

The information on tariff trends will be provided to the stakeholders as tentative. However, explanations must be sufficient to enable third parties to make reasonable estimates of the tariffs up until the end of the current regulatory period. If any input parameters might significantly affect future tariffs, their potential impact should be disclosed.

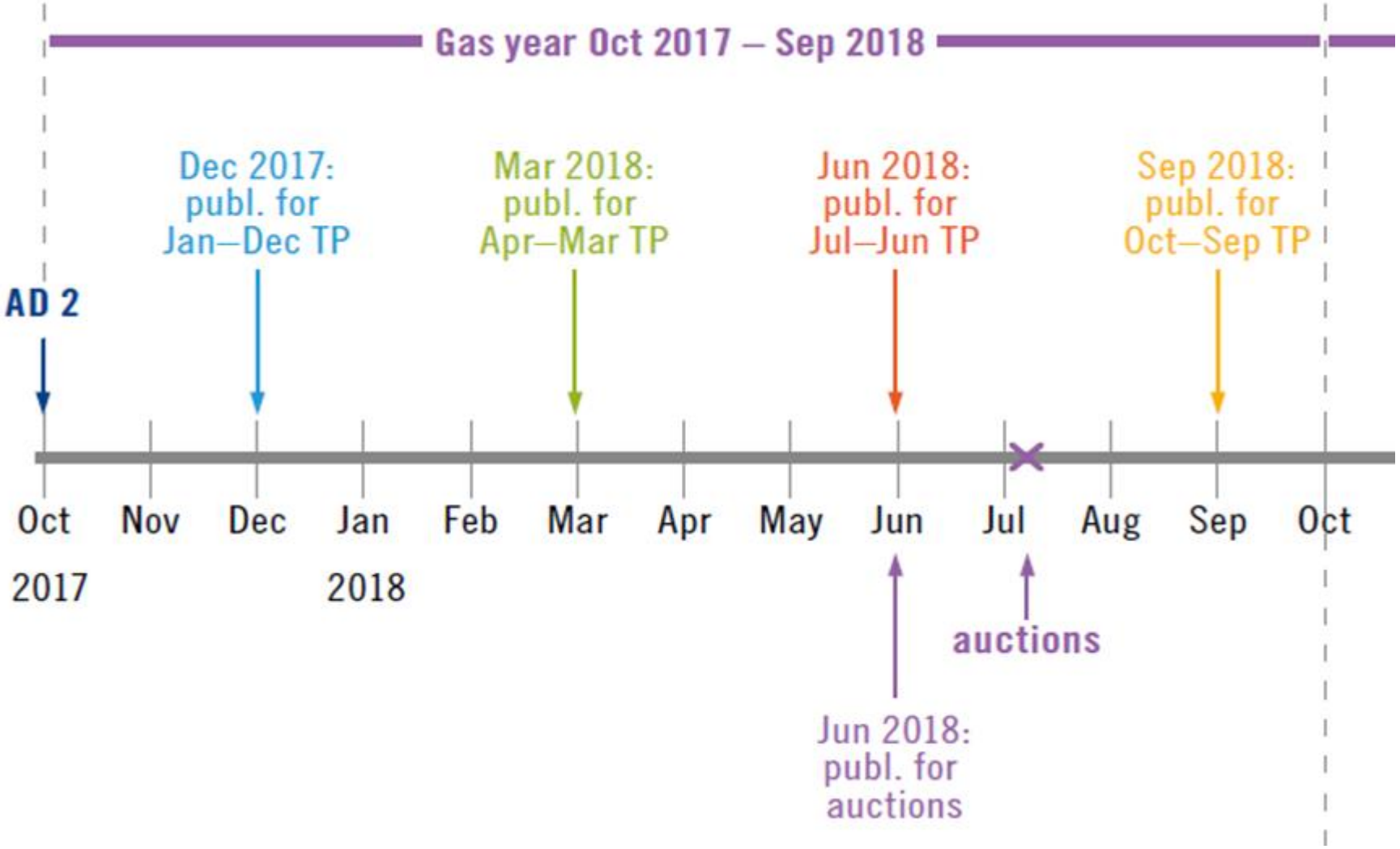
Notes for Slide 82 [3]

Table below shows another example of publication of tariff changes and trends for a yearly standard capacity product. Although the Table indicates tariffs, it may also be possible to publish 'the difference' in the tariffs as set out by the TAR NC using other approaches, such as expected ranges for tariffs, percentage changes or expected ranges for percentage changes.

Tariff period	Year in regulatory period	Entry points				Exit points			
		Entry 1	Entry 2	Entry 3	Entry 4 (new)	Exit 1	Exit 2	Exit 3	Exit 4 (new)
Prevailing tariff period (Y=0)	2019	10,05	32,32	32,32	-	38,05	58,82	42,82	-
Tariff period for publication (Y+1)	2020	20,03	29,74	28,50	-	36,02	56,73	42,30	-
Change from (Y=0) to (Y+1)	**2020 vs. 2019**	**9,98**	**-2,58**	**-3,82**	**-**	**-2,03**	**-2,09**	**-0,52**	**-**
Forecast for the subsequent tariff period (Y+2)	2021	30,20	30,20	30,20	-	37,50	60,00	45,00	-
Trend from (Y+1) to (Y+2)	**2021 vs. 2020**	**10,17**	**0,46**	**1,70**	**-**	**1,48**	**3,27**	**2,70**	**-**
Forecast for the subsequent tariff period (Y+3)	2022	38,00	38,00	38,00	38,00	40,00	67,00	50,00	50,00
Trend from (Y+1) to (Y+3)	**2022 vs. 2020**	**17,97**	**8,26**	**9,50**	**n/a**	**3,98**	**10,27**	**7,7**	**n/a**

2. ‘When’ to publish

When to publish



Notes for Slide 87

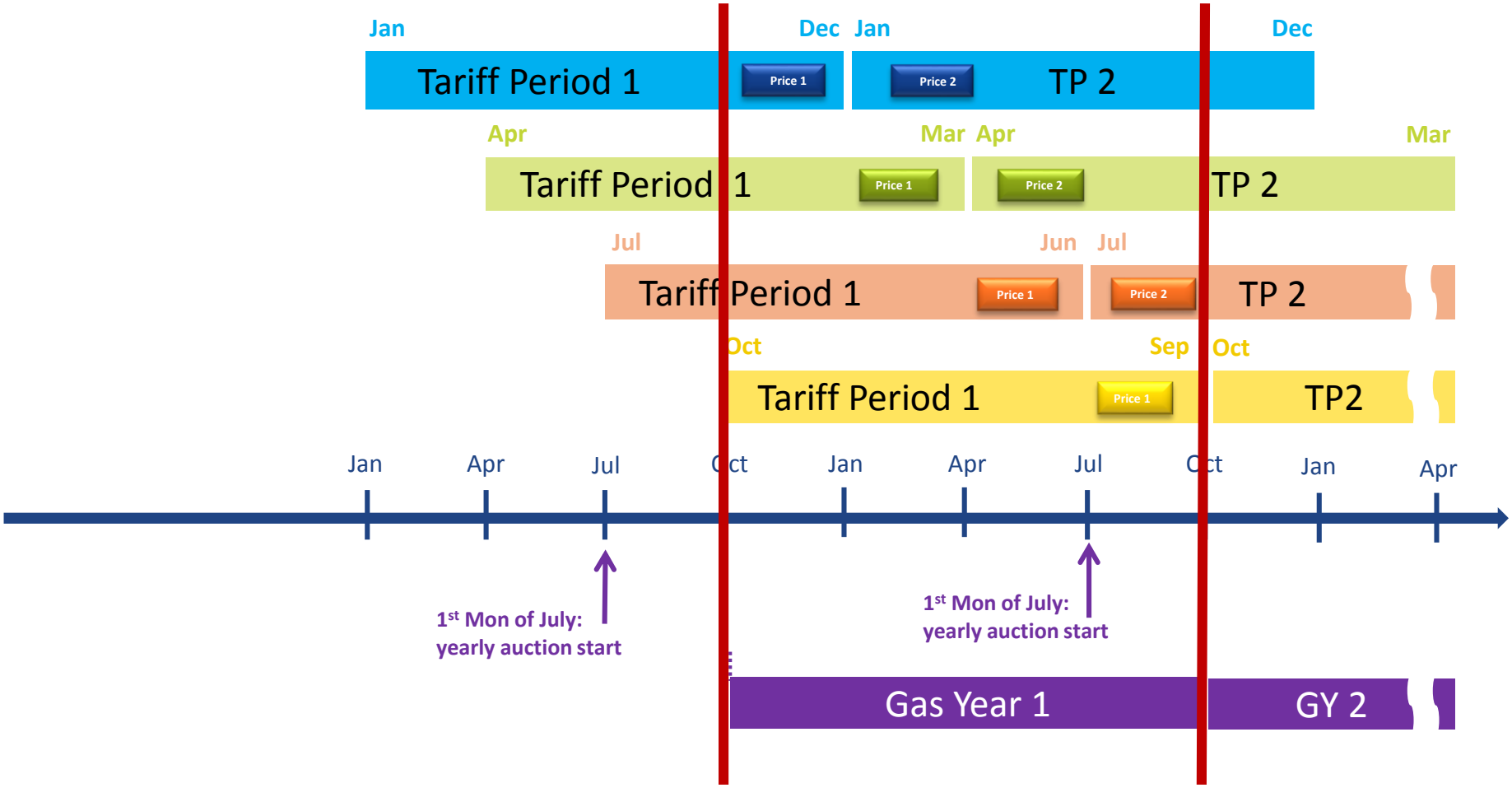
The slide above captures the gas year as from October 2017, and illustrates the deadlines for publishing information: (1) before the annual yearly capacity auction; and (2) before the tariff period. For both sets of information, the publication notice period is the same – min 30 days. Chapter VIII 'Publication requirements' first applies on October 2017 (AD 2). However, the compliance date with the obligations foreseen in this Chapter occurs later, depending on the start date of the tariff period and the date of the annual yearly capacity auctions.
For information to be published before the annual yearly capacity auctions, in all MSs the deadline is June 2018 for auctions in July 2018.

For information to be published before the tariff period, the deadlines are:
- December 2017 for publishing information before the tariff period Jan 2018-December 2018;
- March 2018 for publishing information before the tariff period April 2018-March 2019;
- June 2018 for publishing information before the tariff period July 2018-June 2019;
- June 2018 for publishing information before the auctions in July 2018;
- September 2018 for publishing information before the tariff period Oct 2018-September 2019.

This slide covers only the four cases where the tariff period is equal to one year, and does not cover the tariff periods of greater than one year in Austria and Belgium.

In exceptional circumstances where transmission tariffs are updated within the tariff period, publication should be published immediately after the approval and each update should include information indicating the reasons for the changes in their levels.

Yearly product reserve prices…



…Can be more than one

Notes for Slide 89 [1]

On the one hand, Article 29 requires the publication of reserve prices before the annual yearly capacity auction, for all firm and interruptible standard capacity products that cover the time period 'at least until the end of the gas year beginning after the annual yearly capacity auction'. On the other hand, the reserve prices are set for tariff period, which has different start/end dates and duration across the EU. Thus, the TAR NC requires the publication of binding reserve prices in June Y, which effectively requires reserve prices set for the gas year from October Y to September Y+1.

Article 12(2) clarifies the situation for such published reserve prices when the tariff period does not coincide with the gas year: for the tariff periods January-December, April-March and July-June. In such cases, the binding reserve prices are 'separate' for the time periods corresponding to two parts of the same gas year: (1) from 1 October until the end of the prevailing tariff period; and (2) from the beginning of the tariff period following the prevailing one until 30 September.

For the auction in July 2018, the binding reserve prices must be published in June 2018 for the gas year October 2018-September 2019.

- For January-December tariff period, the separate reserve prices cover the time period from 1 October 2018 to 31 December 2018 and the time period from 1 January 2019 to 30 September 2019.
- For April-March tariff period, the separate reserve prices cover the time period from 1 October 2018 to 31 March 2019 and the time period from 1 April 2019 to 30 September 2019.
- For July-June tariff period, the separate reserve prices cover the time period from 1 October 2018 to 30 June 2019 and the time period from 1 July 2019 to 30 September 2019.
- For October-September tariff period, the 'separate reserve prices' situation does not apply and the reserve prices cover the full time period from 1 October 2018 to 30 September 2019.

Notes for Slide 89 [2]

As for ‘which prices go into the auctions’ for yearly products, where ‘go into’ means to serve as an eligible floor in an auction, the answer is the reserve prices published for the 1st part of the gas year for tariff periods January-December, April-March and July-June. Alternatively, it could be the time weighted average of the two prices: the one published for the 1st part of the gas year and the one published for the 2nd the part of the gas year.

As for the basis for calculating the payable price, where the capacity is contracted for the gas year following the annual yearly capacity auction, one needs to distinguish between whether a fixed or a floating payable price approach is applied:

- For fixed payable price approach, the reserve prices published for the 1st part of the gas year will be used for calculating the payable price.
- For the floating payable price approach, this will also be the reserve prices published for the 1st part of the gas year, but only to calculate the respective payable prices until the end of the 1st tariff period. When the 2nd tariff period starts, the reserve prices published for the 2nd part of the gas year will provide the basis for calculating the respective payable prices.

IDoc – 'when to publish what'

Example

Tariff period	When to publish	What to publish on TSO/NRA website	What to publish on ENTSOG's TP
Jan '19 – Dec '19	Before tariff period: Dec '18	• Set of info before the tariff period	• Link to the set of info before the tariff period • In a standardised table, flow-based charge and simulation of all the costs for flowing 1 GWh/d/year
	Before auctions: Jun '19	• Set of info before the auction, including separate binding reserve prices for: (1) Oct '19-Dec '19 (old tariffs) (2) Jan '20-Sep '20 (**new** tariffs)	• Link to the set of info before the auction • In a standardised table, reserve prices at IPs
Apr '19 – Mar '20	Before tariff period: Mar '19	• Set of info before the tariff period	• Link to the set of info before the tariff period • In a standardised table, flow-based charge and simulation of all the costs for flowing 1 GWh/d/year
	Before auctions: Jun '19	• Set of info before the auction, including separate binding reserve prices for: (1) Oct '19-Mar '20 (old tariffs) (2) Apr '20-Sep '20 (**new** tariffs)	• Link to the set of info before the auction • In a standardised table, reserve prices at IPs
Jul '19 – Jun '20	Before tariff period and before	• Set of info before the tariff period • Set of info before the auction, including separate binding reserve prices for:	• Link to the set of info before the tariff period and before the auction • In a standardised table, flow-based charge, simulation of all the costs

Notes for Slide 92

The explanations provided in the above slides are based on the IDoc, where the information in part 1 of the IDoc is provided per TAR NC article.

The IDoc also provides a separate break down of ‘When to Publish What’ in part 2, Annex Q.

3. ‘How’ to publish

Two sources of tariff information

1.

Standardised section on the TSO/NRA website (voluntary task)

2.

Standardised table directly on ENTSOG Transparency Platform (obligatory task)

Notes for Slide 95

The slide above illustrates, that the TAR NC sets out the requirements for publishing information on TSO/NRA websites and on ENTSOG's TP:

1. Standardised section on TSO/NRA website (voluntary task)
Similar to a template for publishing information under the Transparency Guidelines, ENTSOG suggests publishing two sets of information, before the annual yearly capacity auctions and before the tariff period, in such a way as to facilitate identifying the publication requirements and the respective cross-reference to Article, its paragraph and point as set out in the TAR NC.

2. Standardised table on ENTSOG TP (obligatory task)
The TAR NC requires the publication of information directly on ENTSOG's TP in a standardised table.

Similarities

When?

- Before auctions
- Before tariff period

How?

- Clear, easily accessible way
- On a non-discriminatory basis
- Downloadable format

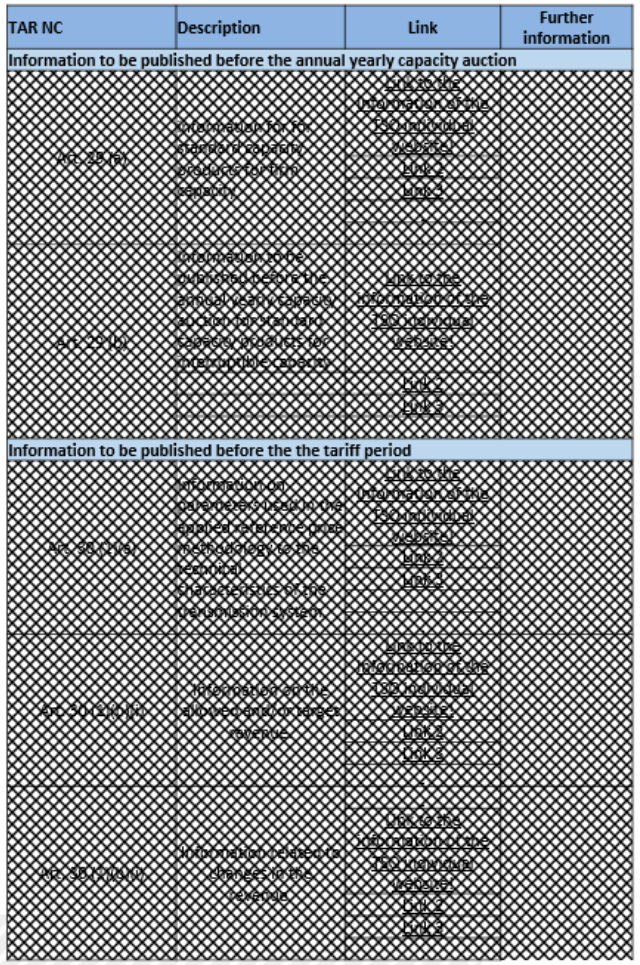
Differences

	What	For which points	language	Additional
TSO/NRA Website	All tariff information	All points on the system	In official language(s) of MS + in English, to the extent possible	Plus a link on ENTSOG Transparency Platform
entsog transparency PLATFORM	Some tariff information: • Reserve prices for firm freely allocable and interruptible capacity • Flow-based charge • Simulation of all costs for flowing 1 GWh/day/year	IPs only	In English only	In a standardised table

Website of the TSO/NRA: *Draft* Standardised section

Voluntary task
Approach similar to publication for Transparency Guidelines

- Column A states the publication requirement in the TAR NC
- Column B provides a more detailed description
- Column C provides the direct link to the corresponding section of the TSO individual website
- Column D is dedicated to give further individual information about the requirements



TAR NC	Description	Link	Further information
Information to be published before the annual yearly capacity auction			
Art. 29 (a)	Information for the standard capacity products for firm capacity	Link to the information on the TSO individual website Link 2 Link 3	
Art. 29 (b)	Information to be published before the annual yearly capacity auction on standard capacity products for interruptible capacity	Link to the information on the TSO individual website Link 2 Link 3	
Information to be published before the the tariff period			
Art. 30 (1) (a)	Information on parameters used in the applied reference price methodology to the technical characteristics of the transmission system	Link to the information on the TSO individual website Link 2 Link 3	
Art. 30 (1) (b) (i)	Information on the applied commodity charges	Link to the information on the TSO individual website Link 2 Link 3	
Art. 30 (1) (b) (ii)	Information relevant changes to the reference	Link to the information on the TSO individual website Link 2 Link 3	

Standardised table on ENTSOG's TP [1]

Obligatory task per Article 31 of the TAR NC

- TSO's name, point name, gas flow direction, capacity type
- Validity period of the product v. run-time
- The indication of the standard capacity product (firm and interruptible)
- The applicable tariff per kWh/h and per kWh/d in the local currency
- Local currency and euro → comparability

Standardised table on ENTSOG's TP [2]

Product	Rows for run-time		Rows for validity period	
Y	4	TP <> Oct-Sep	4	TP <> Oct-Sep
Q	8		8	
M	24		24	
DA	730	365 rows are needed for firm and 365 rows for interruptible	2	Firm and interruptible
WID	16790	365*23 rows are needed	2	
	17556		**40**	

Note: Assumption based on the minimum number and having 1 interruptible product per standard capacity product; no seasonal factor applied

Notes for Slide 101

The table above shows two approaches for presenting the required data of start and end date of products in the standardised table on ENTSOG TP.

The approach of ‘Rows for run-time’ would lead to more than 17000 rows including DA and WID products. Therefore the approach ‘rows for validity period’ per product is much more user friendly because for each validity period would be shown only one row.

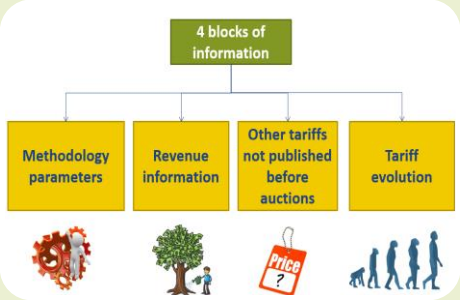
Standardised table on ENTSOG's TP [3]

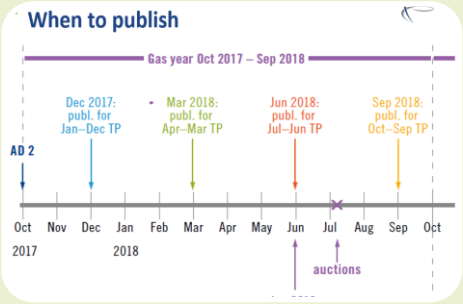
Validity period v. run-time

- Approach: the **validity period** is the longest duration for a given type of product (quarterly, monthly, daily, within-day) for which the tariff doesn't change
- To reduce the number of rows with repetitive information significantly (40 instead of 17554)
- Much more user-friendly

4. Conclusion

Something to take away





What

When

How

Notes for Slide 105

General conclusion: Transparency is a key achievement to TAR NC.

- **Conclusion to the 'What':** Before the annual yearly capacity auctions the main information to be published are information about binding reserve prices, multipliers, seasonal factors. Information on methodology parameters, revenue information and other tariffs not published before auctions are those which should be published before the tariff period.
- **Conclusion to the 'When':** This presentation showed the various deadlines for publication on ENTSOGs TP and TSO NRA Website. 'Publication requirements' first applies on October 2017 (AD 2). However, the compliance date occurs later, depending on the start date of the tariff period and the date of the annual yearly capacity auctions.
- **Conclusion to the 'How':** There are two sources of information standardised section on TSO/NRA website and a standardised table on ENTSOG TP.

As promised in the invitation video we explained to you What When and How to publish: https://vimeo.com/208158485

Thank You for Your Attention

Tariff Brussels Team

ENTSOG -- European Network of Transmission System Operators for Gas
Avenue de Cortenbergh 100, B-1000 Brussels

EML: TAR-NC@entsog.eu
WWW: www.entsog.eu

european network
of transmission system operators
for gas

Brussels – 29 March 2017

Regulatory Account

TAR NC Implementation Workshop

Emmanuel Bouquillion, TIGF, on behalf of ENTSOG

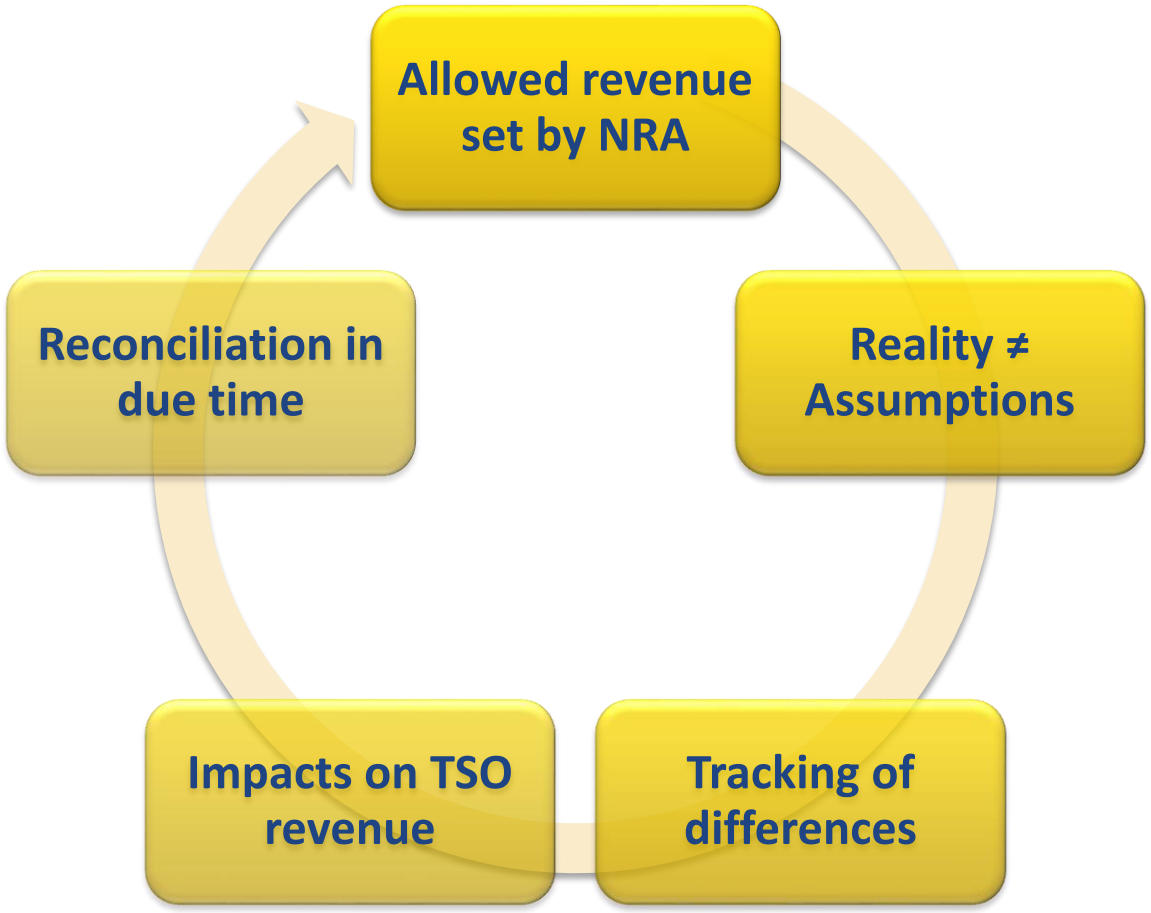
Image Courtesy of Thyssengas

Agenda

1. Regulatory account
   1.1. Concept
   1.2. Components
   1.3. Principles
2. Reconciliation
3. Conclusion

1. Regulatory account

Why a regulatory account



The purpose of the regulatory account is to compensate under- and over-recovery for a more stable and predictable TSO tariff from one period to the next, for the benefits of network users

Under-recovery and over-recovery trigger the need for tariff adjustments

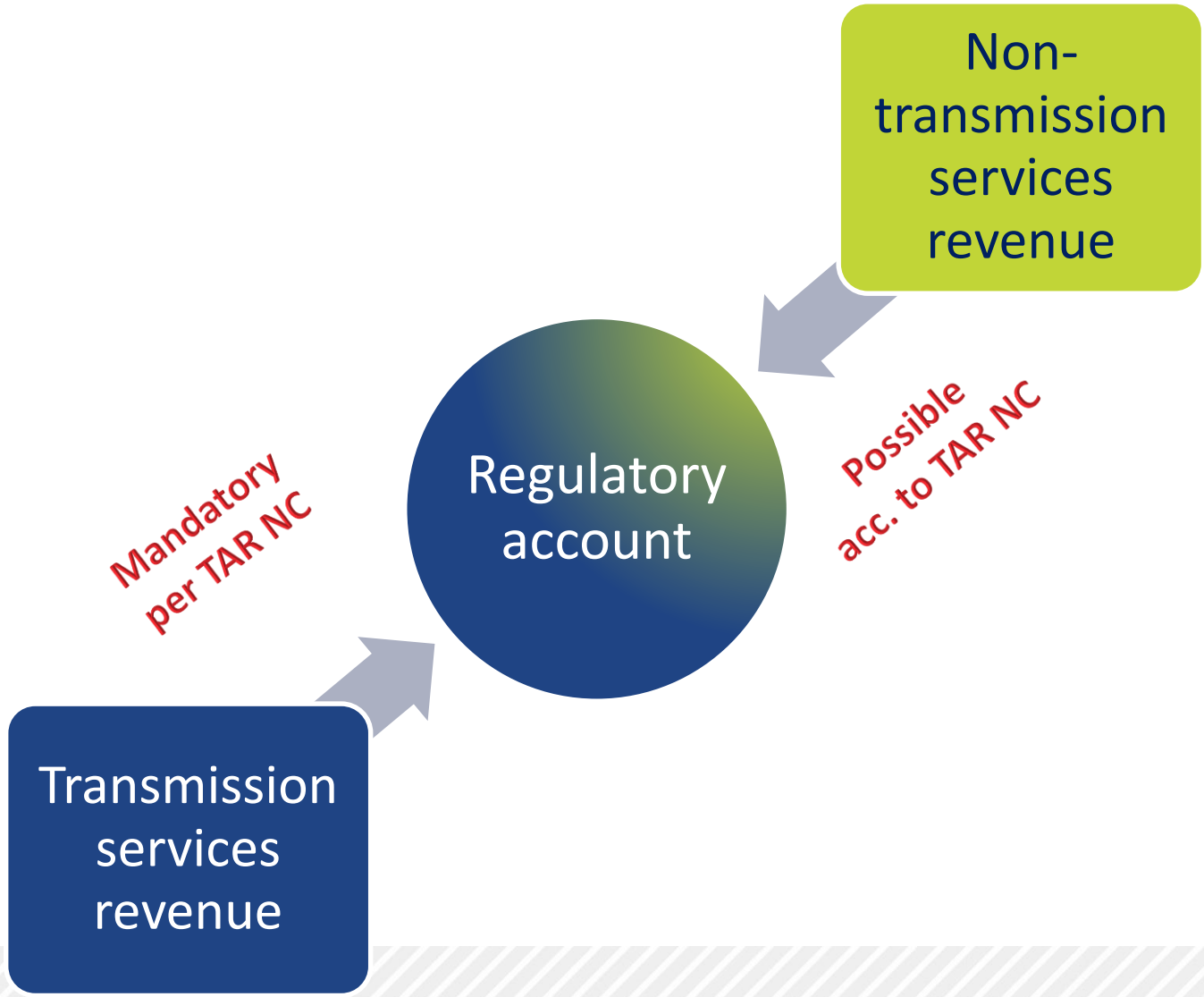
Notes for Slide 111

Responsibility: the attribution of under- / over-recovery to the regulatory account is subject to NRA decision

A regulatory account records the difference between the TSO's allowed revenues and the revenues actually obtained during the same time period. The regulatory account must therefore include information on the differences between forecasted contracted capacity and actual capacity sales. The regulatory account will be reconciled by forwarding the resulting balance to the transmission services revenue being part of the allowed revenue for the next relevant time period. The concept of 'revenue reconciliation period' is explained below.

The TAR NC requires each TSO functioning under a non-price cap regime to have one regulatory account recording the information on under- / over-recovery. The NRA can decide to require aggregated information, or information differentiated by source / aim showing the gap for each item.

Regulatory account: components



Notes for Slide 113

Scope: IPs and non-IPs
Application date: 31 May 2019

This Chapter sets the requirements for reconciling transmission services revenue. However, these requirements may also apply to non-transmission services revenue, subject to the consultation and approval per Chapter VII 'Consultation requirements'. The rules in this Chapter include the principles of revenue reconciliation, the calculation of under- / over-recovery, the rule of having only one regulatory account per TSO, and the basic requirements for its reconciliation. Most of the Chapter only applies to a non-price cap regime. The only rule that also applies to a price cap regime involves the use of the auction premium to invest in reducing physical congestion.

The TAR NC is silent on how exactly to customise the rules for extension to non-transmission services revenue. Instead, there is an obligation – as part of the periodic consultation set out in Article 26 – to consult on the way to reconcile non-transmission services revenue. In any case, the principles established by Article 13 of the Gas Regulation apply.

Regulatory account: principles

+/- revenues compensate

- Less impact on allowed revenue → tariff stability
- Generate cross-subsidies

+/- revenues do not compensate

- No/limited cross-subsidies
- Tariffs impacted separately from each other → higher tariff variation

Notes for Slide 115 [1]

TSOs can have only one regulatory account. Following Article 17(3), these are possible approaches for non-transmission services reconciliation that need further investigation.

If the non-transmission services revenue is reconciled under the Chapter's rules, then the TSO must log the under-/over-recovery from such services onto the one regulatory account. There are *two suggestions*:

1) One regulatory account should be split into sub-accounts for recording and reconciling the under- / over-recovery from transmission services and, separately, from non-transmission services. 'Sub- accounts' are an option under Article 30(1)(b)(vi) where and to the extent that the TSO functions under a non-price cap regime.

2) One regulatory account is used for recording and reconciling together the under- / over-recovery from transmission services and from non-transmission services. This is the current approach in Germany and in France.

Notes for Slide 115 [2]

In case the non-transmission services revenue is reconciled pursuant to other rules than under the Chapter, the under- / over-recovery from such services may logged on to some other account than 'one regulatory account'. Great Britain currently follows this approach.

The approaches described above are ENTSOG's examples of what could be done. The NRA must decide how to reconcile non-transmission services revenue in a given system. Article 19(2) permits the NRA to enact *'other rules'* in accordance with the Gas Directive.

2. Reconciliation

Reconciliation of the regulatory account

Elements logged on and setting of parameters is subject to NRA approval

Reasonable reconciliation period (max a few years)

In accordance with the applied RPM and, if any, CRRC

Notes for Slide 119 [1]

The TSO must determine annually for the last completed tariff period the difference between the allowed transmission services revenue and the transmission services revenue actually collected by the TSO. The TSO must log all of the positive or negative deviation onto the regulatory account, or just a portion in the presence of incentive schemes or a decision by the NRA to use the auction premium to reduce physical congestion.

After logging some / all of the under- / over-recovery onto the regulatory account, the reconciliation entails an adjustment to the future allowed revenue. The 'adjusted' transmission services revenue then becomes an input to the applied RPM affecting the level of transmission tariffs applicable for future tariff periods. An under-recovery raises transmission tariffs while an over-recovery reduces them subject to the principle of avoiding *'significant differences between transmission tariffs in consecutive tariff periods'*.

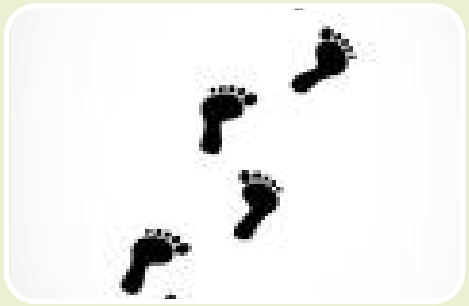
Notes for Slide 119 [2]

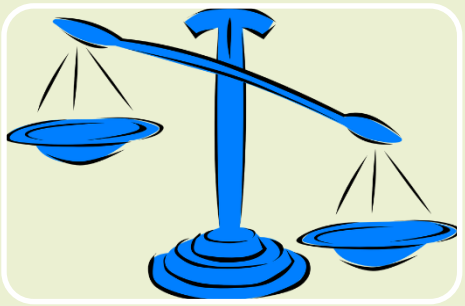
The word ‘future’ above is general, since the reconciliation takes place over ‘revenue reconciliation period’ which may not necessarily coincide with a given tariff or regulatory period. The NRA must decide upon the appropriate reconciliation period. An under-recovery in tariff period 1 does not necessarily imply an increase to the tariff immediately or solely for tariff period 2, as the NRA’s selected reconciliation period may be longer than a tariff period, spreading the under-recovery over several tariff periods.

Reconciliation of the regulatory account through use of the applied RPM is an ex- post process. The TAR NC foresees an option to apply a CRRC at non-IPs. The only current approach is in Great Britain where capacity-based transmission tariffs before the tariff period, assuming that all technical capacity will be contracted. Since the actually contracted capacity never coincides with the technical capacity, the CRRC is then adjusted within the tariff period in order to mitigate any future under-recovery. The CRRC can be set to zero if there is no under-recovery in future.

3. Conclusion

Something to take away





Sub-accounts for tracking

Tariff stability vs. cost reflectivity

Non-price cap regime

Thank You for Your Attention

Tariff Brussels Team

ENTSOG -- European Network of Transmission System Operators for Gas
Avenue de Cortenbergh 100, B-1000 Brussels

EML: TAR-NC@entsog.eu
WWW: www.entsog.eu

Question and Answer session

entsog

european network
of transmission system operators
for gas

3rd Session:
Focus on Consultation

entsog
european network
of transmission system operators
for gas

Brussels – 29 March 2017

Consultation Requirements

TAR NC Implementation Workshop

Laurent Percebois, ENTSOG Tariff Adviser
Niels Krap, ONTRAS, on behalf of ENTSOG
Colin Hamilton, National Grid, on behalf of ENTSOG

Image Courtesy of Thyssengas

Agenda

1. **Consultation requirements: content overview**
   - 1.1. Periodic consultation (PC)
   - 1.2. Consultation every tariff period (CETP)
   - 1.3. Similarities and differences
2. **Consultation requirements: some aspects**
   - 2.1. Capacity weighted distance (CWD) methodology
   - 2.2. How to calculate CWD-methodology?
   - 2.3. Cost allocation assessments (CAA)
   - 2.4. How to calculate CAA?
3. **Consultation requirements: process**
   - 3.1. Consultation process: full timeline
   - 3.2. Consultation process: some details
   - 3.3. Ongoing process
4. **Conclusion**

1. Consultation requirements: content overview

Periodic consultation (PC)

At least every 5 years from 1st iteration to be completed by 31 May 2019

By TSO or NRA

Description of **Reference Price Methodology (RPM)**

Cost Allocation Assessments (CAA)

(2 types)

Comparison of RPM- and **CWD-tariffs**

Discounts from/to Storage

Discounts from LNG facilities

Discounts from/to infrastructure for SoS to end isolation of MSs

Information on revenue, commodity and non-transmission tariffs

Tariff changes and trends with model

Fixed payable price in price cap regimes for existing capacity

Notes for Slide 130 [1]

Articles 26 and 27 address ‘periodic consultation’ that takes place at least every five years as from the first NRA decision

ENTSOG believes that the five-year limit could reflect the need to conduct periodic consultations under Article 26 at least every five years. As the NRA’s initially allowed time period approaches expiration, the NRA may decide to extend the period, ‘sufficiently in advance’ of the expiration date.

Notes for Slide 130 [2]

For the ‘periodic consultation’ done by the TSO / NRA at least every five years, **the consultation scope includes**:

— The description of the proposed RPM and indicative reference prices as compared to the indicative reference prices calculated following the CWD counterfactual (Chapter II);

— Storage, LNG and other discounts: at entry-points-from / exit-points-to-storage facilities, at entry-points-from LNG facilities and entry-points-from/exit points-to infrastructure ending the isolation of gas transmission systems in certain MSs (Chapter II);

— Some indicative information on the allowed / target revenue of a TSO (Chapter VIII);

— Indicative information on commodity-based transmission tariffs and non-transmission tariffs (Chapter I);

— Indicative information on tariff changes and trends (Chapter VIII);

— Information on the fixed payable price approach under a price cap regime (Chapter VI).

Consultation every tariff period (CETP)

Every Tariff Period (typically every year) from 1st iteration to be completed by 31 May 2019

Case of a January-to-December tariff period (TP)

CETP by NRA

- Value of **multipliers and seasonal factors**
- **Discounts from LNG facilities**
- **Discounts from/to infrastructure for SoS** to end isolation of MSs
- Discounts for **interruptible products**

Notes for Slide 133

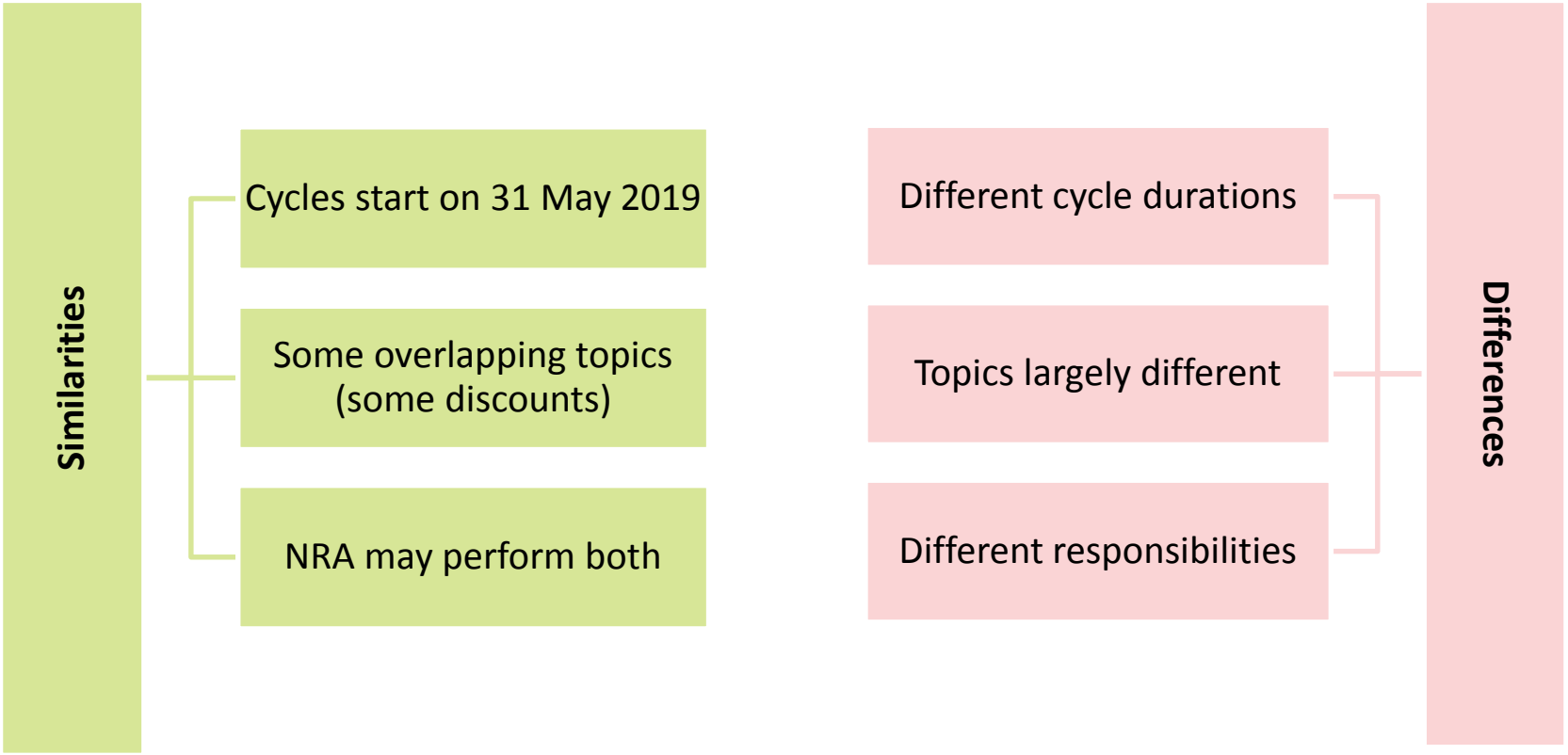
Article 28 deals with ‘tariff period consultation’ to take place every tariff period as from the first NRA decision.

For ‘every tariff period consultation’ undertaken by the NRA, **the consultation scope includes:**

— Multipliers, seasonal factors and interruptible discounts (Chapter III);

— Discounts at entry-points-from LNG facilities and entry-points-from / exit points- to infrastructure ending the isolation of gas transmission systems in certain MSs (Chapter II).

Similarities and differences



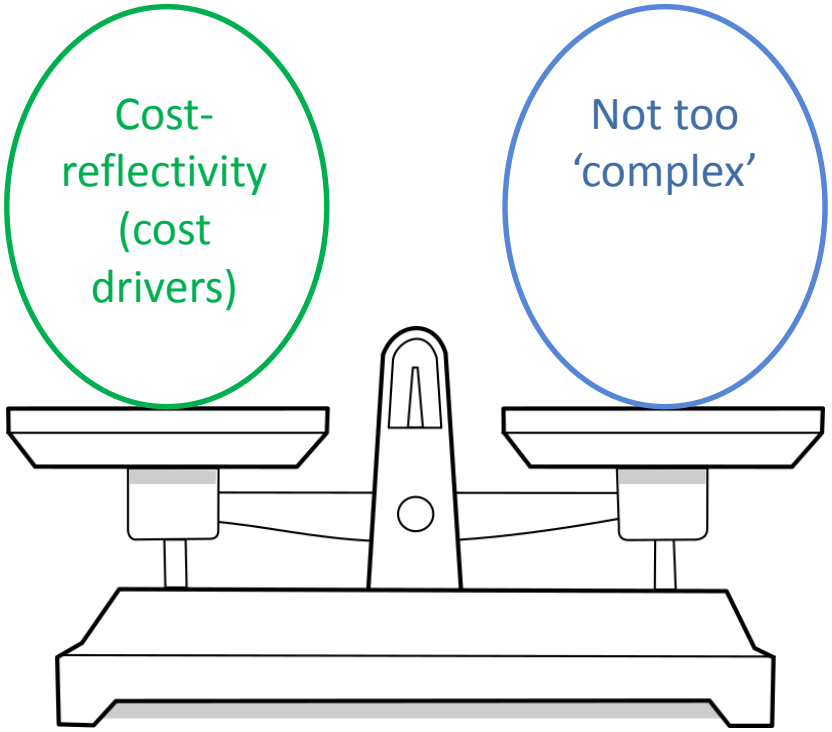
Notes for Slide 135

Responsibility: consultation per Article 26(1) is by TSO / NRA, as NRA decides, and decision is by NRA; consultation per Article 28(1) is by NRA, and decision is by NRA

COMPARISON OF CONSULTATIONS UNDER ARTICLES 26(1) AND 28(1)		
Aspect	**Consultation per Article 26(1)**	**Consultation per Article 28(1)**
Content of the consultation	See Table 10 Overlap for discounts (LNG, 'isolation')	See Table 11 Overlap for discounts (LNG, 'isolation')
Who is consulting	TSO or NRA, as decided by NRA	NRA
Who is consulted	Stakeholders	'NRAs from all directly connected MSs and relevant stakeholders'
Start of the first procedure	May be initiated as from the TAR NC entry into force	
End of the first procedure	By 31 May 2019[1)]	
Start of the subsequent procedures	At least every five years as from the NRA decision per first procedure	Every tariff period as from the NRA decision per first procedure
End of the subsequent procedures	Minimum 30 days before publishing information for the annual yearly capacity auctions	

2. Consultation requirements: some aspects

Capacity weighted distance (CWD) methodology



CWD strikes a balance between conflicting objectives

General principle: longer distances lead to higher tariffs

CWD is the 'counterfactual', but all TSOs or NRAs are free to choose their methodology

CWD: the counterfactual for all TSOs and NRAs, for harmonisation purposes

Notes for Slide 138

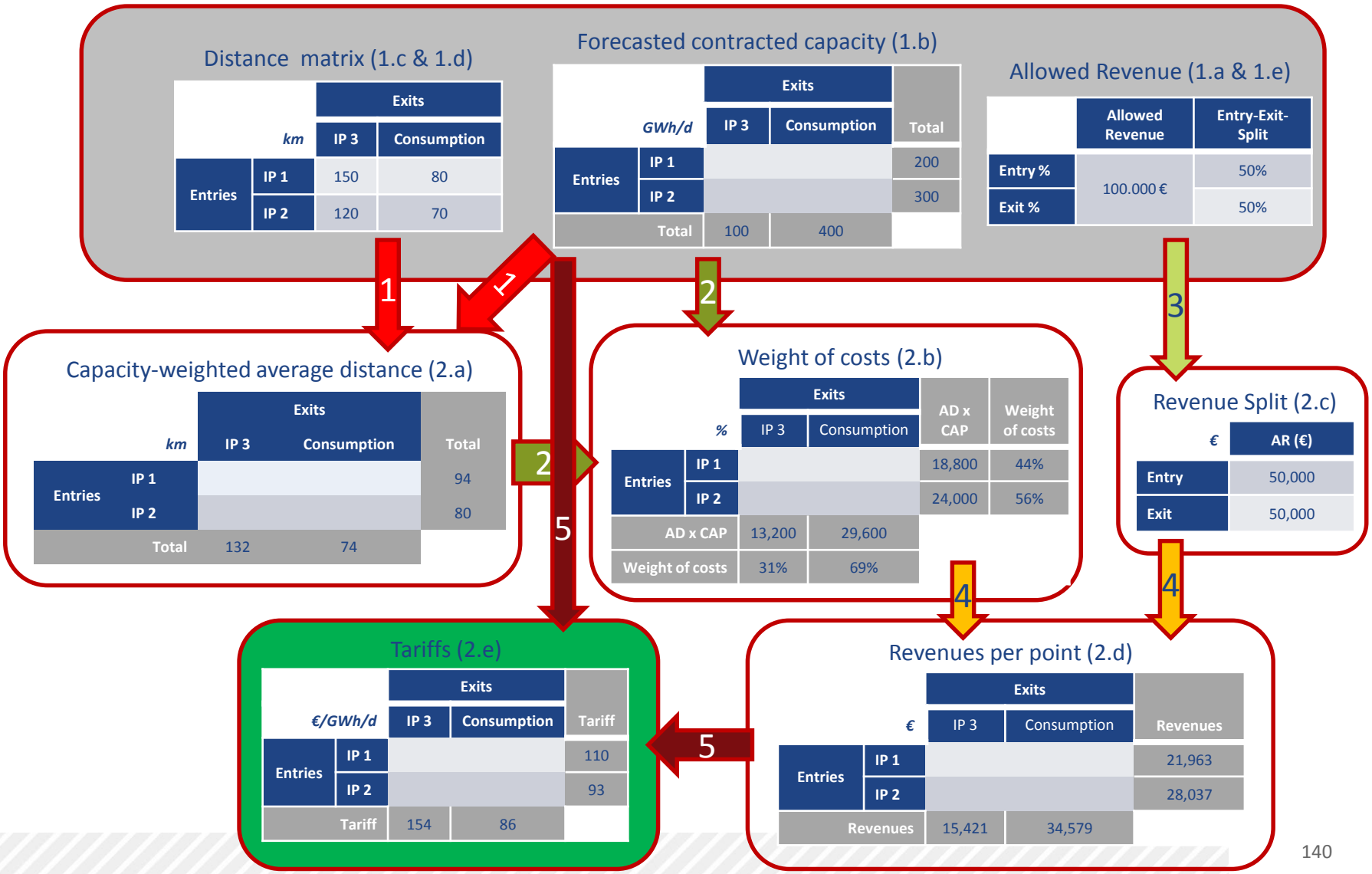
Responsibility: subject to consultation per Article 26(1) by TSO / NRA, as NRA decides – only for comparison purposes with the proposed RPM; subject to decision by NRA

CWD assumes that the share of the allowed revenue to collect from each entry or exit point should be proportionate to its contribution to the cost of the system's capacity and to the distance between it and all exit points or all entry points. The resulting tariff would be uniform per unit of capacity and distance.

CWD is the only counterfactual set out in the TAR NC, which means that all TSOs will have to compare the tariffs under their chosen RPMs to CWD tariffs. Applying CWD without modification would eliminate the need for any counterfactual. However, the comparison against CWD still applies if any modifications to parameters and / or steps as set out in Article 8 are made, leading to a 'Modified CWD'. The counterfactual CWD can calculate the reference prices for each point, for clusters of points, or both.

As of March 2017, some European TSOs apply a Modified CWD, such as in France, Belgium and Germany.

How to calculate CWD-methodology?



Notes for Slide 140

1) Calculate the distance matrix between entry and exit points (considering the flow scenario constraint) + Calculate the forecasted contracted capacity table with data for each entry and exit point. Combining both produces a new table, the table of capacity-weighted average distances for all points

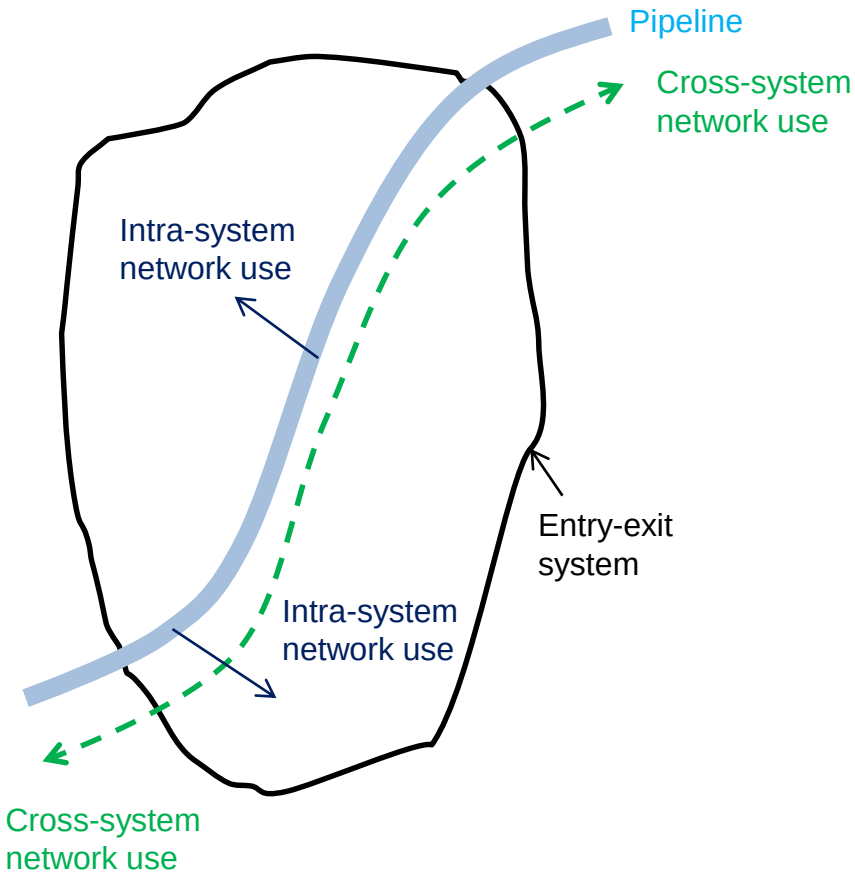
2) Using the forecasted contracted capacity table and the newly calculated table, derive the cost table, displaying the value of cost drivers (product of average distance and forecasted contracted capacity) for each point, and obtain the weight of each entry (resp. exit) point in total entry (resp. exit) costs

3) From the allowed revenue and the mandatory entry-exit split of 50%, derive total entry (resp. exit) revenues to recover at all entry (resp. exit) points

4) Derive the table with revenues to recover at each entry and each exit point, by combining the cost weights calculated in the cost table and the entry and exit revenues to recover

5) Finally, from the forecasted contracted capacity table and from the newly calculated point-based revenue table, derive capacity tariffs for each entry and each exit point, by dividing revenues by forecasted contracted capacities

Cost allocation assessments



Question: Is there any cross-subsidisation between transit (cross-system) and domestic (intra-system) usage?

Answer: I don't know. Let's do an assessment and compare cost drivers and revenues.

2 tests:

- Ratios on capacity
- Ratios on commodity

Assessments:

- No strict rule, but need for justification, if assessment exceeds the 10% threshold

Goal: to minimise cross-subsidies in tariffs between intra-system and cross-system network uses

Notes for Slide 142

Article 5 elaborates on the details of ‘cost allocation assessments’ that play a role in the periodic consultation.

Responsibility: subject to consultation per Article 26(1) by TSO / NRA, as NRA decides; subject to decision by NRA, a possible deviation needs to be justified by the NRA in the decision.

As part of the periodic consultation , NRAs will decide whether TSOs or NRAs perform up to two assessments to comply with the principle of avoiding cross-subsidies between network uses. One assessment is for capacity charges, the other, if any, is for commodity charges. These assessments help indicate the cost-reflectivity of proposed tariffs based on the cost drivers set out in Article 5(1). The assessments involve calculations that may be based on forecasted revenues, bookings, flows and cost drivers, potentially based on historical data.

How to calculate CAA?

Distance matrix

	km	Exits: IP 3	Exits: Consumption
Entries	IP 1	150	80
	IP 2	120	70

Forecasted contracted capacity

	GWh/d	Exits: IP 3	Exits: Consumption	Total
Entries	IP 1			200
	IP 2			300
Total		100	400	

Forecasted Revenue

	€	Exits: IP 3	Exits: Consumption	Revenues
Entries	IP 1			21,963
	IP 2			28,037
Revenues		15,421	34,579	

1

Capacity-weighted average distance

km	i-s AD	c-s AD
Exit IP 3	-	132
Exit Consumption	74	-
Entry IP 1	80	150
Entry IP 2	70	120

2

Cost driver (example: AD x CAP)

	i-s CAP	c-s CAP	i-s CD	c-s CD
Exit IP 3	-	100	-	13,200
Exit Consumption	400	-	29,600	-
Entry IP 1	160	40	12,800	6,000
Entry IP 2	240	60	16,800	7,200
Sum	**800**	**200**	**59,200**	**26,400**

3

Revenue Allocation

€	i-s Rev	c-s Rev
Exit IP 3	-	15,421
Exit Consumption	34,579	-
Entry IP 1	17,570	4,393
Entry IP 2	22,430	5,607
Sum	**74,579**	**25,421**

4

4

Ratio calculation

	i-s	c-s
Ratio	**1.26**	**0.96**

5

Assessment

27.0 %

Justification required

Notes for Slide 144

1) Calculate the distance matrix between entry and exit points + Calculate the forecasted contracted capacity table with data for each entry and exit point. Combining both produces the table of capacity-weighted average distances, by distinguishing points for intra-system (IS) use and points for cross-system (CS) uses

2) Still based on the IS and CS uses distinction, and starting from the forecasted contracted capacity at points for IS use and at points for CS use, multiply each capacity value by the average distance calculated for the point, which defines the cost driver for this point. Total cost driver for IS use and total cost driver for CS use are calculated

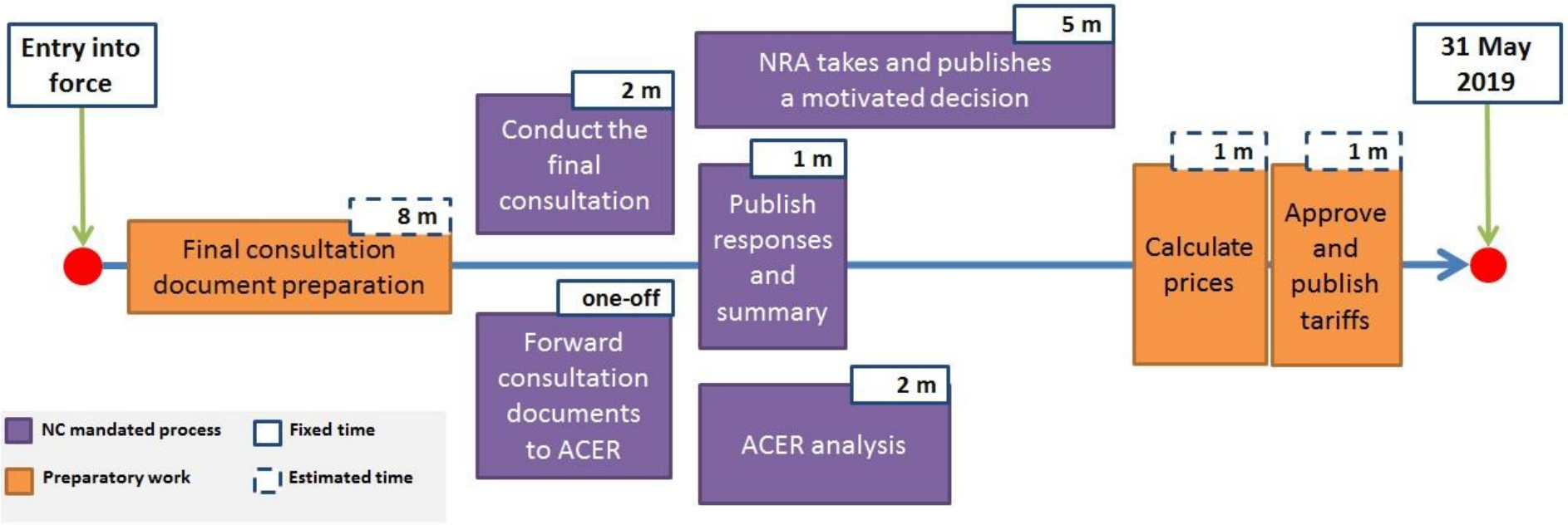
3) From the forecasted revenues at each point, defined according to forecasted contracted capacities and RPM-based exogenous tariffs, calculate revenues at each point as well as total IS revenues and total CS revenues

4) Divide total IS (resp. CS) revenues by total cost driver for IS (resp. CS) use, which gives the ratio for IS (resp. CS) use

5) Calculate the comparison index, and conclude regarding the 10% threshold. Repeat the whole 1) to 5) procedure if TSO uses a commodity charge

3. Consultation requirements: process

Consultation process: full timeline



Notes for Slide 147 [1]

The length of the final consultation process, depends not only on the deadlines explicitly set out in the TAR NC but also on the time estimates of the related activities to be fulfilled before/after. The list below provides an overview of activities fixed and not fixed in the TAR NC with an indication of the respective timing.

1. TSO/NRA to prepare the final consultation document – eight months (estimate).

2. TSO / NRA to conduct the final public consultation – min two months as from point 1 above (fixed, Article 26(1)–(2)).

3. TSO / NRA to publish consultation responses and their summary – within one month as from point 2 above (fixed, Article 26(3)).

4. ACER to analyse certain aspects of the consultation document, publish the conclusion of its analysis and send it to the TSO / NRA and the EC – within two months as from point 2 above (fixed, Article 27(3)).

5. NRA to take and publish a motivated decision – within five months as from point 2 above (fixed, Article 27(4)).

Notes for Slide 147 [2]

6. TSO / NRA to update the calculation of tariffs and prepare the publication – within one month as from point 5 above (estimate). For multi-TSO entry-exit systems, more than one month may be needed due to e. g. the necessity of having the ITC mechanism.

7. NRA to approve and NRA / TSO to publish the final tariffs – within one month as from point 6 above (estimate).

The sum of the duration of all the points above is equal to at least 17 months where one TSO is active in an entry-exit system. As set out in Article 27(5) of the TAR NC, the deadline for NRA decision, calculation and publication of tariffs is 31 May 2019. Calculating 17 months backwards from 31 May 2019 brings us to the end of December 2017, the estimated date to start preparing the final consultation document, to comply with the TAR NC deadline. The process can also start after December 2017, the 'estimated' timings above would need to shorten accordingly. Multi-TSO entry-exit systems require additional time for step in point 6, so the relevant start date should shift earlier to around October 2017.

Consultation process: some details

8 Months for the preparation of the final consultation	What happens after the 2-month final consultation	When NRA has to make a final decision after TSO/NRA update
• Develop RPM • Check CWD • Prepare ITC • Draw up consultation document • Internal approval • Agree on it with NRA • In English if possible	• Publish responses and summary (TSO/NRA, 1 month) • Analyse consultation and send results to the TSO/NRA and EC (ACER, 2 months) • Take and publish a motivated decision (NRA, 5 months) • After NRA decision, update results and prepare publication (TSO/NRA, 2 months)	• NRA to approve final tariffs and ensure that publication by TSO or NRA is effective ***no later than 31 May 2019*** • For future iterations of the PC, NRA to ensure that final decision on consultation process is effective no later than 5 years later

Notes for Slide 150

At least eight months are estimated as necessary for completion of the preparation of the final consultation document. The end of December 2017 + eight months ends at the end of August 2018, which explains the estimated date for launching the final consultation under Article 26(1) of the TAR NC. Around such date, the consultation document(s) need to be forwarded to ACER for analysis. The TAR NC sets out that the minimum duration of the final consultation is two months which bring us to the end of October 2018. Within one month as from the end of the final consultation, it is necessary to publish the consultation responses received as well as their summary, and, to the extent possible, its translation in English.

The NRA decision on RPM should be taken in a timely manner before 31 May 2019 to allow for the completion of tariff calculations by 31 May 2019. In practice the NRA must take a decision before the completion of tariff calculations. Similarly, the NRA decision on multipliers, seasonal factors and various discounts per ENTSOG's assumption takes place simultaneously with NRA decision under Article 27(4), and it should occur well before 31 May 2019 to allow for the completion of tariff calculations by 31 May 2019.

Ongoing process

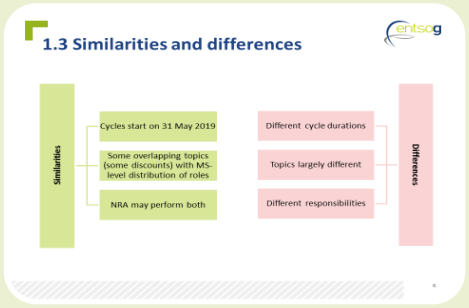
2 Consultations (PC+CETP)	1 Consultation (CETP)	2 Consultations (PC+CETP)
Year 1	**Years 2, 3, 4, 5**	**Year 6**
Consult on multipliers, seasonal factors and some discounts (LNG, 'isolation', interruptible)	Consult on multipliers, seasonal factors and some discounts (LNG, 'isolation', interruptible)	Consult on multipliers, seasonal factors and some discounts (LNG, 'isolation', interruptible)
Consult on RPM (including storage discounts)		Consult on RPM (including storage discounts)
June - publish reserve prices for CAM points	June - publish reserve prices for CAM points	June - publish reserve prices for CAM points
July - capacity auctions	July - capacity auctions	July - capacity auctions
December - publish tariffs for non-CAM points	December - publish tariffs for non-CAM points	December - publish tariffs for non-CAM points

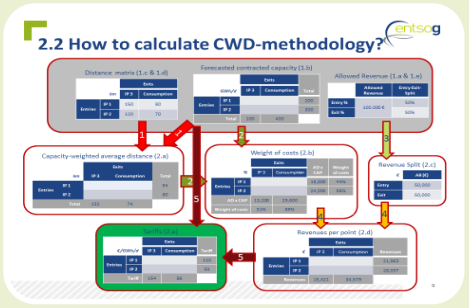
Notes for Slide 152

The two consultation processes therefore coincide at least every five years. The Figure shows the example of a one-year January – December tariff period where the Article 26(1) consultation repeats exactly every five years. The example does not reflect the idea of ‘merging’ the consultations

4. Conclusion

Something to take away





Regular reviews

Technical topics

A detailed process

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for gas

Brussels – 29 March 2017

Interruptible capacity pricing

TAR NC Implementation Workshop

Felix Uftring, ENTSOG

Image Courtesy of Thyssengas

Agenda

1. Overview of possible approaches
2. Ex-ante and ex-post
3. Conclusion

1. Overview of possible approaches

Interruptible Capacity

Discount or compensation for standard capacity products

ex-ante or ex-post

- Ex-ante is more elaborated in TAR NC
- Sales will change on 1 January 2018
- Same discount at a given IP for the same standard capacity product
- As decided by NRA, ex-post may be applied if no interruptions occurred in the preceding gas year

Notes for Slide 160

Article 16 requires the calculation of reserve prices for standard interruptible capacity products by applying a discount to the reserve prices for the corresponding standard firm capacity products. Discounts can be ex-ante or ex-post:

- An **ex-ante discount** involves an upfront calculation based on the probability of interruption and the estimated economic value of the product. An ex-ante discount provides a reserve price for a standard interruptible capacity product.
- An **ex-post discount** compensates network users in the event of interruption. Ex-post discounts can only apply to interconnection points where physical congestion did not prompt any interruption of capacity in the preceding gas year. The application of an ex-post discount replaces an ex-ante discount to the reserve price for a standard interruptible capacity product. With an ex-post discount, the reserve price for interruptible product should be the same as the reserve price for a firm product of an equivalent duration.

As of March 2017, the majority of the EU TSOs offer ex-ante discount. Ex-post discounts are offered in Austria, the Czech Republic, Hungary, Poland, Romania and Slovakia. It is not possible to combine ex-ante and ex-post discounts for the same interruptible product at the same IP.

2. Ex-ante and ex-post

Ex-ante [1]

The TAR NC sets the ex-ante discount for standard interruptible capacity products proportional to the probability of interruption 'Pro' and the adjustment factor 'A', calculated in accordance with the following formula:

Determination of ex-ante discount

$$\mathrm{Di}_{\text{ex ante}} = \mathrm{Pro} \times \mathrm{A} \times 100\%$$

$$\mathrm{Pro} = \frac{\mathrm{N} \times \mathrm{Dint}}{\mathrm{D}} \times \frac{\mathrm{CAP}_{\text{av int}}}{\mathrm{CAP}}$$

$Di_{ex\text{-}ante}$ = discount
A = adjustment factor to reflect estimated economic value of the product

Pro = probability of interruption
D = duration of the product
CAP = capacity of the product
N = number of expected interruptions
D_{int} = expected duration of interruption
$CAP_{av.int}$ = expected amount of interrupted capacity

Notes for Slide 163

The TAR NC states that the discount 'may be' different at different IPs. The discount can therefore be the same at all IPs, at some IPs, or it can differ from one IP to another.

The detail in the above formula seeks to improve transparency by specifying all components. The TAR NC envisages separate calculation of the Pro factor for every type of standard interruptible capacity product offered. The CAM NC establishes five categories of standard capacity products: yearly, quarterly, monthly, daily and within-day. For interruptible capacity, the TAR NC deals with 'types' within the same category of standard capacity product. Various 'types' of products differ in their probability of interruption. Such types can be the same at all IPs, at some IPs, or they can differ from one IP to another.

- An adjustment factor 'A' applies to reflect the estimated economic value of the type of standard interruptible capacity product. In practice, it reflects that the costs of hedging interruption for a network user are higher than the probability of interruption. Therefore, factor 'A' should help to increase the ex-ante discount if needed to reflect the actual value of the capacity.
- As with the Pro factor, the TAR NC contemplates separate calculation of the 'A' factor for every type of standard interruptible capacity product offered. If the economic value of such products is the same then the level of the A factor can be the same. In addition, the TAR NC permits the calculation of the 'A' factor for each, some or all IPs. The 'A' factor can be the same at all IPs, at some IPs, or it can differ from one IP to another.

Ex-ante calculation

Standard capacity product

- D = 720 h
- CAP = 1,000,000 units

Expected scale of interruption

- N = 6 interruptions
- D_{int} = 12 h
- $CAP_{av.int}$ = 100,000 units

⇒ **Probability factor**

$$\mathbf{Pro} = \frac{6 \times 12}{720} \times \frac{100,000}{1,000,000} = 0.01$$

Adjustment factor

- A = 20

⇒ **Discount**

$$\mathbf{Di_{ex\ ante}} = 0.01 \times 20 \times 100\% = 20\%$$

Ex-post

'The ex-post compensation paid for each day on which an interruption occurred shall be equal to three times the reserve price for daily standard capacity products for firm capacity.'

If approved by NRA, ex-post can be applied

Compensation for each day of an interruption

Three times the daily reserve price

Option to reimburse the network user for an interruption in the aftermath of the occurrence

Notes for Slide 166

Article 16(4) does not prevent the NRAs from taking account of the capacity that was actually interrupted and determining a cap on the reimbursement amount.

3. Conclusion

Something to take away

NRA

In advance
vs.
as a follow up

Ex-post is
an alternative
to ex-ante

Subject to
consultation
every tariff
period

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Question and Answer session

Implementation Workshop for the Tariff Network Code – 29 Mar 2017

Steve Rose – Prime Mover

RWE
The energy to lead

Chapter VII and VIII
Consultation and transparency

- Creating trust in tariff setting
- Information must be provided in English
- Examples of best practice
- Tariff model
- IDoc
- Closing remarks

Creating trust in tariff setting

> Tariff setting is currently a “black box” in much of Europe

> The key benefit of the Tariff Network Code must be to create trust in the tariff setting process

Transparency → Consultation → Justification → Understanding → Predictability → **TRUST**

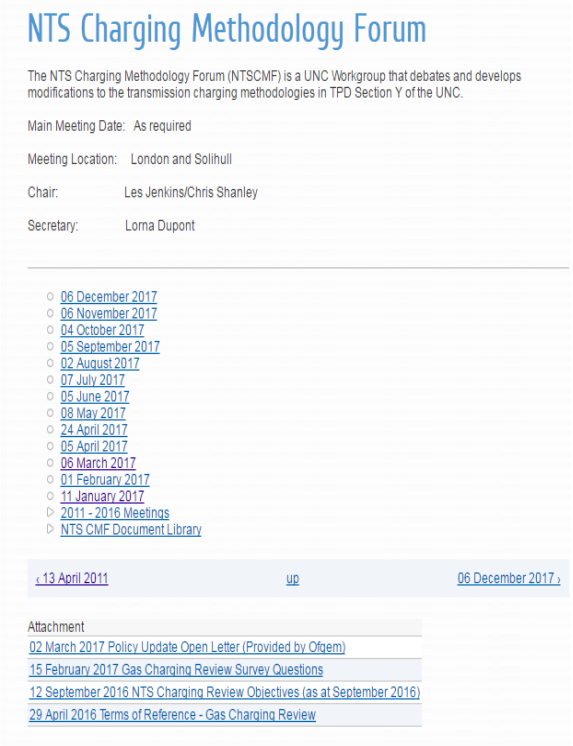
Information must be provided in English

Consultation and information publication should "to the extent possible" be in English – Articles 26.1, 26.3 and 31.1(d)

- Unwelcome change during comitology – previously said "shall"
- No excuses – with foresight and planning this should be possible
- ACER has to analyse the consultation and publish its view in 2 months
- 2 month consultation period to start once English translation is published
- Consultation responses should be admissible in English
- ACER/ENTSOG templates for consultation/information publication will be in English and should be adopted by all Member States
- Ancillary documentation may be published just in the national language

Examples of best practice (1)

NTS Charging Methodology Forum (NTSCMF) - UK



NTS Charging Methodology Forum

The NTS Charging Methodology Forum (NTSCMF) is a UNC Workgroup that debates and develops modifications to the transmission charging methodologies in TPD Section Y of the UNC.

Main Meeting Date: As required

Meeting Location: London and Solihull

Chair: Les Jenkins/Chris Shanley

Secretary: Lorna Dupont

- 06 December 2017
- 06 November 2017
- 04 October 2017
- 05 September 2017
- 02 August 2017
- 07 July 2017
- 05 June 2017
- 08 May 2017
- 24 April 2017
- 05 April 2017
- 06 March 2017
- 01 February 2017
- 11 January 2017
- 2011 - 2016 Meetings
- NTS CMF Document Library

‹ 13 April 2011 up 06 December 2017 ›

Attachment

02 March 2017 Policy Update Open Letter (Provided by Ofgem)

15 February 2017 Gas Charging Review Survey Questions

12 September 2016 NTS Charging Review Objectives (as at September 2016)

29 April 2016 Terms of Reference - Gas Charging Review

> Monthly forum of 25-35 stakeholders debating and developing GB transmission charging – NRAs ,TSO, DSOs, SSOs, LSOs, shippers, associations & consultants

> Sub group of about 15 stakeholders developing position papers for the NTSCMF to achieve compliance with the TAR NC by May 2019

> 9 meetings since Oct 2016

> 8 position papers completed / 7 position papers awaiting final agreement

> Functioning CWD tariff model expected to be released in April 2017

> NTSCMF to facilitate draft GB network code mods to be issued in Spring 2017

> GB network codes mods further developed over 2017 – finalised Spring 2018

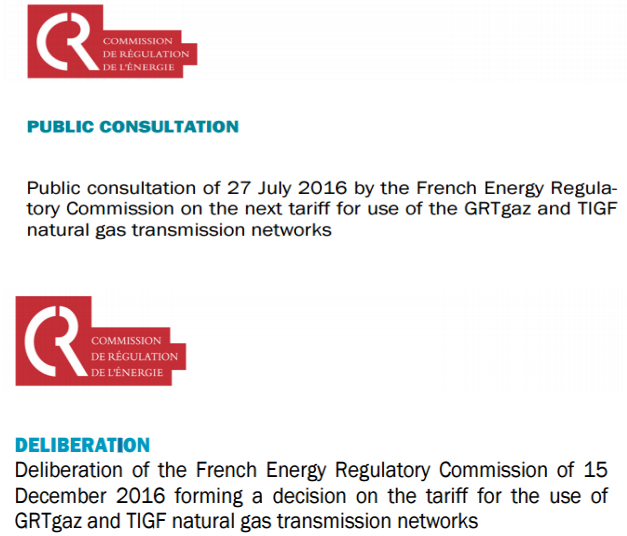
> Ofgem consultation under articles 26 and 28 TAR NC – Spring 2018

> http://www.gasgovernance.co.uk/ntscmf

> http://www.gasgovernance.co.uk/ntscmf/subg

Examples of best practice (2)

France



COMMISSION DE RÉGULATION DE L'ÉNERGIE

PUBLIC CONSULTATION

Public consultation of 27 July 2016 by the French Energy Regulatory Commission on the next tariff for use of the GRTgaz and TIGF natural gas transmission networks

COMMISSION DE RÉGULATION DE L'ÉNERGIE

DELIBERATION

Deliberation of the French Energy Regulatory Commission of 15 December 2016 forming a decision on the tariff for the use of GRTgaz and TIGF natural gas transmission networks

> 58 page consultation by CRE in English on the tariff regulatory framework, structure and levels applicable in France from April 2017 (ATRT6)

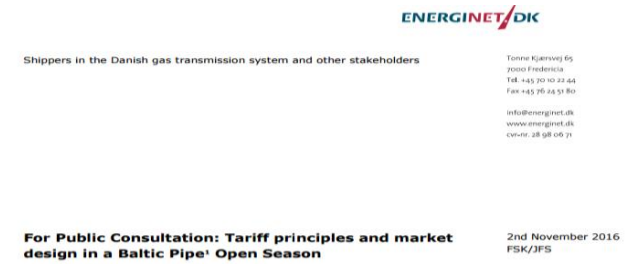
> 101 page deliberation by CRE in English explaining its ATRT6 decisions

> 30+ non-confidential stakeholder responses including some in English

> Similar consultation and deliberation on LNG transmission tariffs

> Concertation Gaz established as a forum for TSO & stakeholders discussion

Denmark



ENERGINET/DK

Shippers in the Danish gas transmission system and other stakeholders

Tonne Kjærsvej 65
7000 Fredericia
Tel. +45 70 10 22 44
Fax +45 76 24 51 80

info@energinet.dk
www.energinet.dk
cvr-nr. 28 98 06 71

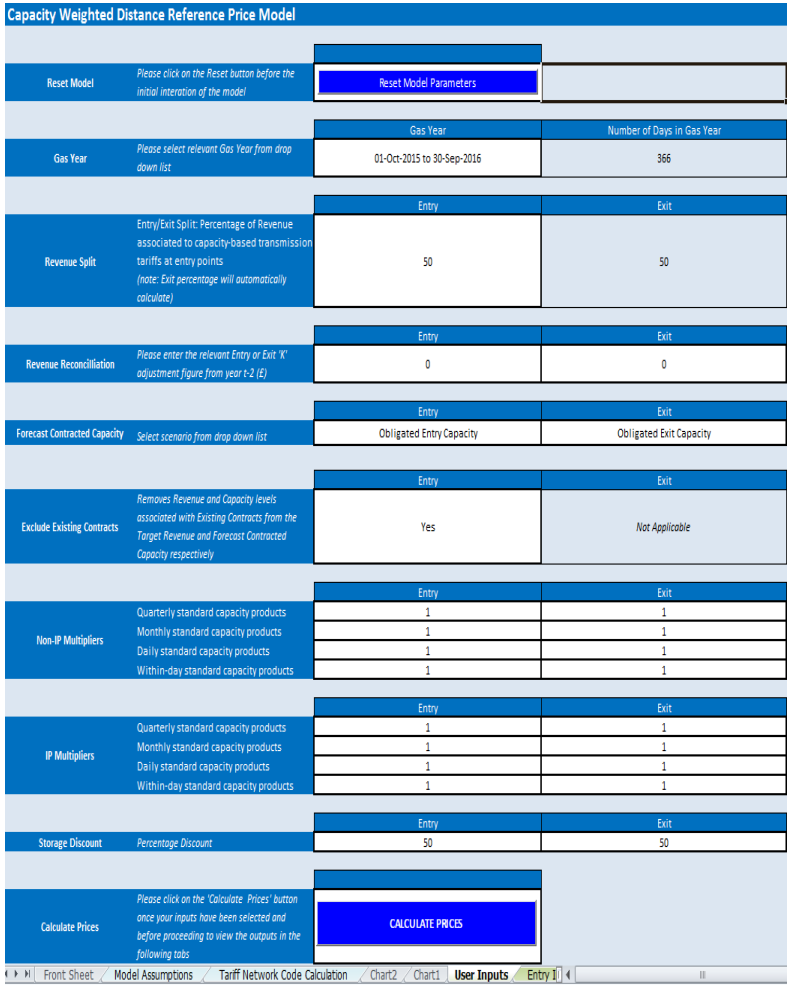
For Public Consultation: Tariff principles and market design in a Baltic Pipe[1] Open Season

2nd November 2016
FSK/JFS

> 19 page consultation by Energinet in English on tariff principles and levels associated with the Baltic Pipe OS

> Financial model and guidance in English enabling stakeholders to simulate the cost and tariffs based on different project scenarios

Tariff model



Capacity Weighted Distance Reference Price Model

Reset Model	*Please click on the Reset button before the initial interation of the model*	Reset Model Parameters	
		Gas Year	Number of Days in Gas Year
Gas Year	*Please select relevant Gas Year from drop down list*	01-Oct-2015 to 30-Sep-2016	366
		Entry	Exit
Revenue Split	Entry/Exit Split: Percentage of Revenue associated to capacity-based transmission tariffs at entry points *(note: Exit percentage will automatically calculate)*	50	50
		Entry	Exit
Revenue Reconcilliation	*Please enter the relevant Entry or Exit 'K' adjustment figure from year t-2 (£)*	0	0
		Entry	Exit
Forecast Contracted Capacity	*Select scenario from drop down list*	Obligated Entry Capacity	Obligated Exit Capacity
		Entry	Exit
Exclude Existing Contracts	*Removes Revenue and Capacity levels associated with Existing Contracts from the Target Revenue and Forecast Contracted Capacity respectively*	Yes	*Not Applicable*
		Entry	Exit
Non-IP Multipliers	Quarterly standard capacity products	1	1
	Monthly standard capacity products	1	1
	Daily standard capacity products	1	1
	Within-day standard capacity products	1	1
		Entry	Exit
IP Multipliers	Quarterly standard capacity products	1	1
	Monthly standard capacity products	1	1
	Daily standard capacity products	1	1
	Within-day standard capacity products	1	1
		Entry	Exit
Storage Discount	*Percentage Discount*	50	50
Calculate Prices	*Please click on the 'Calculate Prices' button once your inputs have been selected and before proceeding to view the outputs in the following tabs*	CALCULATE PRICES	

Front Sheet | Model Assumptions | Tariff Network Code Calculation | Chart2 | Chart1 | User Inputs | Entry I

> Tariff model should enable network users to replicate transmission tariffs for the prevailing tariff period and to forecast them for at least the remainder of the current regulatory period

- > all entry and exit points
- > capacity and commodity (where used) tariffs
- > firm and interruptible capacity
- > yearly/quarterly/daily/within-day capacity

> In order to forecast tariffs all the relevant parameters of the tariff model should be set as input variables:

- ➢ Forecast/technical capacity
- ➢ Ratios - e.g. entry/exit split
- > Transmission services revenue
- > Storage and interruptible discounts
- > Multipliers and seasonal factors

> Relevant model parameters should be updated regularly e.g. with quarterly updates of revenue under/over recovery

IDoc

- Tariff Network Code is a complex document over 5 years in the making
- Welcome ENTSOG's initiative to provide upfront implementation guidance
- Non binding but should result in greater consistency of implementation
- Relevant for both TSOs and NRAs

BUT

- IDoc is over 200 pages long and is based on ENTSOG's interpretation
- Stakeholders should be given time to comment on IDoc and question or challenge the guidance prior to it being finalised
- Stakeholders should also be given the opportunity to comment on ACER's consultation template (Article 26.5) prior to it being finalised

Closing remarks

- EU transmission tariff setting will always be a contentious subject due to:
  - winners and losers
  - regulated monopoly services
  - differing network characteristics/topology and TSO efficiency
- Network users may not like the tariffs they are forced to pay but if they:
  - understand how they have been determined
  - are able to express their views and are not just paid “lip service” to
  - know when tariffs will change and can reasonably predict their evolution

<u>The market will be more accepting of the outcome and come to trust the tariff setting process</u>

Thanks for listening

RWE
The energy to lead

Implementation workshop for the Network Code on Harmonised Tariffs Structures for Gas (TAR NC)

CEFIC-IFIEC

RESPONSE FROM A CONSUMER PERSPECTIVE

Brussels, 29 March 2017

Dirk Jan Meuzelaar

The proof of the pudding is in the eating

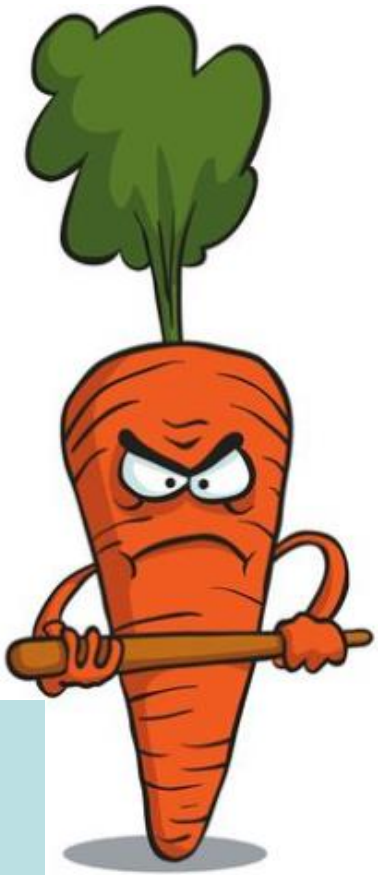
Will the TAR NC deliver the objectives of Regulation 715/2009 ?

- deliver real choices for all gas consumers
- contribute to security of supply and sustainability
- create new business opportunities and improve cross-border trade

Goal: achieve efficiency gains, competitive prices and higher standards of service

Preferred recipe for the pudding is to recover ***efficient*** costs only

TSOs need clear incentives to improve their efficiencies



- Regulated Asset Base (RAB)
  - in many cases, grid users pay twice for the same steel;
  - TSO's high risk investments outside the regulated tasks;
  - revalidation of assets (also for commercial reasons);
- Weighted Average Cost of capital (WACC)
  - double digit return on equity is still common practice;
  - too high premiums for debt capital;
  - excessive high returns on equity;

Benchmarking is a proven recipe

- we compliment CEER with their benchmark study;
- the agreed implementation will lead to substantial reductions of tariffs in The Netherlands.

To understand our share of the cost of the pudding we have to know the conditions

According to Article 7 it shall:

- enable network users to reproduce the calculation of reference prices;
- take into account the actual costs incurred for the transmission services;
- ensure non-discrimination and prevent undue cross-subsidisation;
- volume risk related to transports between entry-exit systems may not be assigned to final customers within an entry-exit system;
- ensure that the reference prices do not distort cross-border trade.

Ingredients should be transparent and easy to understand

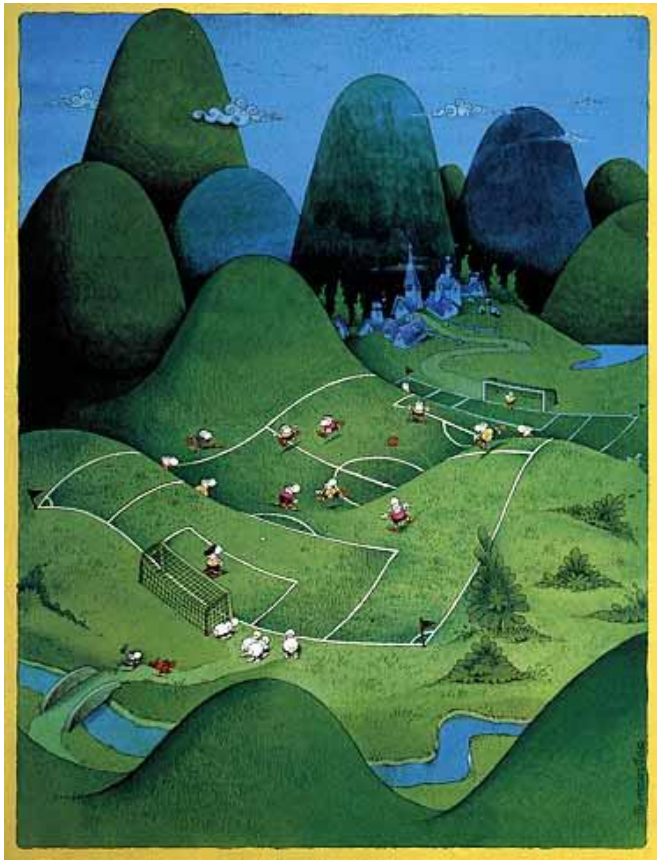
It will be challenging to reproduce and compare the prices:

- there are various **reference** price methodologies, although the CWD is the standard and should serve as the counterfactual method;
- **reserve** prices for standard and non-standard products can be adjusted to seasonal factors and multiplies and/or discounts for interruptability for non-firm capacity;
- for IP's we have fixed or floating **payable prices** that can deviate from clearing prices, leading to auction premiums.

TAR NC does not always do what it promised ensuring non-discrimination and cross-subsidisation

- According to Article 9, storages benefit from a discount of at least 50% and a discount may also be applied to one or several entry point to an entry-exit system to increase the Security of Supply.

This threatens the transparency, causer-pay principle and lead to cross-subsidisation. It also conflicts with the non-discrimination principle because Demand Side Response of end-users is providing the same service as storages and LNG and pipeline gas are equally contributing to Security of Supply.



Its now to the NRAs and the TSOs to prepare the pudding based on harmonised ingredients

- NRAs should be strict, independent and professional
  - single focus on the ultimate objectives of the Gas Regulation;
  - only approving efficient and effective tariffs;
  - safeguarding fair and equal sharing of the cost;
  - fostering regional cooperation.

NRAs should ensure that TSOs act as service providers instead of profit centers

The proof of the pudding is in the eating

- We will share our comments in our contribution to the consultation (Chapter VII, Consultations Requirements);
- moreover, Chapter VIII ‘Publication Consultations’ creates high expectations and opportunities for:
  - increase of transparency;
  - proper incentives for challenging benchmarks;
  - non-discriminatory distribution of efficient costs;
  - predictability and simplicity.

Encouraging dialogues to share our visions and comments in the future

Harmonized Tariff Structures = Key Success Factor for IEM
Only Performance Indicators can prove its success

ifiec europe

cefic

Gas Infrastructure Europe

GIE as a Prime Mover at ENTSOG Workshop on implementation of NC TAR

Perizat Ybrayeva, GIE

29 March 2017

GIE welcomes a lean and efficient implementation of NC TAR

- **Harmonisation in the TSO tariff calculation across Europe**
  - Harmonisation of TSO tariff calculation fosters the European Gas Market and increases cross-border gas flows
- **Implementation of NC TAR to be lean and efficient**
  - Avoidance of bureaucratic barriers
  - Timely implementation
  - National specifics to be considered in implementation of NC TAR
  - Freedom of choice about reference price methodology (as long as benchmark against CWD is positive)
  - Granted discounts for storages avoid double payment and shall consider positive contribution to the gas transmission networks
  - NRAs to be granted decision power on national specifics in implementation
- **Consultation and Transparency**
  - NC TAR provides high transparency on tariff calculation for stakeholders
  - Consultation of reference price methodology to be lean and efficient by a harmonized consultation process
  - Close collaboration with NRAs and ACER essential

Article 9: Special rules for Storage, LNG and insulated infrastructure

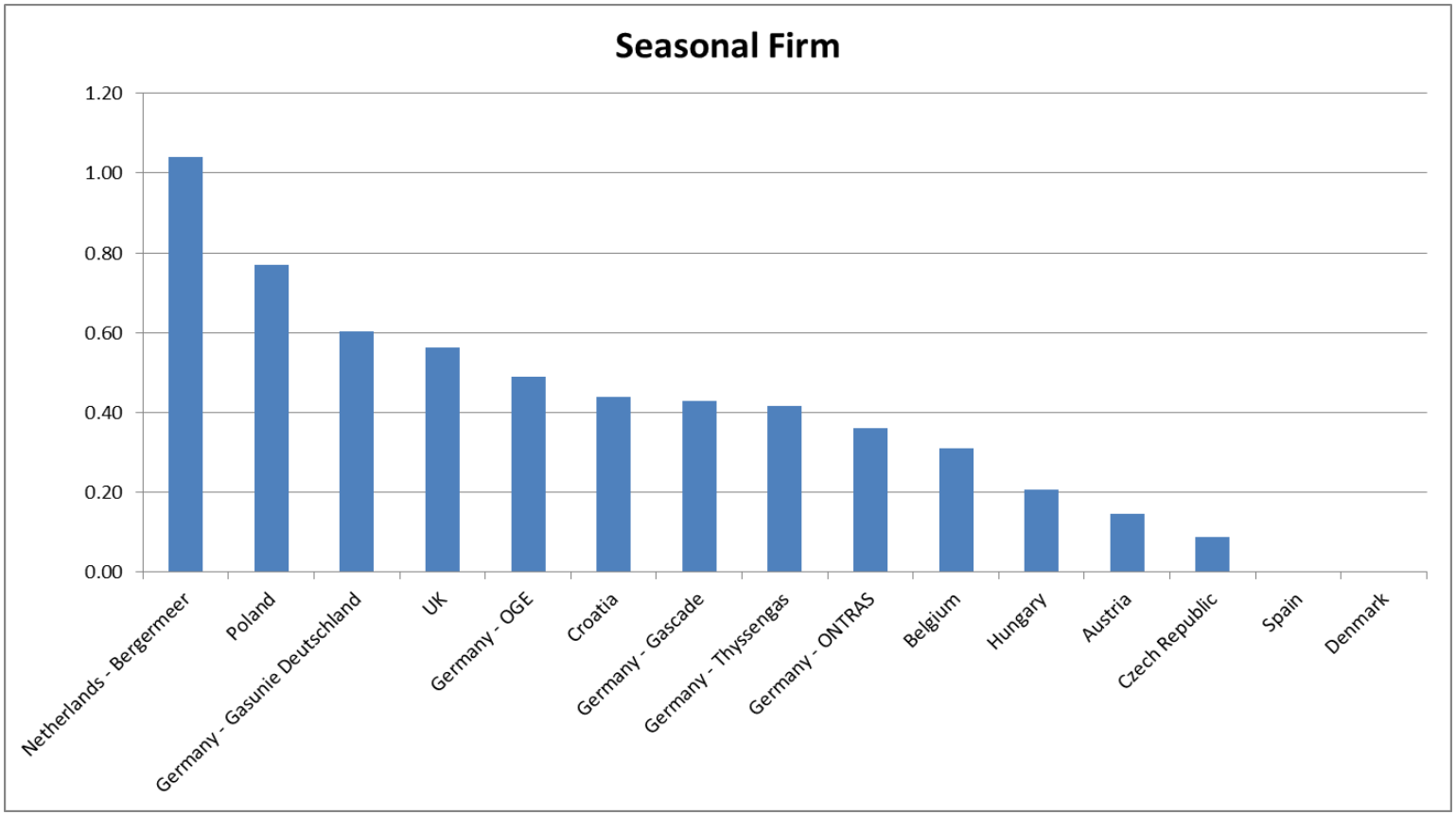
Article 9
Adjustments of tariffs at entry points from and exit points to storage facilities and at entry points from LNG facilities and infrastructure ending isolation

1. A discount of at least 50% shall be applied to capacity-based transmission tariffs at entry points from and exit points to storage facilities, unless and to the extent a storage facility which is connected to more than one transmission or distribution network is used to compete with an interconnection point.

2. At entry points from LNG facilities, and at entry points from and exit points to infrastructure developed with the purpose of ending the isolation of Member States in respect of their gas transmission systems, a discount may be applied to the respective capacity-based transmission tariffs for the purposes of increasing security of supply.

Wide range of transmission tariffs at Storage Connection Points (SCP)

- Seasonal Storage Use (Injection/Withdrawal 100/100 days), 1 January 2017



The methodology how discounts are calculated should be harmonised, but the results could be different from SCP to SCP.

How does GIE see the implementation of Article 9? (1)

- **Transparent and harmonised methodology in fixing TSO tariffs structures**
  - The methodology should take into consideration advantages of infrastructures for the proper functioning of the transmission networks and of the EU gas market
  - For SCPs, a discount between 50% - 100% shall result from a proper consideration of the net benefits of storages for the transmission networks. Direct and indirect benefits of storages for transmission systems such as:
    - ✓ Efficient investment
    - ✓ Reduced operating costs
    - ✓ Network stability
    - ✓ Security of Supply (availability of gas, facing peak demand)
  - For LNG connection points (LCP), a discount can be granted if demonstrated that (1) the security of supply of the Member State (MS) needs to be improved and (2) the discount effectively contributes to fulfil this objective
  - For LNG, there should not be any difference between the entry tariffs from different LNG terminals within the same MS to promote non-discrimination and equal treatment

How does GIE see the implementation of Article 9? (2)

- **For shippers using storages, double payment must be avoided**
  - Shippers using storages have already paid the entry/exit tariff of the market zone
- **Ensuring a level playing field across borders**
  - no additional fees shall be applied that effectively reduce or compensate discounts granted at LCPs or SCPs
  - according to NC TAR, multipliers apply only at IPs
  - applicable for gas quantities that are transferred via the storage facility between market zones and compete with IPs should be priced with a higher tariff to avoid a price discrimination
- **How to define cross border use and competition between IP's / storage?**
  - Discrimination should be avoided in both directions

GIE is proud to support

gas naturally

making a clean future real

Gas Naturally

GN is a campaign to showcase the essential role of natural gas in the forthcoming energy revolution. The mitigation of climate change has become one of the most important issues for the gas industry.

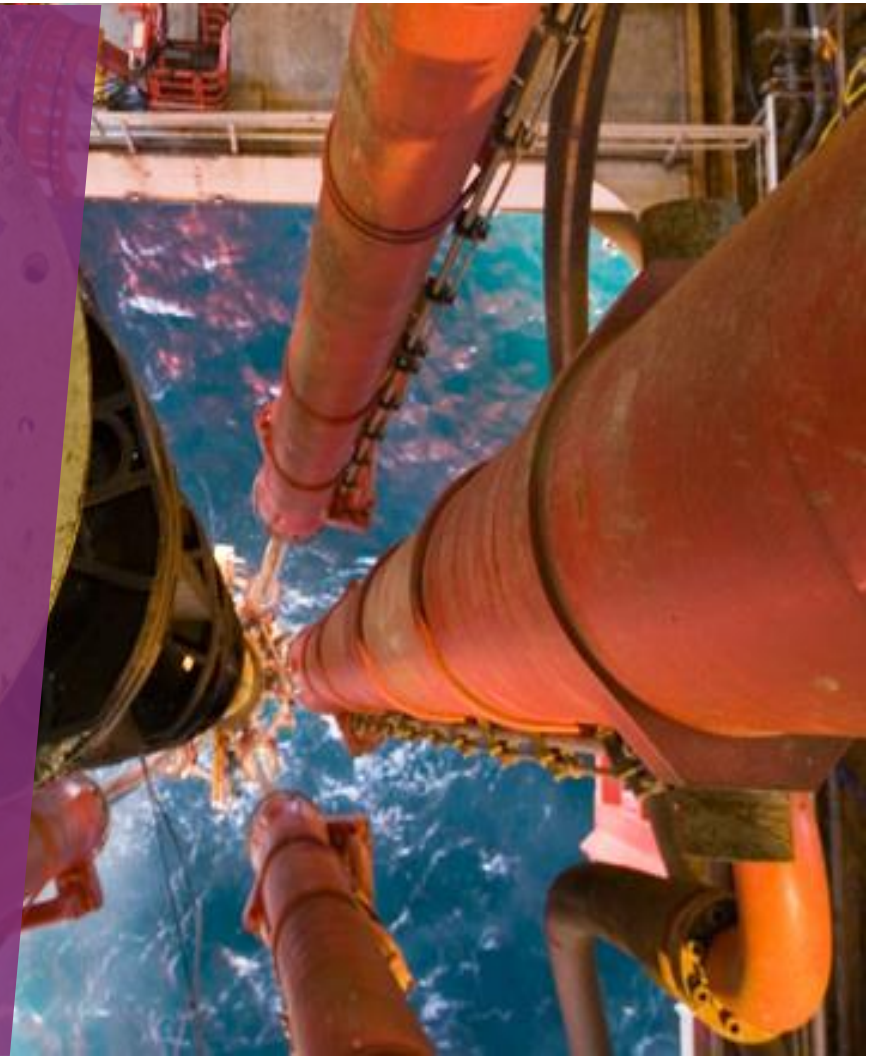
Thank you for your kind attention.

GIE - Gas Infrastructure Europe

www.gie.eu

International Association of Oil & Gas Producers

Tariff NC implementation



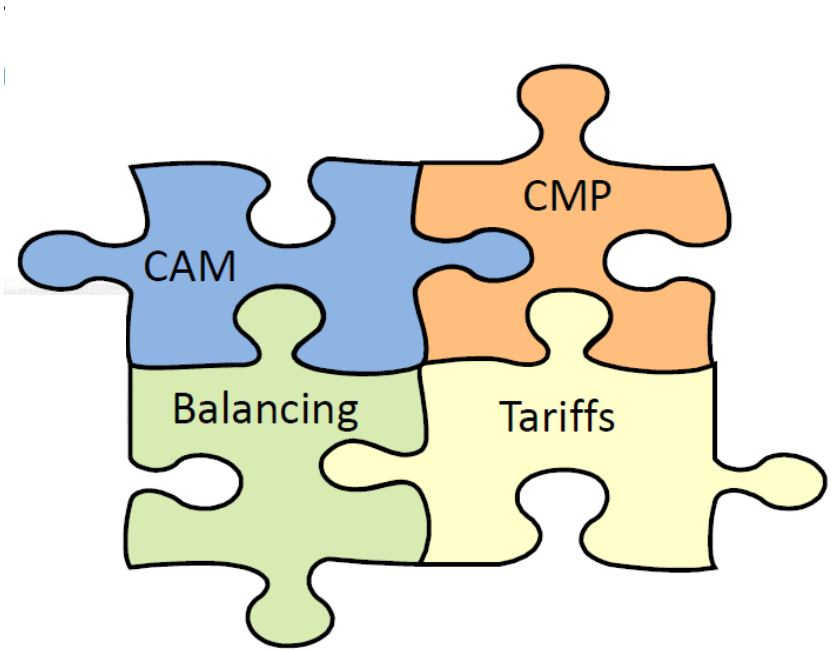
ENTSOG workshop on TAR NC implementation

Brussels, 29 March 2017

Kees Bouwens, ExxonMobil, Chair EMSC

Network code development

- IOGP has supported development of network codes as instruments to promote market integration and facilitate cross-border trade
  - Official ENTSOG process started back in January 2011
  - Stakeholder engagement was important/essential
- Tariff NC is to work together with CAM, CMP, Balancing (+ Interoperability)
- Implementation effort is essential to achieve NC objectives
  - NC compliance alone may not be sufficient



International Association of Oil & Gas Producers

Tariff NC

- IOGP welcomes Regulation (EU) 2017/460 of 16 March 2017
  - Provides transparency on tariff methodology;
  - Consultation on cost allocation decisions and
  - Publication of tariffs in a timely manner

- Harmonisation of tariff methodology is limited; code provides flexibility for national methods where this is justified
  - There is also flexibility to adjust the entry-exit-split and the short-term multipliers to promote competition and cross-border trade
  - This could be used to address cross border tariff issues

- Implementation of the Tariff NC should be used to facilitate market integration and remove barriers to cross-border trade

Tariff NC – Consultation

- IOGP supports consultation provisions of Article 26 Tariff NC
- Timing of paragraph 5 (template) may prove to be challenging
  - ACER to develop template after consulting ENTSOG and make this available to NRAs and TSOs before 5 July 2017
- Consultation by NRAs under Article 28 is of particular importance as it recognizes tariff decisions may impact on directly connected MSs
- Tariff NC should not prevent NRAs and TSOs to consult frequently with relevant stakeholders on tariff related issues
  - Both formal consultations and informative sessions are essential to develop and maintain a well functioning wholesale market

Tariff NC – Interruptible capacity

- Article 4, paragraph 2, provides flexibility to set tariffs in a manner that takes into account the conditions for firm capacity
  - Facilitates conditional firm capacity and short haul capacity products

- Article 16 discounts apply to both yearly and non-yearly standard capacity products for interruptible capacity
  - However, NC CAM amendment limits the offer of interruptible services to situations where firm product was sold at an auction premium, was sold out or was not offered (Article 32)

- Whether ex-ante or ex-post discounts are applied, the reserve price is unlikely to reflect the true economic value of interruptible capacity

- Offer of interruptible capacity should not discharge TSOs of the obligation to maximize the offer of firm capacity products

International Association of Oil & Gas Producers

For more information please contact:

cs@iogp.org
kees.bouwens@exxonmobil.com

www.iogp.org

Registered Office
City Tower
40 Basinghall St
14th Floor
London EC2V 5DE
United Kingdom
T +44 (0)20 3763 9700
F +44 (0)20 3763 9701
reception@iogp.org

Brussels Office
Bd du Souverain,165
4th Floor
B-1160 Brussels
Belgium
T +32 (0)2 566 9150
F +32 (0)2 566 9159

Question and Answer session

Brussels – 29 March 2017

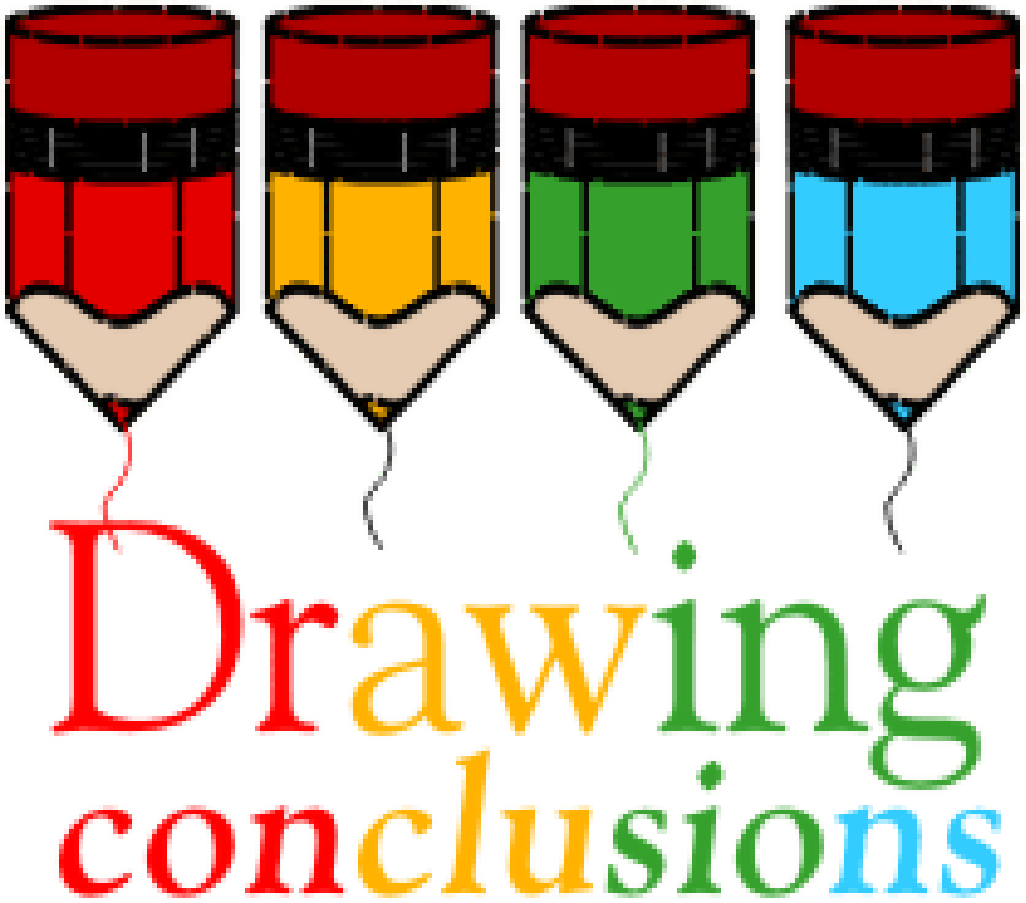
Conclusions

TAR NC Implementation Workshop

Irina Oshchepkova

Tariff Subject Manager, ENTSOG

Image Courtesy of Thyssengas


Drawing
conclusions

Notes for Slide 205

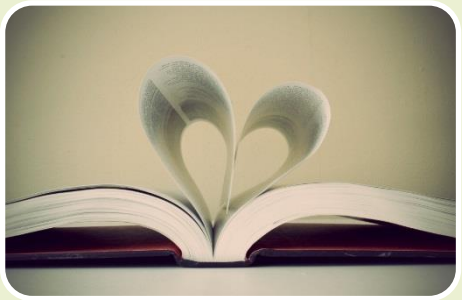
Conclusions:

- The TAR NC is a complex legal act and it is sometimes open for interpretation in certain instances. Today we have covered the key content points which are more stakeholder-focused (including consultation and publication requirements).
- ENTSOG's IDoc provides an overview of the TAR NC, including its content aspects and the timeline. It is a tool to reply to the Madrid Forum invitation to support the TAR NC implementation.

Topics highlighted at the Workshop:

- Scope, including the TAR NC application at points with 3rd countries.
- Implementation timeline, including the switch to the new tariffs.
- Consultation requirements, including CAA, CWD, ACER's consultation template, some of the examples of best practices, consultation in English language.
- Publication requirements, including information per Article 30 on TSOs' revenues and tariff model.
- Approach for interruptible, storage and LNG discounts.
- Interactions between the NCs and the necessity of NRAs' cooperation.

Something to take away



IDoc: please read and comment

30 June 2017

TAR-NC@ entsog.eu

Next Workshop

Notes for Slide 207

How to read and comment the IDoc:

- Between now and the end of June there are 67 working days for your IDoc review.
- Please send us your comments at our common email address TAR-NC@entsog.eu, by 30 June. If you would like to contact us personally, our email addresses are on ENTSOG's website, under 'Who is who'.
- We will use your comments for updating the IDoc where relevant.

The next Implementation Workshop:

- Today's Workshop has been scheduled around the first application date of the TAR NC (entry into force).
- The next Workshop is planned to take place in October which is the second application date.
- We plan to publish the updated version of the IDoc close to the date of the second Workshop.

Thank You for Your Attention

Tariff Brussels Team

ENTSOG -- European Network of Transmission System Operators for Gas
Avenue de Cortenbergh 100, B-1000 Brussels

EML: TAR-NC@entsog.eu
WWW: www.entsog.eu