

MINUTES

Implementation Workshop for the Network Code on harmonised transmission tariff structures for gas

29 March 2017, 09:30 – 17:00

At the Thon Hotel EU, Rue de la Loi 75, 1040 Brussels

Company	Name ¹	Company	Name
ENTSOG (chair)	Irina Oshchepkova	Gazprom Representative Office in Belgium	Ilya Korneev
ENTSOG	Jan Ingwersen	ONTRAS Gastransport GmbH	Niels Krap
ENTSOG	Malcolm Arthur	Gasunie Deutschland Services	Matthias Krohne
ENTSOG	Laurent Percebois	CRE	Francois Leveille
ENTSOG	Seán Kinsella	EFET	Pawel Lont
ENTSOG	Andreas Martens	Taqa	Robert Jan Maaskant
ENTSOG	Felix Uftring	CREG	Tom Maes
ENTSOG	Jan Vitovsky	PRISMA European Capacity Platform	Paolo Maffei
Wingas GmbH	Kai Aldenhoff	Gazprom Marketing & Trading Ltd	Lucy Manning
Gas Natural Comercializadora	Antonio Alizo Mirabel	Gas-System	Pawel Markowski
CREG	John Allonsius	ACER	Miguel Martinez Rodriguez
ERSE-Portuguese Energy Regulator	Isabel Apolinario	Gazprom export LLC	Vladimir Mazilov
Croatian Energy Regulatory Agency	Goran Babic	Utility Support Group (USG) B.V.	Dirk-Jan Meuzelaar
Shell Energy Europe	Amrik Bal	Regulatory Authority for Energy	Spiros Metallinos

¹ The list of attendees is structured in the following way: first, ENTSOG's representatives and then, other attendees in the alphabetical order by the last name.

Plinacro	Franjo Balija	Storengy Deutschland GmbH	Petar Miskenkin
Alex Barnes & Associates Ltd.	Alex Barnes	SNTGN Transgaz SA	Bucur Neagu
PJSC Gazprom	Barnos Krill	Energy Agency of the Republic of Slovenia	Vinko Nedelko
ACER	Csilla Bartok	BBL Company	Marcel Neef
Gasunie Deutschland	Patrick Behr	Gastransport Nord GmbH	Christian Nickel
Gas Natural Fenosa	Silvia Bertran Arnabat	Trans Austria Gasleitung GmbH	Lorenzo Nicolosi
Gasunie Deutschland	Ksenia Berezina	HERA Trading	Stavos Papageorgiou
TIGF	Emmanuel Bouquillion	Gasum	Anna Paronen
ExxonMobil	Kees Bouwens	BP Gas Marketing Ltd	Andrew Pearce
Thyssengas GmbH	Matthias Breuer	Gasum Oy	Ville Rahkonen
Edison	Rosj Camarda	EDF Trading	Samuele Repetto
Enel Spa	Valentina Costa	Gazprom export LLC	Olga Rogozenkova
Fluxys Belgium	Robin Cunin	Edison	Elisa Rondella
Maria Czachowicz	Gas-System	RWE Supply & Trading GmbH	Stephen Rose
Eustream a.s.	Daniel Czeto	ANIGAS	Giulliana Rotta
GRTgaz	Fabrice Desjardin	Statoil	Christoph Schafer
Enagas	Maria Angeles de Vincente	GRTgaz Deutschland GmbH	Gregor Scholze
EDF Luminus	Bram De Wispelaere	Open Grid Europe	Ferdinand Schonenberg
Interconnector UK Ltd	Pavanjit Dhesi	BNetzaA	Marek Sernecki
Bulgartransgaz EAD	Danail Dikov	OMV	Fadi Shawtah
URE	Jacek Dobracki	Plinovodi d.o.o.	Marko Sirovnik
DESFA S.A.	Georgios Doumouras	Portuguese Ministry of Energy	Paulo Soares
Hungarian Gas Trade Ltd.	Ilona Dozsa	Energy Agency of the Republic of Slovenia	Mojca Spanring
Gas-System	Renata Drzmala	Uniper Global Commodities SE	Gunnar Steck
FGSZ Ltd.	Gabor Miklos Dudas	NET4GAS	Lubos Strachota
Premier Transmission Limited	Stephen English	Plinacro Ltd.	Mirella Subotic
JAFa-IMM s.r.o.	Jaromir Fajman	Gazprom export LLC	Anastasia Sukhotskaia
Fluxys Belgium	Louis Fally	Energeticky regulacni urad	Martin Svoboda

FGSZ Ltd.	Robert Feher	ERSE	Artur Trindade
PGNiG	Damian Fogel	Bulgartransgaz EAD	Aleksandar Tseryanov
OMV Gas Marketing & Trading	Alexander Frank	Gazprom Representative Office in Belgium	Dmitry Udalov
Plinacro	Matija Galijot	SNTGN Transgaz SA	Wilhelm Untch
Eustream a.s.	Michal Gazi	NET4GAS	David Urban
SNAM	Marco Gazzola	CREG	Ivo Van Isterdael
Bulgartransgaz	Maria Gerova	GEODE	Jan VoB
Wingas GmbH	Jan Gibbert	NET4GAS	Veronika Vohlidkova
Bundesnetzagentur	Rafael Gralla	National Commission for Energy Control and Prices	Marta Vrobjova
DESFA	Maria Griforakou	NET4GAS	Toms Vylezik
National Grid	Colin Hamilton	GASCADE Gastransport GmbH	Rolf Wagner
ENGIE	Laurent Hamou	GTS	Maaïke Waalkens
Federal Network Agency Bundesnetzagentur	Eva Haupt	Bundesnetzagentur	Anne Katherina
GasTerra	Arco Hofman	EFET	Doug Wood
Bulgartransgaz	Petya Ivanova	Plinovodi d.o.o	Maja Zajc
Gas Networks Ireland	Yvette Jones	OMV Gas & Power	Elvir Ziga
European Parliament ITRE	Bernadetta Kedra	Bulgartransgaz	Veselin Sinabov
Gastransport Nord GmbH	Jan Keller	GIE	Perizat Ubayeva
Gazprom export LLC	Andrey Konoplyanik	European Commission	Benedikt Klauser
E-Control	Markus Krug	Gazprom	Roman Nasretdinov
AEEGSI	Marco La Cognata	Conexus Baltic Grid	Inga Bendere
Open Grid Europe GmbH	Johannes Lambertz		

ENTSOG also provided a webcast facility on the day of the meeting for those unable to attend in person.

1. Opening

Irina Oshchepkova welcomed the participants to the Tariff Network Code (TAR NC) Implementation Workshop and outlined the agenda for the day. She noted that the workshop would be filmed and a video made covering the highlights of the day, if anybody had an objection to being in the video to let an ENTSOG member know.

Jan Ingwersen gave a short overview of the TAR NC development process. There were two objectives for the workshop: 1. For ENTSOG to give some insights from our perspective and also get feedback from participants; 2. Introduction to the Implementation Document (IDoc). Jan reiterated that it is a document from ENTSOG and TSO's perspective. The Madrid Forum had asked ENTSOG to play a more active role in supporting the implementation of the TAR NC, and the IDoc is a response to this. ACER made over 300 comments on the IDoc, of which 80% were addressed. A second version of the IDoc will be published in October, which will: (1) consider feedback received; and (2) elaborate on any outstanding issues.

First Session

2. TAR NC process

Benedikt Klauser, representing the European Commission, presented an overview of the development of the TAR NC, and emphasised that we now need to switch from the development phase to actually putting the TAR NC into practise. Implementation should be done in a timely fashion throughout the EU. Benedikt finished his presentation with an overview of current and future EU energy projects, the Clean Energy Package and Quo Vadis.

3. Tariff setting process overview

Malcolm Arthur presented an overview of tariff setting process, covering what is in the scope of the TAR NC and what isn't, and the TAR NC ultimate objective. Malcolm highlighted the need for cost recovery to be cost reflective and then proceeded to provide an outline of the process for tariff calculation, covering reference price and reserve price calculations.

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

Tom Maes presented ACER's views on the Implementation of the TAR NC. Setting the TAR NC within the wider structure of existing NCs, and the benefits it will bring to the end consumer. Tom highlighted ACER's contribution to the IDoc, which was done by providing over 300 feedback comments, of which over 80% were taken on board by ENTSOG. For a smooth implementation of the TAR NC the Consultation Template to be developed by ACER will be important.

Q: Is the default 50/50 split for the benchmark reference price methodology (RPM) the most efficient way to do this?

A: The 50/50 split is only for the benchmark RPM. Indeed the 50/50 split will not be the most efficient split for all TSO's, that's why TSO's can deviate from it when applying their own RPM, but will have to justify it with their NRA.

Q: What is meant by coordinated implementation, and what will this look like?

A: IDoc and Implementation Workshop are first example of this coordinated implementation, both ENTOSOG activities, but with ACER input. Also, early implementation compared to previous NCs, with TAR NC we started preparing for implementation significantly before entry into force and application date. Coordination between directly connected NRAs and through consultation with stakeholders.

Q: Coordinated Implementation, does this mean harmonised implementation between, for example, adjacent TSOs or NRAs?

A: We don't need new institutions to achieve this, structures are already in place

Q: Regarding the Consultation Template, what are the 'best practises' mentioned in ACER's presentation?

A: Existing methods for the components captured in the Consultation Template that work well should continue to be used going into the future.

5. Question and Answer session

All question and answers for the first session were asked directly after the presentations.

Second Session

6. Scope and implementation timeline

Irina Oshchepkova presented the scope and implementation timeline for the TAR NC, covering the broad scope and limited scope rules and their application. The three application dates for different parts of the TAR NC and the subsequent compliance dates, which potentially vary, e.g. chapter VIII 'Publication Requirements'.

Q: CAM NC can be applied to 3rd countries on a voluntary basis in accordance with bi-lateral arrangements of the NRAs, how does this fit in to the idea of limited and broad scope rules?

A: Broader scope rules apply at the EU side of the border by default. Limited scope rules apply at the EU side of the border 'automatically' in case the NRA takes a decision to apply the CAM NC at the EU side of the border.

Border between the EU and the Energy Community Contracting Party: (1) At the EU side of the border, the CAM NC applicability is subject NRA decision on the EU side of the border and so the NRA may decide to apply the CAM NC at these particular points, this is foreseen by the CAM NC; (2) At the non-EU side of the border, the Energy Community Contracting Party shall

endeavour to apply the NCs; (3) The NRAs at the EU side of the border have been signing a non-legally binding document regarding the NC application.

Border between the EU and other third country: (1) Same as above; (2) Not applicable; (3) The NRAs would need to cooperate regarding the NC application issues.

Q: What are 'other points' referred to in the presentation?

A: Points that are not at the border between two entry/exit systems (e.g. domestic points).

Q: CAM NC can be applicable at IPs with third countries as per a decision by the NRA on the EU side of the border, but what about the input from the NRA in the third country, as the CAM NC can't be applied on only one side of an IP?

A: Where the CAM NC is applied at both sides of an IP, between an EU Member State and a third country, the NRAs from both sides of the border would need to cooperate. Also, CAM NC can in fact be applied on one side of an IP linked to a third country, but such application will not cover all the CAM NC rules (e.g. bundling will not be possible).

7. Publication requirements

Seán Kinsella and Andreas Martens presented the publication requirements of the TAR NC. Seán covered what and when needs to be published before the annual yearly capacity auctions and before the tariff period. Andreas covered how this information is to be published, both on the TSO/NRA website and directly on ENTSOG's Transparency Platform, and what form this is to take.

Q: Will there be data published to forecast tariff trends, including on the parameters of the allowed/target revenue?

A: TSO or NRA will be required to publish data on the allowed/target revenue parameters (RAB, WACC etc.). The user should be able to see the difference in tariffs over time, whether in units or percentage. A simplified tariff model is provided in the IDoc as an example using the projections of the allowed revenue but without the details on the parameters of the revenue. Such example of the model corresponds to the requirements of the TAR NC to enable network users to estimate the possible evolution of transmission tariffs beyond the prevailing tariff period. The data on the parameters of the allowed/target revenue is also proposed to be published in a standardised section on TSO/NRA website which is mandatory as per the TAR NC. On ENTSOG's Transparency Platform, there will be links leading to an individual TSO/NRA website – this is a 'one stop shop' approach.

8. Regulatory Account

Emmanuel Bouquillion (TIGF), on behalf of ENTSOG, presented the Regulatory Account as per the TAR NC, covering the concept, components and principles of the regulatory account as well as the reconciliation of the regulatory account, which needs to be done in accordance with the applied RPM.

9. Question and Answer session

All question and answers for the second session were asked directly after the presentations.

Third Session

10. Consultation Requirements, Content and Process

Laurent Percebois presented a content overview of the consultation requirements of the TAR NC. He covered the content to be included in the periodic consultation and the consultation to be done every tariff period, and finished by looking at the similarities and differences between the two sets of consultations.

Niels Krap (ONTRAS), presenting on behalf of ENTSG, gave a summary and provided examples of the capacity weighted distance methodology and the cost allocation assessments. Colin Hamilton (National Grid), presenting on behalf of ENTSG, looked at the consultation process, covering the recommended timeline and how this breaks down per topic and duration.

Q: How would discounts on tariffs contribute to ending the isolation of a Member State?

A: This was included in the TAR NC as a policy decision. An example of when it could be used: if a Member State has no direct connection to the EU network, and in order to achieve this expensive infrastructure would have to be built, which would drive the tariffs up significantly.

Q: Who would end up paying for such discounts?

A: This is outside the scope of the TAR NC, as it would more than likely be a policy decision. Also, as per the TAR NC it is an option to apply this provision, and would be open to consultation and NRA approval.

Q (webcast): Can you please confirm that the consultation every tariff period arises from Article 28 and therefore the requirement for this consultation applies to IPs only and not on multipliers/discounts etc. at non-IPs.

A: Yes, we can confirm this.

11. Interruptible capacity pricing

Felix Uftring presented Interruptible capacity pricing as per the TAR NC. He explained the difference between ex-ante (before interruption) and ex-post (after the interruption occurred) options. How the ex-ante discount is calculated, including the Pro and A factors, and an example how to calculate these was provided. Felix finished his presentation by setting out the conditions for TSOs to offer an ex-post discount.

12. Question and Answer session

Q: What does interruption mean? Is it a technical interruption, economic or even political?

A: The term 'interruption' is linked to the term 'interruptible capacity' which is defined in the Gas Regulation as capacity not guaranteed as firm.

Q: How are the parameters set when calculating the ex-ante discount and how do we know they are appropriate?

A: The level of discount is subject to NRA consultation and approval every tariff period and therefore, it is reasonable to conclude that the components included in the formula for its calculation are subject to consultation and approval requirements every tariff period as well. An assessment of the probability of interruption including the historical and forecasted data used for the estimation of the probability of interruption will be included in the information to be published before the annual yearly capacity auctions every year.

13. Prime Movers

Steve Rose, representing RWE, emphasised the importance of Chapters VII Consultation and VIII Publication in his presentation. Tariff setting should be transparent in order to create trust in the process. Highlighted that it is important to have the consultation documents published in English.

Dirk-Jan Meuzelaar, representing IFIEC, presented the importance of understanding how tariffs are produced ensuring cost reflectivity, non-discrimination and preventing undue cross-subsidisation. This information should be provided in a transparent manner and easy to understand. Emphasised the importance of NRA's role in TAR NC implementation.

Perizat Ybrayeva, representing GIE, highlighted in her presentation that the Implementation of the TAR NC should be lean and efficient. Article 9 of the TAR NC is of particular importance to GIE and welcomed implementation of this article in a transparent and harmonised manner ensuring a level playing field across borders.

Kees Bouwens, representing IOGP, started his presentation by pointing out that the NCs are there to encourage cross border trade and implementation efforts are essential to achieve NCs' objectives. Regarding consultation requirements, Kees highlighted that both formal consultations and informative sessions are essential to the development and maintenance of a well-functioning wholesale market.

14. Question and Answer session

Q/Comment: Participant had concerns regarding absence of data in IDoc related to publication of RAB, methodology of valuation, depreciation period, cost of capital and its methodology, Capex and Opex.

A: This information was indeed included in the IDoc. It has been included within the figure listing all information to be published before the tariff period.

Q: In the GIE presentation, the storage fees in the Netherlands were presented as particularly high, a participant listed a number of facilities and asked if they were included in the calculation of these fees.

A: For this particular case in the Netherlands the example of Bergermeer was used, and the entry and exit tariffs were calculated together for simplification reasons.

15. Conclusions

Summing Up

Irina Oshchepkova thanked all for participating, joining in the debates and those who presented. Highlighted the complexity of the TAR NC, that it leaves room for interpretation at times, and as such the IDoc is ENTSOG's understanding of the TAR NC, and we are open to feedback in this regard. Participants can give their feedback of the IDoc by email (TAR-NC@entsog.eu) up until 30 June 2017 to have their views taken on board for the next version of the IDoc planned to be released in October 2017.

ENTSOG has another TAR NC implementation workshop planned to coincide with the TAR NC second application date (October 2017), details will follow. Irina asked the participants to please fill out the feedback forms, in particular for the topics that the participants are interested in covering at the next workshop. Nobody objected to being filmed during the workshop, ENTSOG will post the videos of the workshop shortly.

Closing Remarks

Malcolm Arthur closed the workshop by thanking all participants for attending and their contribution to the discussions, which is vital for a successful workshop. Stated that it is very positive that all stakeholders are trying to come up with solutions for the successful implementation of the TAR NC so early in the process. Finally, thanked all those who have contributed to the IDoc.