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for gas

Brussels – 5 October 2017

2nd Implementation Workshop

Tariff Network Code

Image Courtesy of Thyssengas

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Welcome

Brussels – 5 October 2017

Introduction

2nd TAR NC Implementation Workshop

Irina Oshchepkova

Tariff Subject Manager, ENTSOG

Image Courtesy of Thyssengas

Agenda

1. Agenda of the Workshop
2. Organisational matters
3. Meeting objectives

Agenda [1]

Welcome — ENTSOG's 2nd Implementation WS

- Registration and welcome coffee
- Introduction
- EC view

1st Session — Transparency

- Updated publication requirements
- Publication requirements and Transparency Platform
- Standardised section for data publication on TSO/NRA website
- Stakeholder view
- **Coffee break**

Agenda [2]

2nd Session — NRA/ACER perspective

- NRA perspective
- ACER's perspective
- **Lunch break**
- Stakeholder view

3rd Session — Addressing stakeholder concerns

- IDoc updates
- Stakeholder view
- **Coffee break**
- TAR NC and Storage
- Stakeholder view

4th Session — Up-coming year/Monitoring

- Implementation and Effect monitoring
- Conclusions

Organisational matters

agenda

Meeting objectives

Share implementation experiences and plans

Updated TAR IDoc

Views of Prime Movers, EC, ACER and NRAs

EC view

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1st Session: Transparency

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Updated publication requirements

2nd TAR NC Implementation Workshop

Andreas Martens, Market Adviser, ENTSOG

Kathrine Stannov, Transparency Subject Manager, ENTSOG

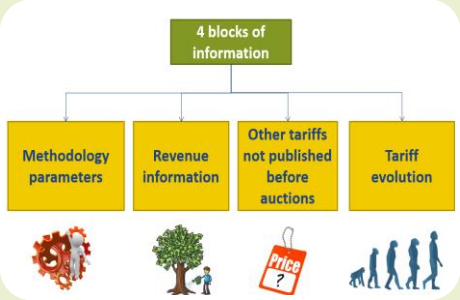
Image Courtesy of Thyssengas

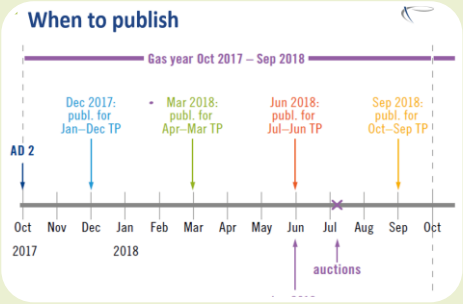
Agenda

1. Recap of the 1st workshop: What, When and How?
2. Early compliance with publication requirements
3. Conclusion

1. Recap from 1st Implementation Workshop

Something you took away



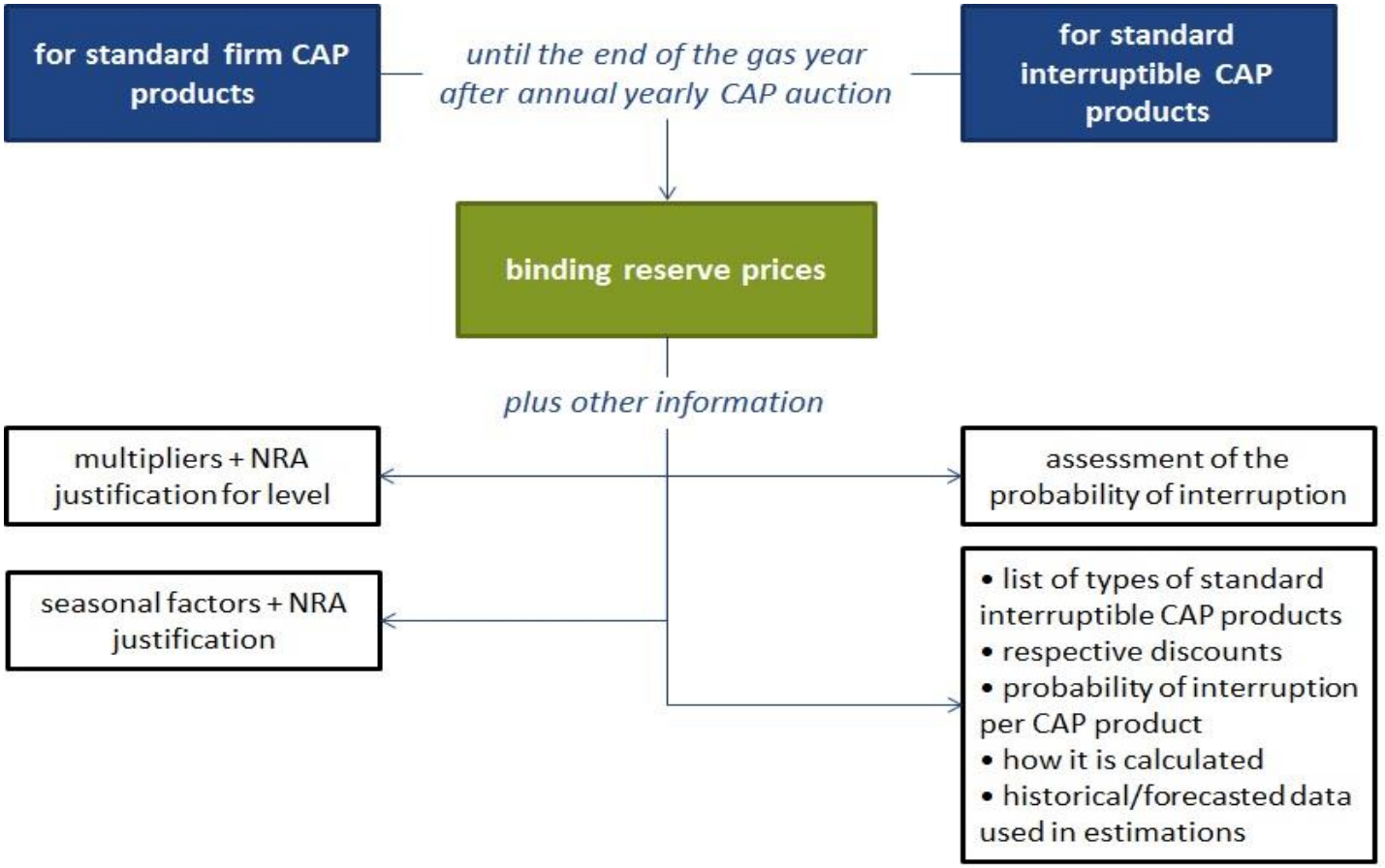


What

When

How

What to publish before annual yearly capacity auctions



Notes for Slide 16

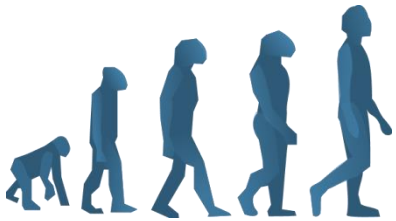
The slide above summarises the set of information for publication before the annual yearly capacity auctions. The reserve price applicable until at least the end of the gas year beginning after the annual yearly capacity auction, for firm and interruptible products. To ensure sufficient clarity regarding 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.

What to publish before tariff period

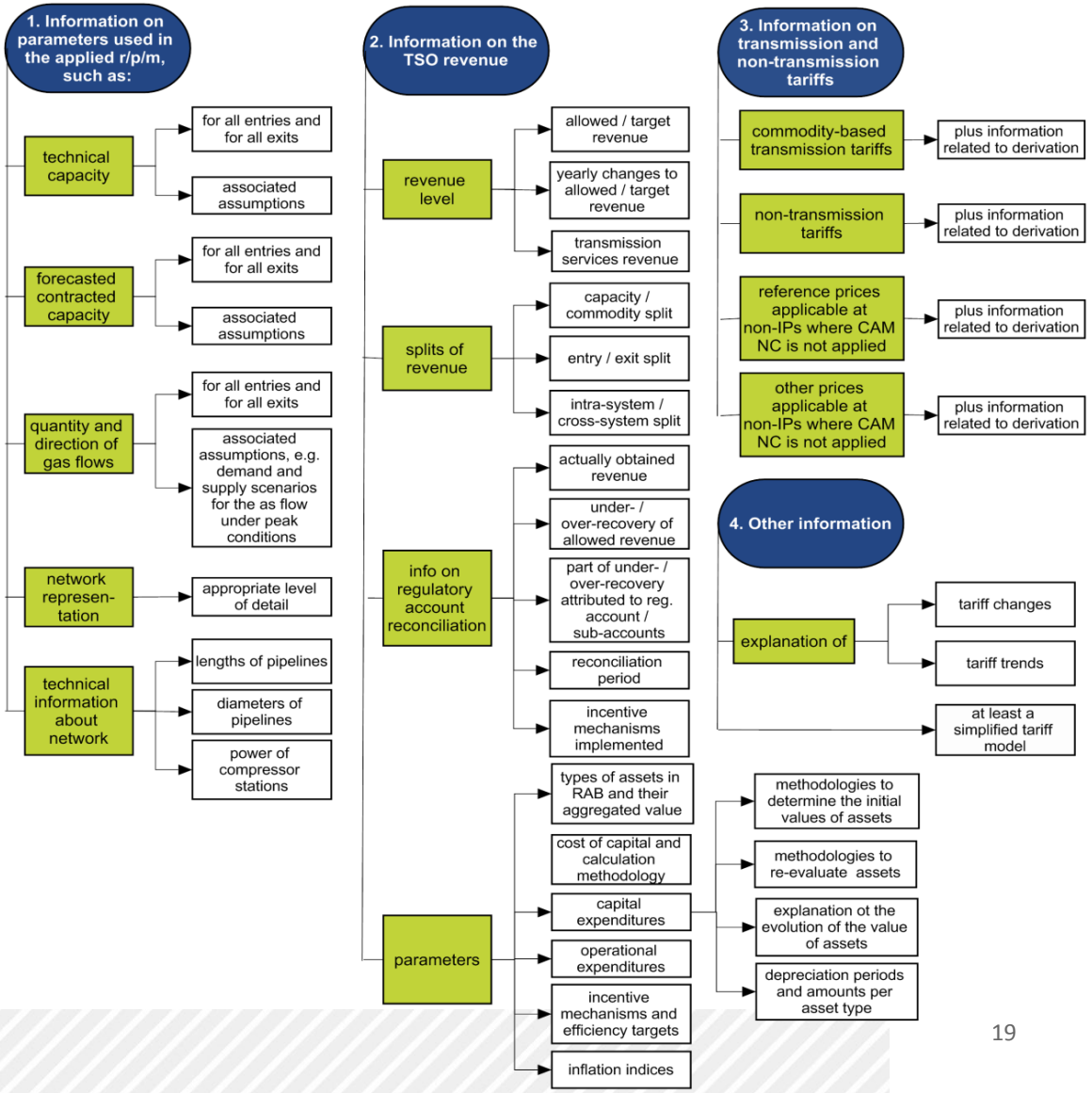
4 blocks of information

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



Notes for Slide 18

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.



How: 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 20

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.

What to publish How?

	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 charges • Simulation of all costs for flowing 1 GWh/day/year*	IPs by default	In English only	In a standardised table

New Theme - Who: Responsibility Split TSO/NRAs

MS	Information in Article 29 – TSO/NRA website	Information in Article 30 – TSO/NRA website	Information in Article 31(2) – sending information to ENTSOG's TP
Austria	NRA	NRA	TSO
Czech Republic	NRA	NRA	TSO
France	NRA	NRA	TSO
Hungary	NRA	NRA	NRA
Ireland	To be decided	To be decided	To be decided
Poland	TSO	TSO	TSO
Portugal	TSO publishes an assessment of the probability of interruption NRA publishes the rest	NRA	TSO
Spain	To be decided	To be decided	To be decided

MS not mentioned: TSO is responsible for all the publication.

Poland is included as responsibility has shifted recently to be the TSO

Notes for Slide 23

MS	Information in Article 29 – TSO/NRA website	Information in Article 30 – TSO/NRA website	Information in Article 31(2) – sending information to ENTSOG's TP
Austria	NRA	NRA	TSO
Czech Republic	NRA	NRA	TSO
France	NRA	NRA	TSO
Hungary	NRA	NRA	NRA
Ireland	To be decided	To be decided	To be decided
Poland *	To be decided	To be decided	To be decided
Portugal	TSO publishes an assessment of the probability of interruption NRA publishes the rest	NRA	TSO
Spain	To be decided	To be decided	To be decided
Netherlands *	NRA	NRA	TSO
Greece *	To be decided	To be decided	To be decided

MS not mentioned: TSO is responsible for all the publication.

Poland is included as responsibility has shifted recently to be the TSO

* Status updated based on feedback at 2nd Implementation Workshop

2. Early compliance with publication requirements

2.1. Detailed description

Early compliance with publication requirements

ENTSOG's TP

Dec 2017: tariffs applicable for the current gas year (1 Oct 2017 – 1 Oct 2018)

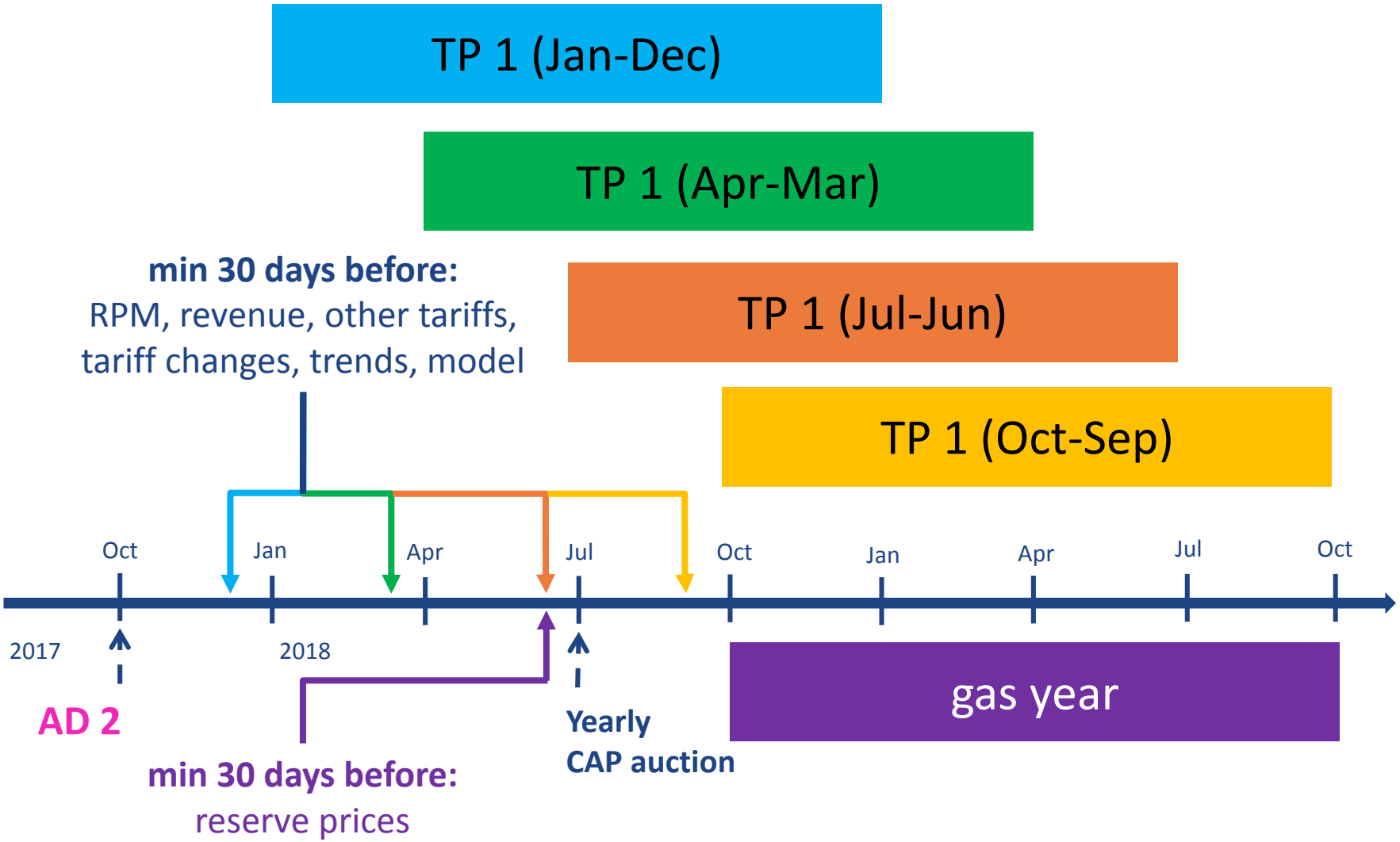
- Reserve prices for all MS
- Flow-based charges for MSs whose tariff period is other than one year or other than January to December

TSO/NRA website

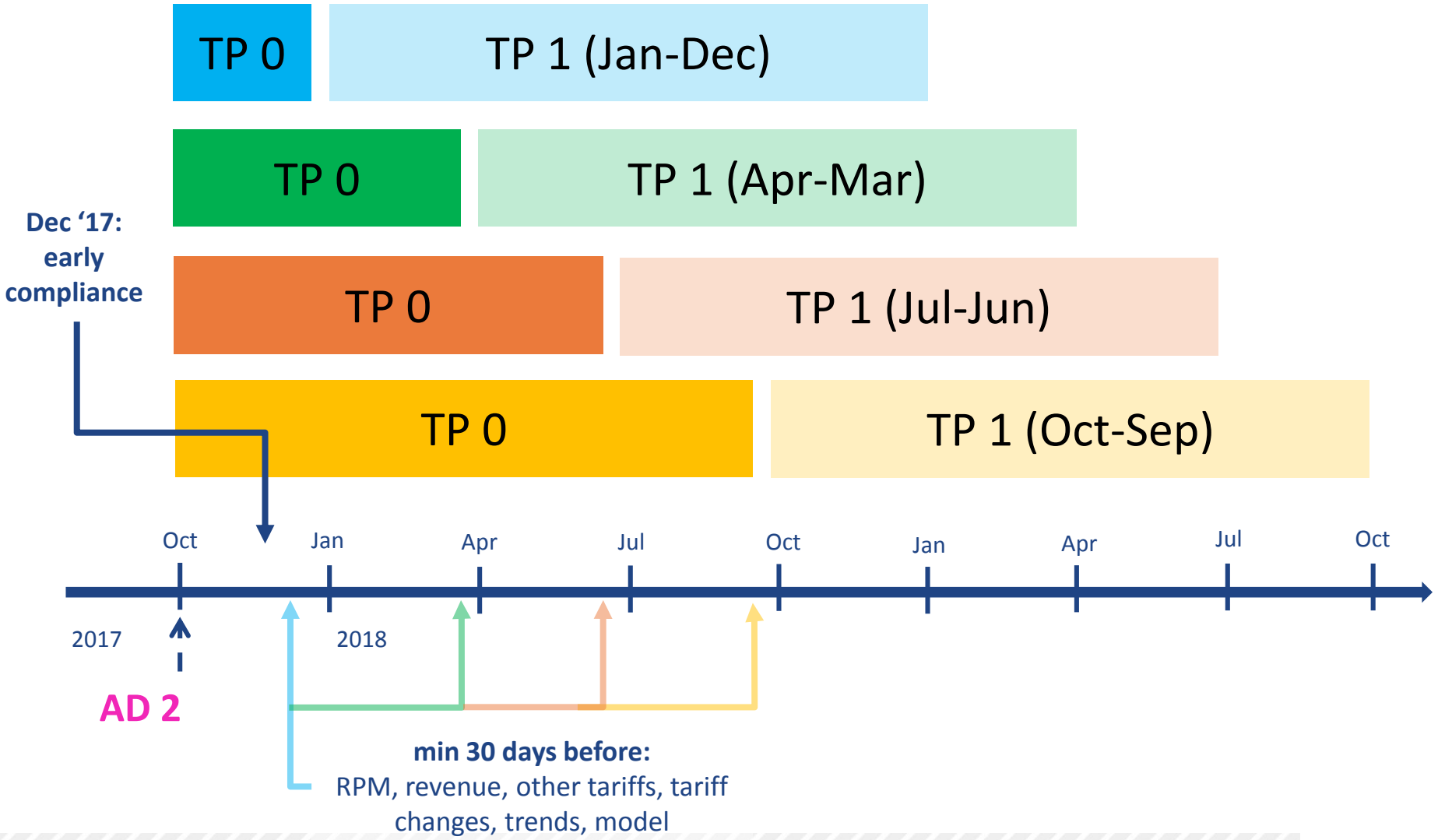
By the end of 2017: applicable revenue information per Art. 30(1)(b) for the current tariff period for MSs whose tariff period is other then one year or other then January to December

Will be explained in details in next part

When – March status



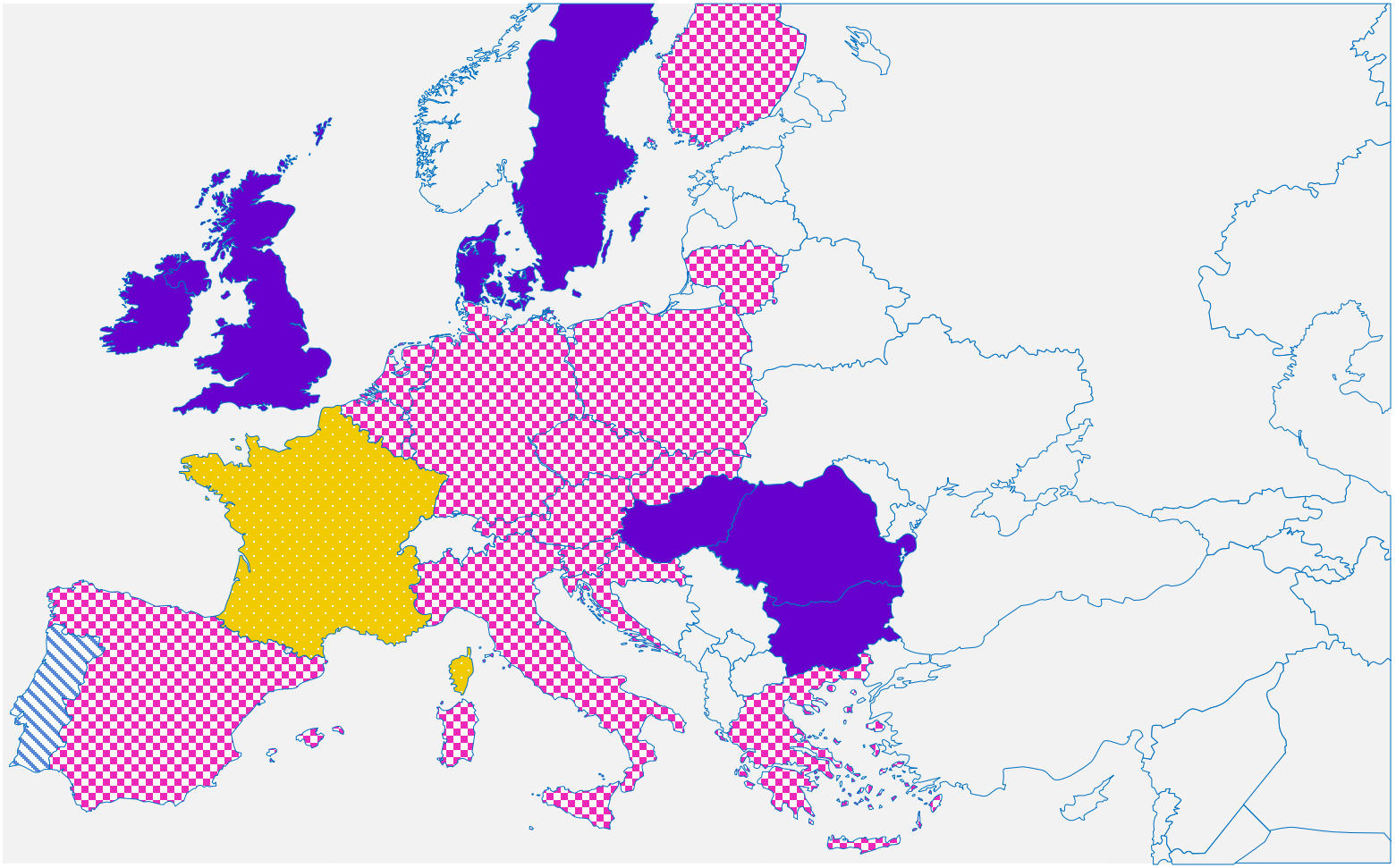
When – September status



2. Early compliance with publication requirements

2.2. Publications – status quo

Tariff Period – Different throughout Member States



January-December April-March July-June October-September

In HU + BG, the tariff period will change from January-December to October-September as from 1 October 2017.

Notes for Slide 30

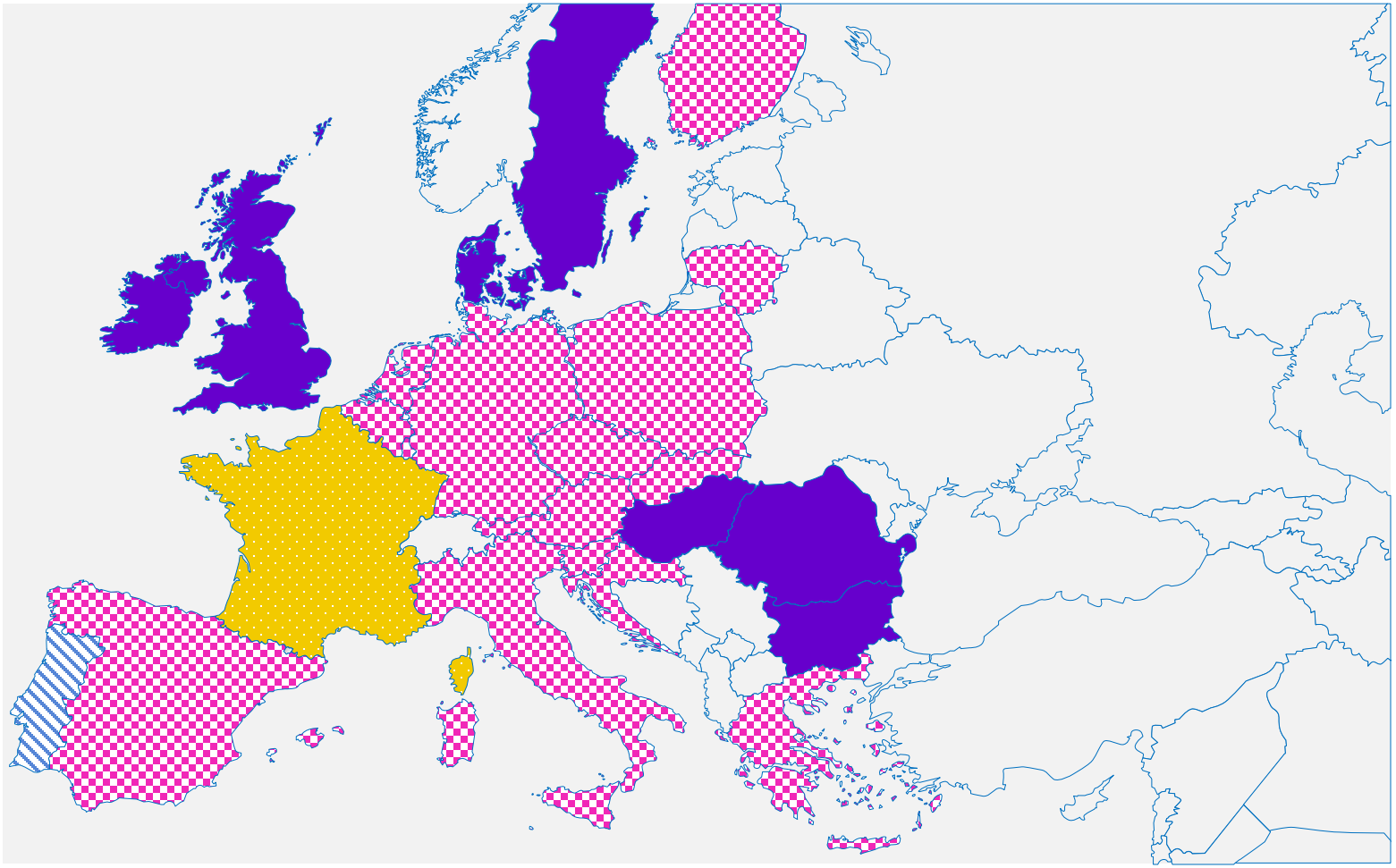
The map shows different tariff periods applied throughout the EU.

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

Slovakia is marked as January-December tariff period. However, its tariff period lasts not one but five years: 2017-2021.

Hungary and Bulgaria switched to October-September tariff period as from 2017.

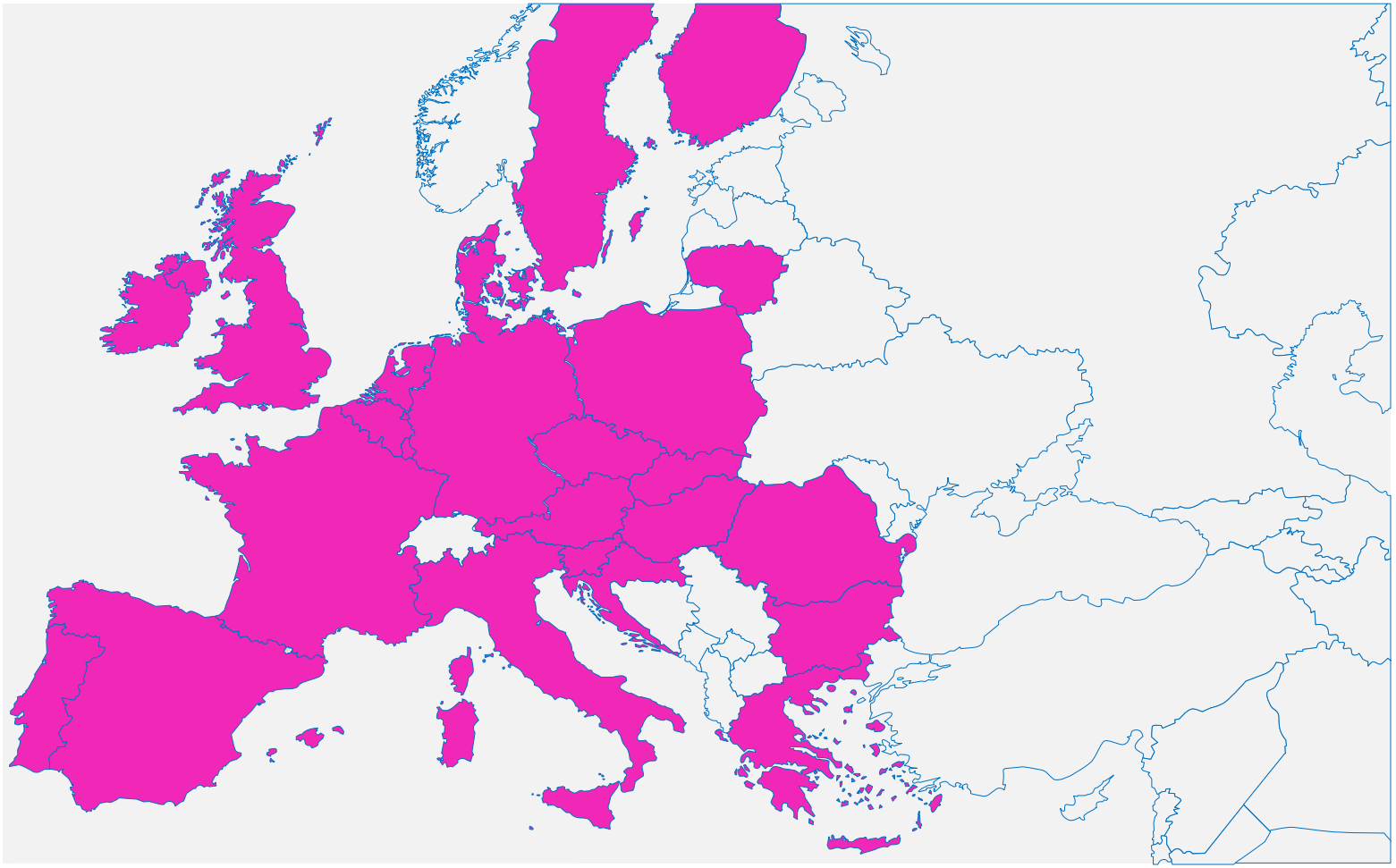
Publication on TP before Tariff Period 1



December March June September

Before the tariff period, flow-based charges (commodities) and simulation costs must be published on the TP.

Publication on TP before the ann. auctions



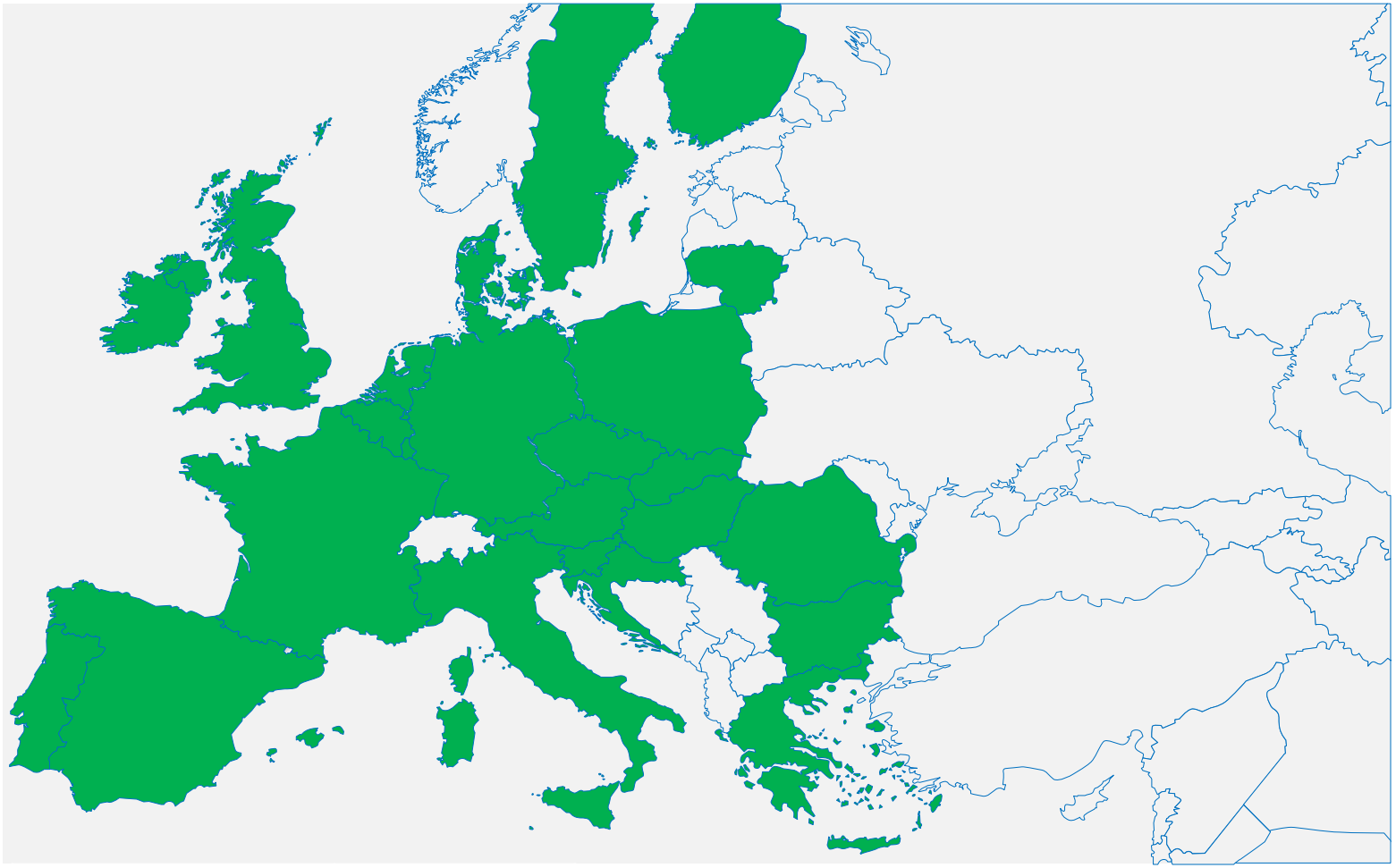
June

Before the annual auctions, reserve prices (applicable tariffs) referring to the **next** gas year must be published on the TP.

2. Early compliance with publication requirements

2.2. Publications – changed status

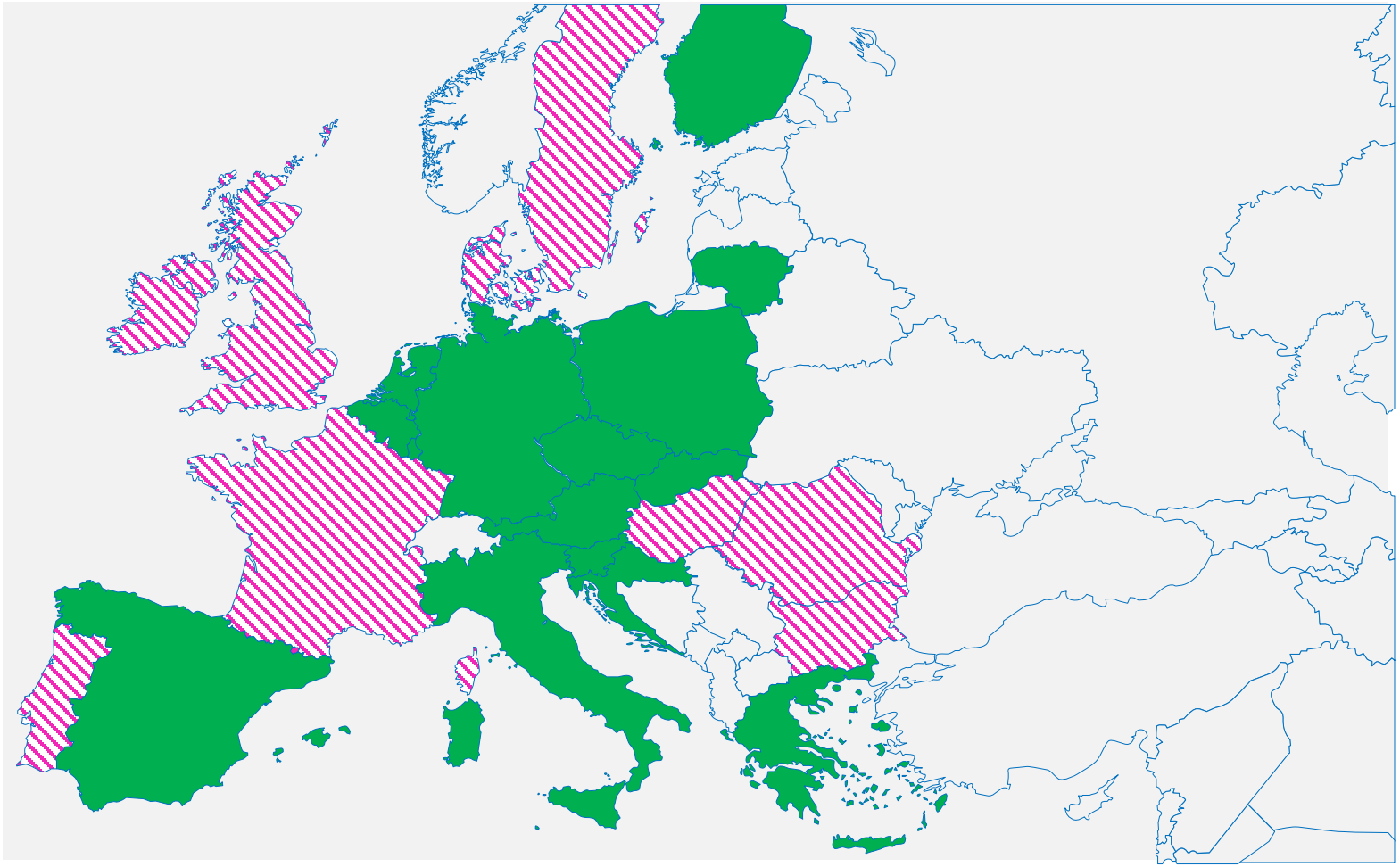
Publication on TP Dec ’17 / Res. Prices



December 2017

For increased stakeholder information, TSOs and NRAs have decided on early compliance and will publish reserve prices for the **current gas year**.

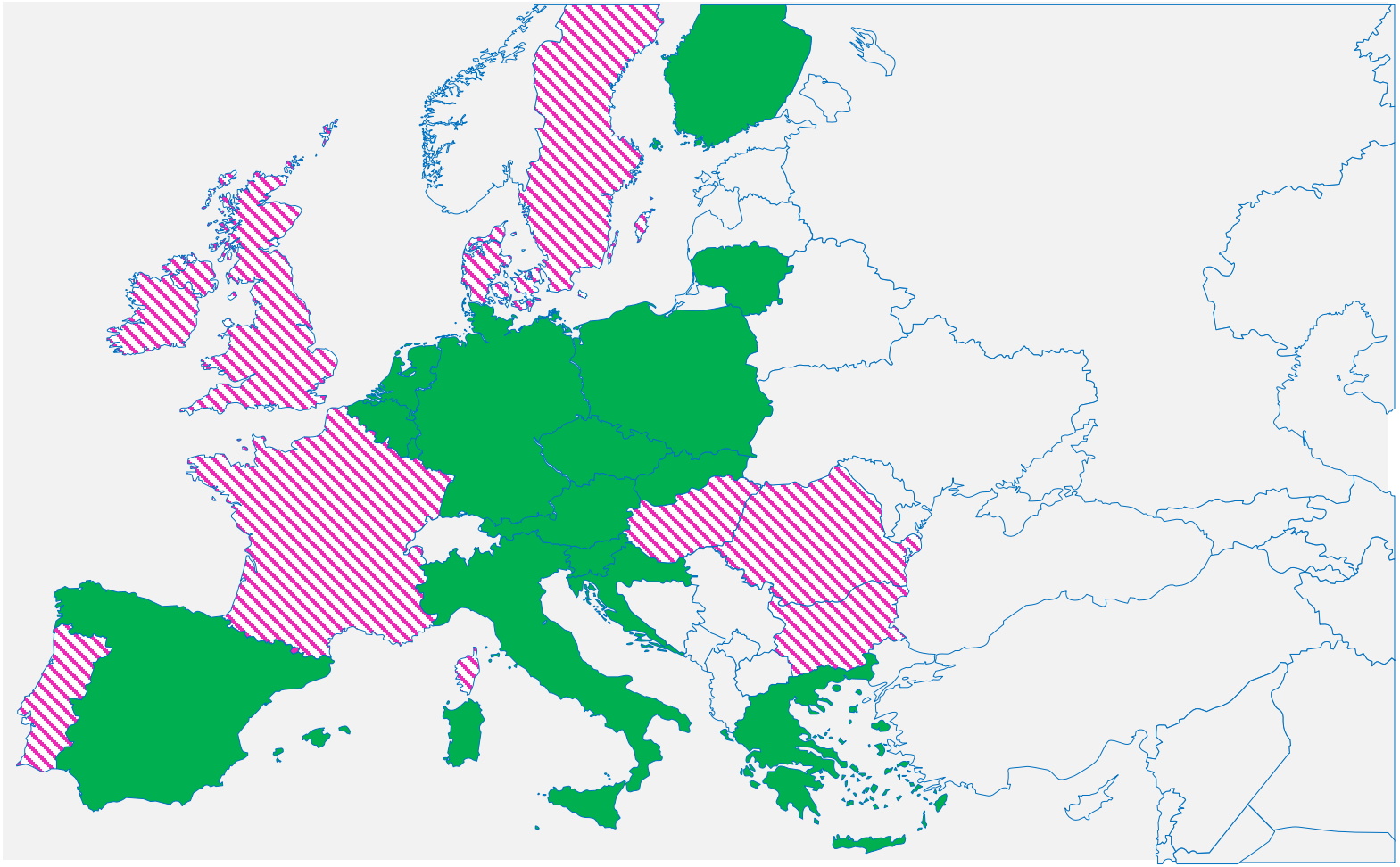
Publication on TP Dec ’17 / Tariff period 0: Com. + Sim.



Jan-Dec countries (Future Tariff Period) **Everyone else (Current Tariff Period)**

For increased stakeholder information, TSOs and NRAs have decided on early compliance and will publish flow-based charges and simulations for the **current tariff period**.

Revenue publication on TSO/NRA website – Dec ’17



Jan-Dec countries (Future Tariff Period) **Everyone else: Current tariff period**

For increased stakeholder information, TSOs and NRAs have decided on early compliance and will publish their revenues for the **current tariff period** on their respective websites, available via ENTSOG TP.

Notes for Slides 32, 33, 35-37

The following slides show the mandatory and early publication for all tariff periods

Tariff publication January-December

- ***Mandatory publication description***

Where	What - Which information	Referring to which time	When
TSO/NRA website + link on ENTSOG's TP	All info in Art. 30	Future tariff period	By Dec '17, '18, '19, '20…
	All info in Art. 29	Future gas year	By Jun '18, '19, '20…
ENTSOG's TP	Flow-based charges and simulation (Applicable commodity tariffs and simulation cost)	Future *tariff period*	By Dec '17, '18, '19, '20…
	Reserve prices (Applicable capacity tariffs … kWh/d, kWh/h, LC + EUR, common unit)	Future *gas year*	By Jun '18, '19, '20…

- ***Early publication description***

-

Where	What - Which information	Referring to which time	When
ENTSOG's TP	Reserve prices (Applicable capacity tariffs … kWh/d, kWh/h, LC + EUR, common unit)	Current gas year	By Dec '17

Tariff publication April-March

- ***Mandatory publication description***

Where	What - Which information	Referring to which time	When
TSO/NRA website + link on ENTSOG's TP	All info in Art. 30	Future tariff period	By Mar '18, '19, '20…
	All info in Art. 29	Future gas year	By Jun '18, '19, '20…
ENTSOG's TP	Flow-based charges and simulation (Applicable commodity tariffs and simulation cost)	Future tariff period	By Mar '18, '19, '20…
	Reserve prices (Applicable capacity tariffs … kWh/d, kWh/h, LC + EUR, common unit)	Future gas year	By Jun '18, '19, '20…

- ***Early publication description***

Where	What - Which information	Referring to which time	When
TSO/NRA website + link on ENTSOG's TP	Applicable info in Art. 30(1)(b)	Current tariff period	By 31 Dec '17
ENTSOG's TP	Reserve prices (Applicable capacity tariffs … kWh/d, kWh/h, LC + EUR, common unit)	Current gas year	By Dec '17
	Flow-based charges (Applicable commodity tariffs)	Current tariff period	By Dec '17

Tariff publication July-June

- ***Mandatory publication description***

Where	What - Which information	Referring to which time	When
TSO/NRA website + link on ENTSOG's TP	All info in Art. 30	Future tariff period	By Jun '18, '19, '20…
	All info in Art. 29	Future gas year	By Jun '18, '19, '20…
ENTSOG's TP	Flow-based charges and simulation (Applicable commodity tariffs and simulation cost)	Future tariff period	By Jun '18, '19, '20…
	Reserve prices (Applicable capacity tariffs … kWh/d, kWh/h, LC + EUR, common unit)	Future gas year	By Jun '18, '19, '20…

- ***Early publication description***

Where	What - Which information	Referring to which time	When
TSO/NRA website + link on ENTSOG's TP	Applicable info in Art. 30(1)(b)	Current tariff period	By 31 Dec '17
ENTSOG's TP	Reserve prices (Applicable capacity tariffs … kWh/d, kWh/h, LC + EUR, common unit)	Current gas year	By Dec '17
	Flow-based charges (Applicable commodity tariffs)	Current tariff period	By Dec '17

Tariff publication October-September

- ***Mandatory publication description***

Where	What - Which information	Referring to which time	When
TSO/NRA website + link on ENTSOG's TP	All info in Art. 30	Future tariff period	By Sep '18, '19, '20…
	All info in Art. 29	Future gas year	By Jun '18, '19, '20…
ENTSOG's TP	Flow-based charges and simulation (Applicable commodity tariffs and simulation cost)	Future tariff period	By Sep '18, '19, '20…
	Reserve prices (Applicable capacity tariffs … kWh/d, kWh/h, LC + EUR, common unit)	Future gas year	By Jun '18, '19, '20…

- ***Early publication description***

Where	What - Which information	Referring to which time	When
TSO/NRA website + link on ENTSOG's TP	Applicable info in Art. 30(1)(b)	Current tariff period	By 31 Dec '17
ENTSOG's TP	Reserve prices (Applicable capacity tariffs … kWh/d, kWh/h, LC + EUR, common unit)	Current gas year	By Dec '17
	Flow-based charges (Applicable commodity tariffs)	Current tariff period	By Dec '17

Tariff publication Jan-Dec (4 years)

- ***Mandatory publication description***

Where	What - Which information	Referring to which time	When
TSO/NRA website + link on ENTSOG's TP	All info in Art. 30	Future tariff period	By December before each tariff period
	All info in Art. 29	Future gas year	By Jun '18, '19, '20…
ENTSOG's TP	Flow-based charges and simulation (Applicable commodity tariffs and simulation cost)	Future tariff period	By December before each tariff period
	Reserve prices (Applicable capacity tariffs … kWh/d, kWh/h, LC + EUR, common unit)	Future gas year	By Jun '18, '19, '20…

- ***Early publication description***

Where	What - Which information	Referring to which time	When
TSO/NRA website + link on ENTSOG's TP	Applicable info in Art. 30(1)(b)	Current tariff period	By 31 Dec '17
ENTSOG's TP	Reserve prices (Applicable capacity tariffs … kWh/d, kWh/h, LC + EUR, common unit)	Current gas year	By Dec '17
	Flow-based charges (Applicable commodity tariffs)	Current tariff period	By Dec '17

3. Conclusion

Something to take away

Overview and comparison for IPs by default

Details on MS level for all points on the system

Start looking in December 2017

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Publication requirements and Transparency Platform

2nd TAR NC Implementation Workshop

Marin Zwetkow, ENTSOG Transparency Adviser

Image Courtesy of Thyssengas

Agenda

1. The standardised table on ENTSOG's TP
2. Live presentation
3. Conclusion

1. The standardised table on ENTSOG's TP

Standardised Table on ENTSOG's TP

A few important keywords from the standardised table:

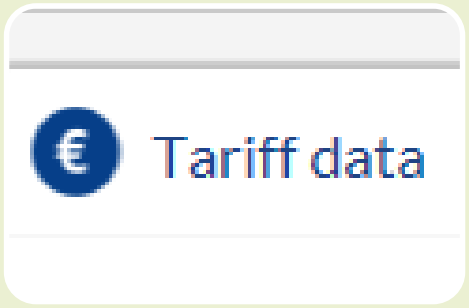
- ***Validity approach***
- ***Different capacity units and currencies***
- ***The common unit***
- ***Conditional product type as a remark***
- ***Simulation remarks***

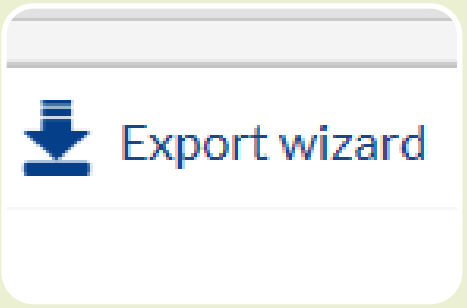
2. Live presentation

Live presentation

3. Conclusion

Something to take away





‘Look and feel’ of the new tariff section

How to compare tariff information from operators

Termino-logies used in the TP

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Standardised section for data publication on TSO/NRA websites

2nd TAR NC Implementation Workshop

Maria Gerova

IT Project Manager, Bulgartransgaz, on behalf of ENTSOG

Image Courtesy of Thyssengas

Agenda

1. Publication requirements
2. Form of publication
3. Structure of the standardised section
4. Implementation of the standardised section by a TSO – live demonstration

Publication requirements

Official Journal of the European Union 17.3.2017

CHAPTER VIII

PUBLICATION REQUIREMENTS

Article 29

be published before the annual yearly capacity auction

nts and, where the national regulatory authority takes a decision to apply Regulation (EU) other than interconnection points, the following information shall be published before the annual auction in accordance with the requirements set out in Articles 31 and 32 by the national regulatory or the transmission system operator(s) as decided by the national regulatory authority:

(a) for standard capacity products for firm capacity:

(i) the reserve prices applicable until at least the end of the gas year beginning after the annual yearly capacity auction;

(ii) the multipliers and seasonal factors applied to reserve prices for non-yearly standard capacity products;

(iii) the justification of the national regulatory authority for the level of multipliers;

(iv) where seasonal factors are applied, the justification for their application.

(b) for standard capacity products for interruptible capacity:

(i) the reserve prices applicable until at least the end of the gas year beginning after the annual yearly capacity auction;

(ii) an assessment of the probability of interruption including:

(1) the list of all types of standard capacity products for interruptible capacity offered including the respective probability of interruption and the level of discount applied;

(2) the explanation of how the probability of interruption is calculated for each type of product referred to in point (1);

(3) the historical or forecasted data, or both, used for the estimation of the probability of interruption referred to in point (2).

Form of publication

Tariff information on TSOs/NRAs web-sites

Tariff NC, Article 31

Form of publication

The required information shall be accessible to the public, free of charge and of any limitations as to its use. It shall be published:

- Via link on ENTSOG TP
- In a user-friendly manner
- In a clear, easily accessible way and on a non-discriminatory basis
- In a downloadable format
- In the official for the MS and in EN languages

"With the aim to facilitate the access to the required information and enhance the market transparency, as voluntary activity ENTSOG and the TSOs developed ***standardised format*** *for tariff publications on TSOs/NRAs web-sites".*

Structure of the standardised section

Tariff information on TSOs/NRAs web-sites

TAR NC	Description	Link	Further Information
Information to be published before the annual yearly capacity auction			
Art. 29 (a)	Information for standard capacity products for firm capacity (reserve prices, multipliers, seasonal factors, etc.)	Link to the information of the TSO individual website	
		Link 2	
		Link 3	
Art. 29 (b)	Information for standard capacity products for interruptible capacity (reserve prices and an assessment of the probability of interruption)	Link to the information of the TSO individual website	
		Link 2	
		Link 3	

Structure of the standardised section

Tariff information on TSOs/NRAs web-sites

TAR NC	Description	Link	Further Information
Information to be published before the tariff period			
Art. 30 (1)(a)	Information on parameters used in the applied reference price methodology related to the technical characteristics of the transmission system.	Link to the information of the TSO individual website	
		Link 2	
		Link 3	
Art. 30 (2)(b)	Information about the used tariff model and an explanation how to calculate the transmission tariffs applicable for the prevailing tariff period.	Link to the information of the TSO individual website	
		Link 2	
		Link 3	

Standardised section - implementation

Something to take away - what to expect?

Increased transparency of transmission tariffs

More data available up to

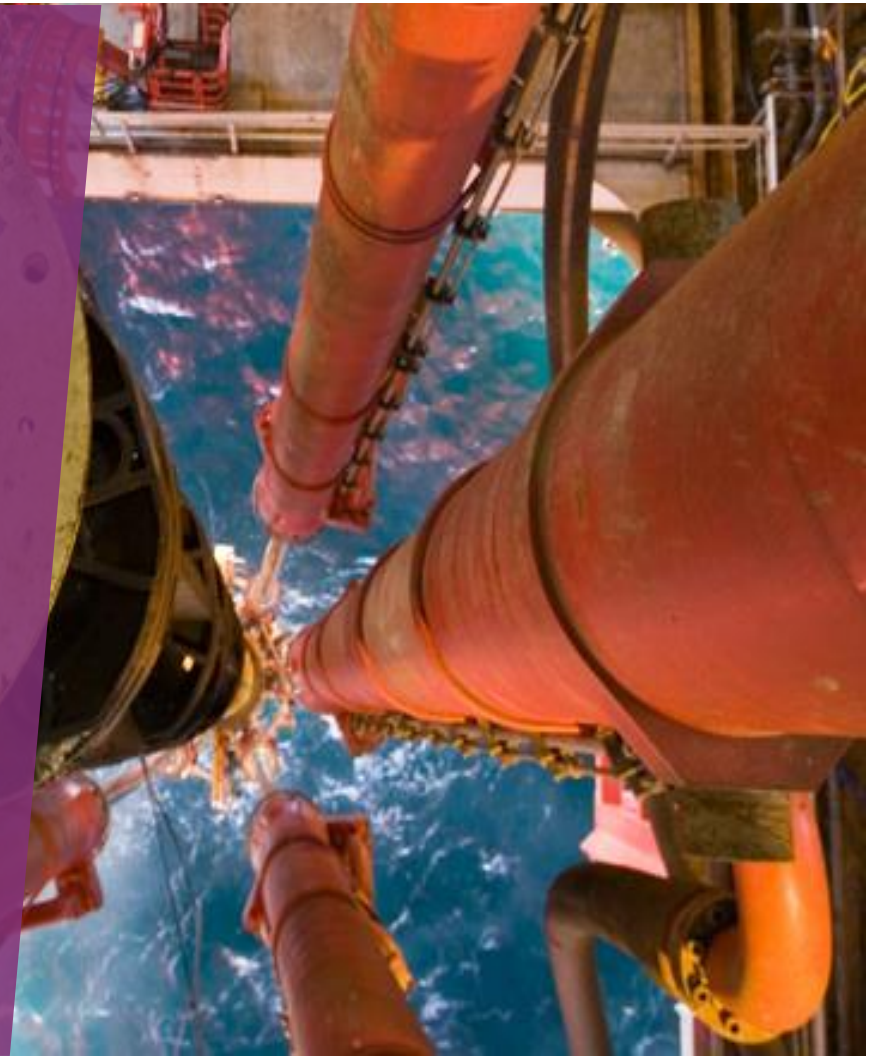
TAR NC requirements

Easy to find

Uniform publication structure

International Association of Oil & Gas Producers

Transparency



ENTSOG 2nd workshop on TAR NC implementation

Brussels, 5 October 2017

Kees Bouwens, ExxonMobil, Chair EMSC

Transparency is a key achievement of TAR 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

- One of the aims of the TAR NC is to increase the transparency of transmission tariff structures and procedures towards setting them
  - Publication of the information related to the determination of the revenues of TSOs and to the derivation of different transmission and non-transmission tariffs

- The TAR NC requirements should enable users to:
  - understand tariffs, how these tariffs have changed, are set and may change,
  - understand the costs underlying transmission tariffs, and
  - forecast transmission tariffs to a reasonable extent

Transparency requirements are not new

- Directive 2003/55/EC of 26 June 2003
  - Whereas (22) mentions that further measures should be taken in order to ensure transparent and non discriminatory tariffs for access to transportation
- Regulation (EC) No 1775/2005 of 28 September 2005
  - Article 3.1 specifies that tariffs shall be transparent
  - Article 6.2 requires publication of reasonably and sufficiently detailed information on tariff derivation, methodology and structure
- Regulation (EC) No 715/2009 of 13 July 2009
  - Articles 13.1 and 18.2 repeat ‘old’ Articles 3.1 and 6.2
- Commission Regulation (EU) 2017/460 of 16 March 2017 (TAR NC)

Transparency is important

- To network users, for which TSOs provide essential services
  - Consumers, suppliers, users/operators of LNG/storage facilities
- Transparency is key to trading and commercial operations
  - Transmission tariffs can make or break cross-border trade
  - Longer-term bookings are risky without foresight of the tariffs
- To market integration and cross border trade
  - Supporting liquid trading hubs, security of supply and competitive gas market, consistent with Third Package and Gas Target Model
- This should also be important for TSOs
  - In addition, users pay the costs for providing transparency

Early Compliance

- IOGP welcomes ENTSOG's initiatives for early compliance and standardised transparency platform
- Transparency platform provides easy access to information
  - ENTSOG transparency platform is continuously enhanced
- Standards and templates can be helpful tools to guide TSOs
  - However, best practices are preferred over minimum compliance
- Publication in English, please
  - 'to the extent possible' does not mean this is optional

International Association of Oil & Gas Producers

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entsog

european network
of transmission system operators
for gas

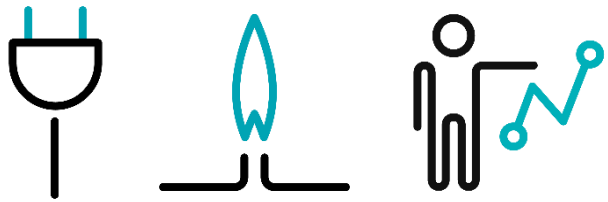
2nd Session:
NRA/ACER perspective

Tariff Network Code implementation in Belgium

ENTSOG WORKSHOP - BRUSSELS

Tom Maes

5 October 2017



CREG
Commission for Electricity and Gas Regulation

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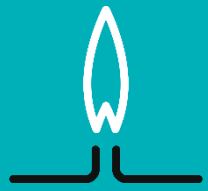
Fluxys Belgium & Interconnector(UK)

TWO DIFFERENT TSOS

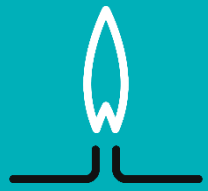


Two TSOs with different characteristics

Fluxys Belgium	Interconnector(UK)
Regulated by CREG only (since 2002)	Regulated by Ofgem & CREG (more recently)
Transmission & storage activities	Only transmission activities
Meshed network with multiple IPs (EU & non-EU) and domestic exits	Bi-directional interconnector with only 2 (EU) IPs
4 year regulatory period (1 Jan 2016 - 31 Dec 2019)	Charging methodology approved annually
	Derogation possibility in TAR NC (art. 37)

Draft decision (B)1657 of 20 July 2017

1ST STEP IN IMPLEMENTING TAR NC



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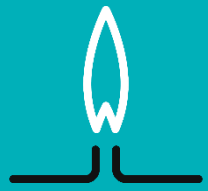
Draft decision (B)1657 of 20 July 2017

1. TAR NC attributes certain tasks to NRA or TSO upon decision by NRA
2. CREG coordinated with Ofgem regarding IUK, and issued draft decision applicable to both IUK and Fluxys Belgium
3. Public consultation ran from 8 Aug till 5 Sep // IUK's consultation on its charging methodology and TAR NC derogation application
4. It's our view that the TSOs hold the relevant information which makes them best placed to consult or publish various items of information and perform various calculations/forecasts
5. Next step: final decision taking into account consultation response

Next steps re publication & consultation

UP UNTIL 2019



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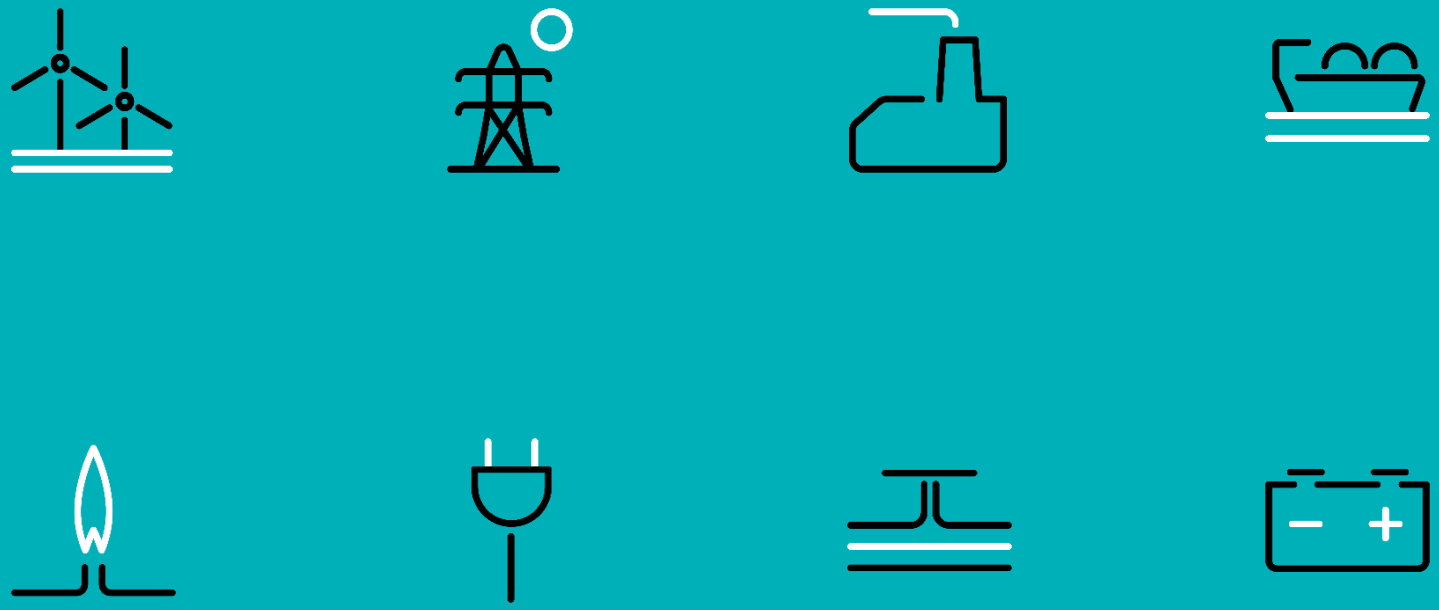
Next steps re publication & consultation

Fluxys Belgium	Interconnector(UK)
Dec 2017: Early publication of information (art.30(1)(b) TAR NC)	Dec 2017: Decision on Charging Methodology
Apr-May 2018: Consultation on tariff methodology (Belgian Gas Act)	Dependent on TAR NC derogation application and decision
Jun 2018: Decision on tariff methodology (Belgian Gas Act)	
Jun 2018: Publication of information (art. 29 TAR NC)	
Oct-Dec 2018: Final consultation (art. 26(2) TAR NC)	
Apr 2019: Decision on tariffs 2020-2023	

CREG



Commission for Electricity and Gas Regulation


E-CONTROL
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E-CONTROL

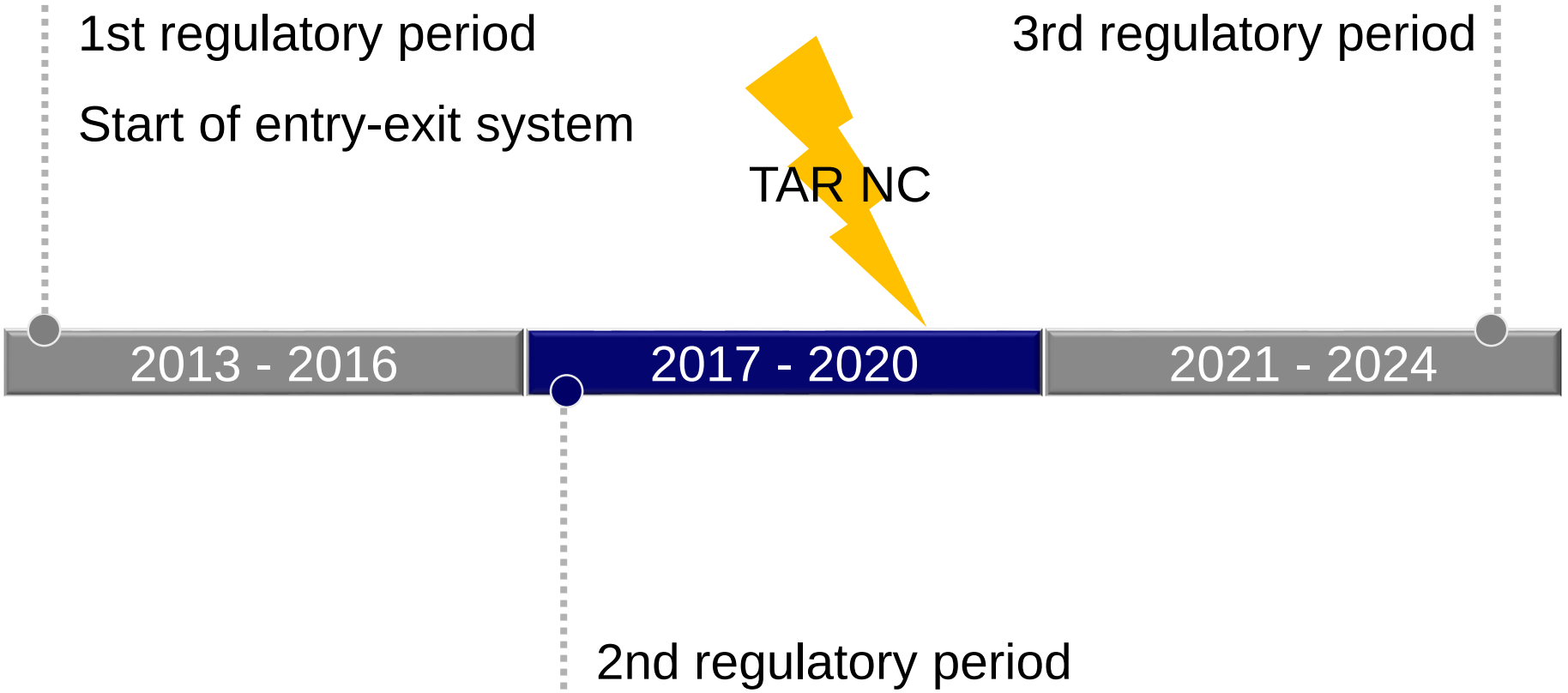
Tariff network code implementation Austria

Who does what?
NRA or TSO?

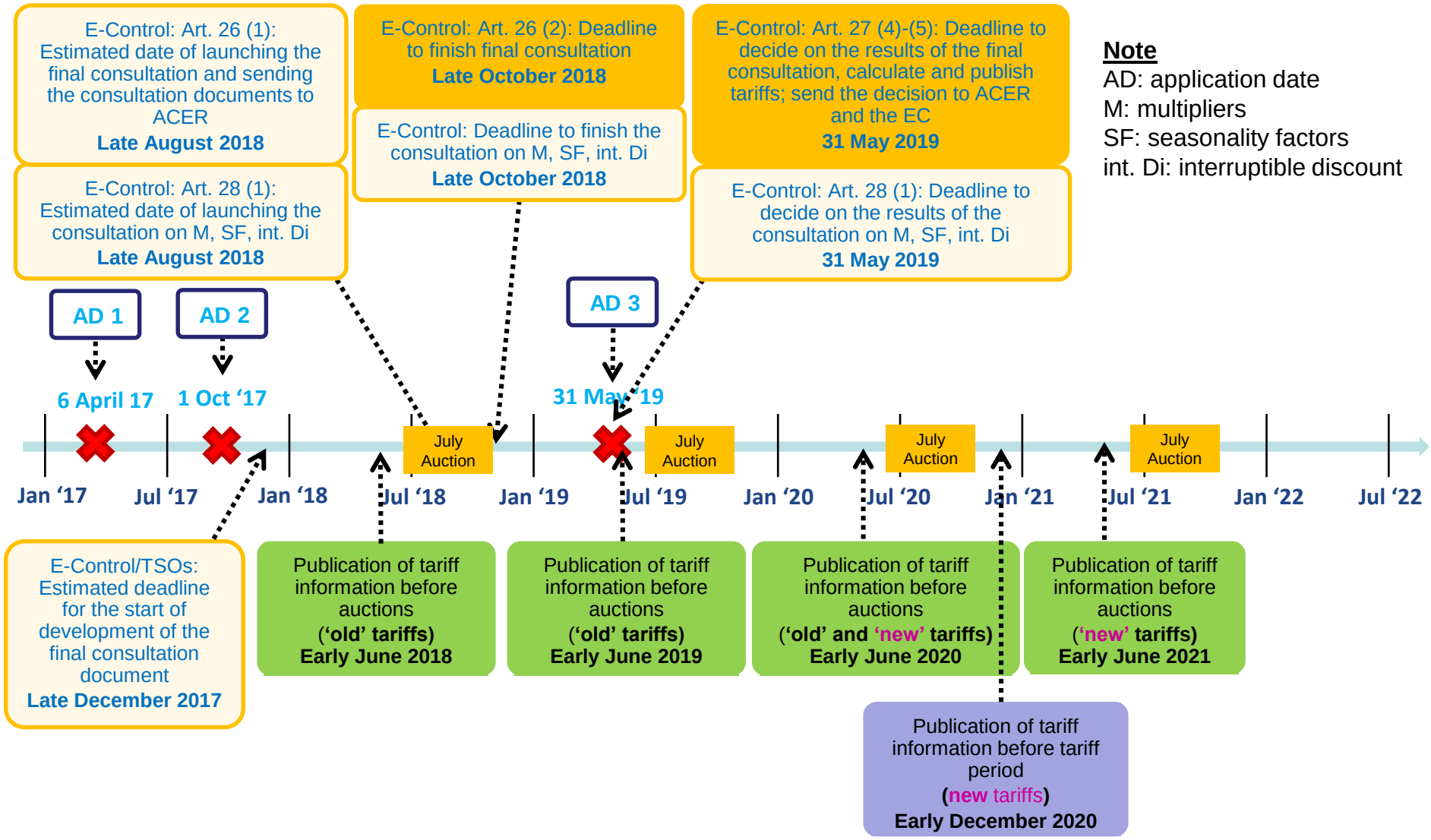
E-CONTROL

- Perform cost allocation assessment (Article 5) -> NRA
- Article 26.1 consultation -> NRA
- Publish consultation responses and summary (Article 26.3) -> NRA
- Forward consultation documents to ACER (Artikel 27.1) -> NRA
- Publish the information before the auction (Article 29) -> NRA
  - Publication on ENTSOG Transparency Platform (Artikel 31.2) -> TSOs
- Publish the information before the tariff period (Article 30) -> NRA
  - Publication on ENTSOG Transparency Platform (Artikel 31.2) -> TSOs

Impact of TAR NC



Implementation timeline – Austria



Note
AD: application date
M: multipliers
SF: seasonality factors
int. Di: interruptible discount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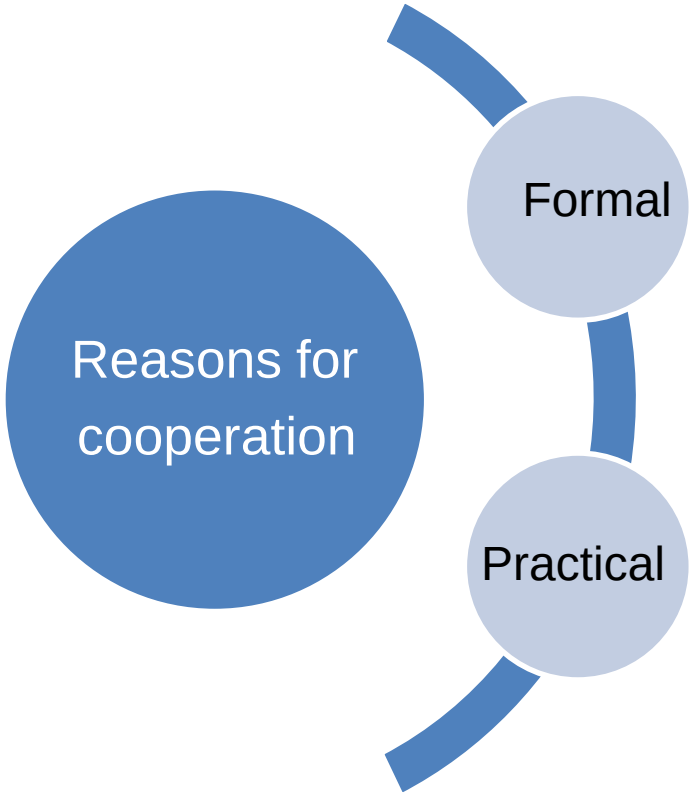
Autoriteit
Consument & Markt

Network code on harmonised transmission tariff structures for gas (NC TAR)

Implementation process for GTS

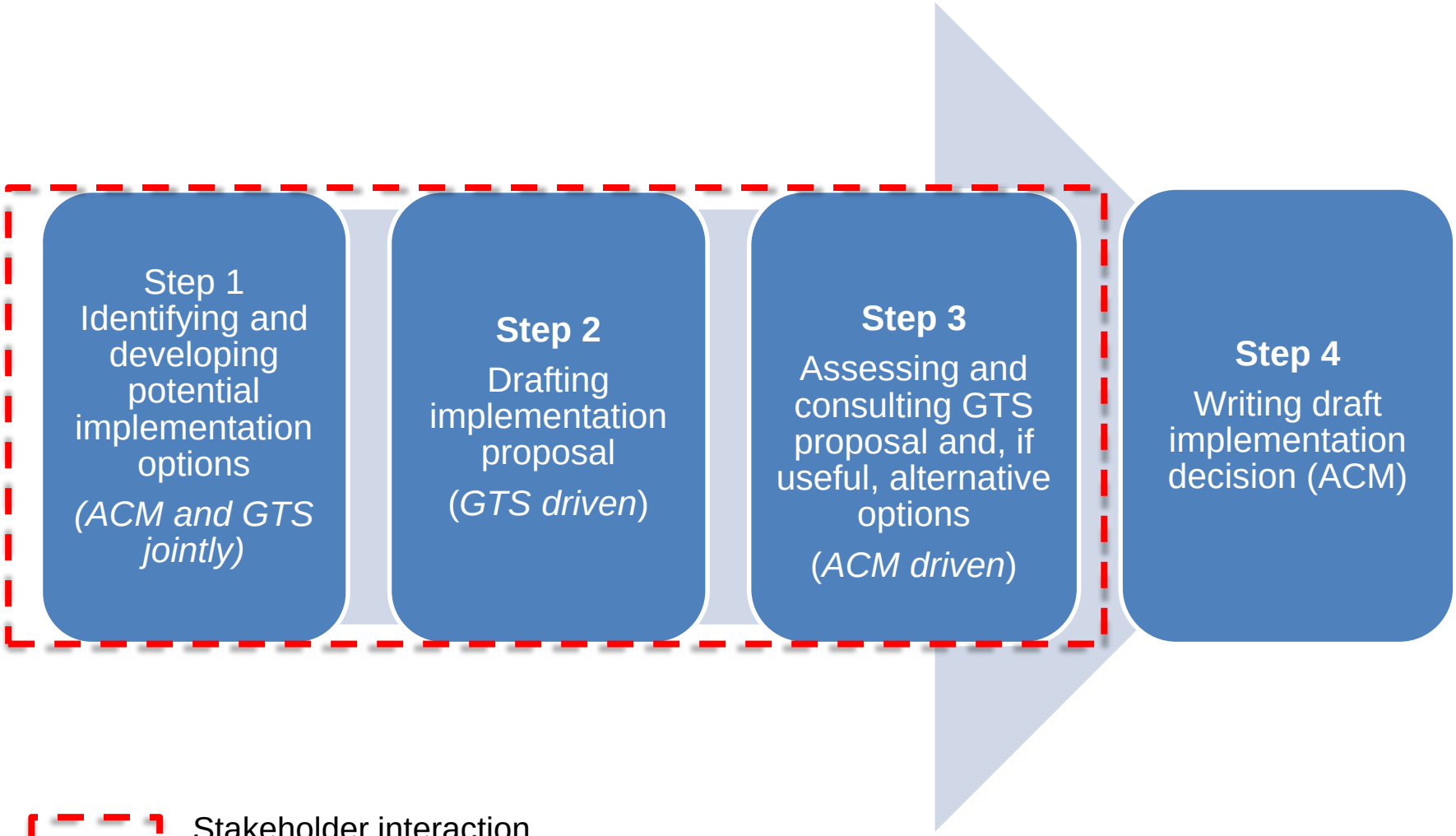
Gasunie Transport Services (GTS) and the Authority for Consumers and Markets (ACM) work together closely in the implementation process



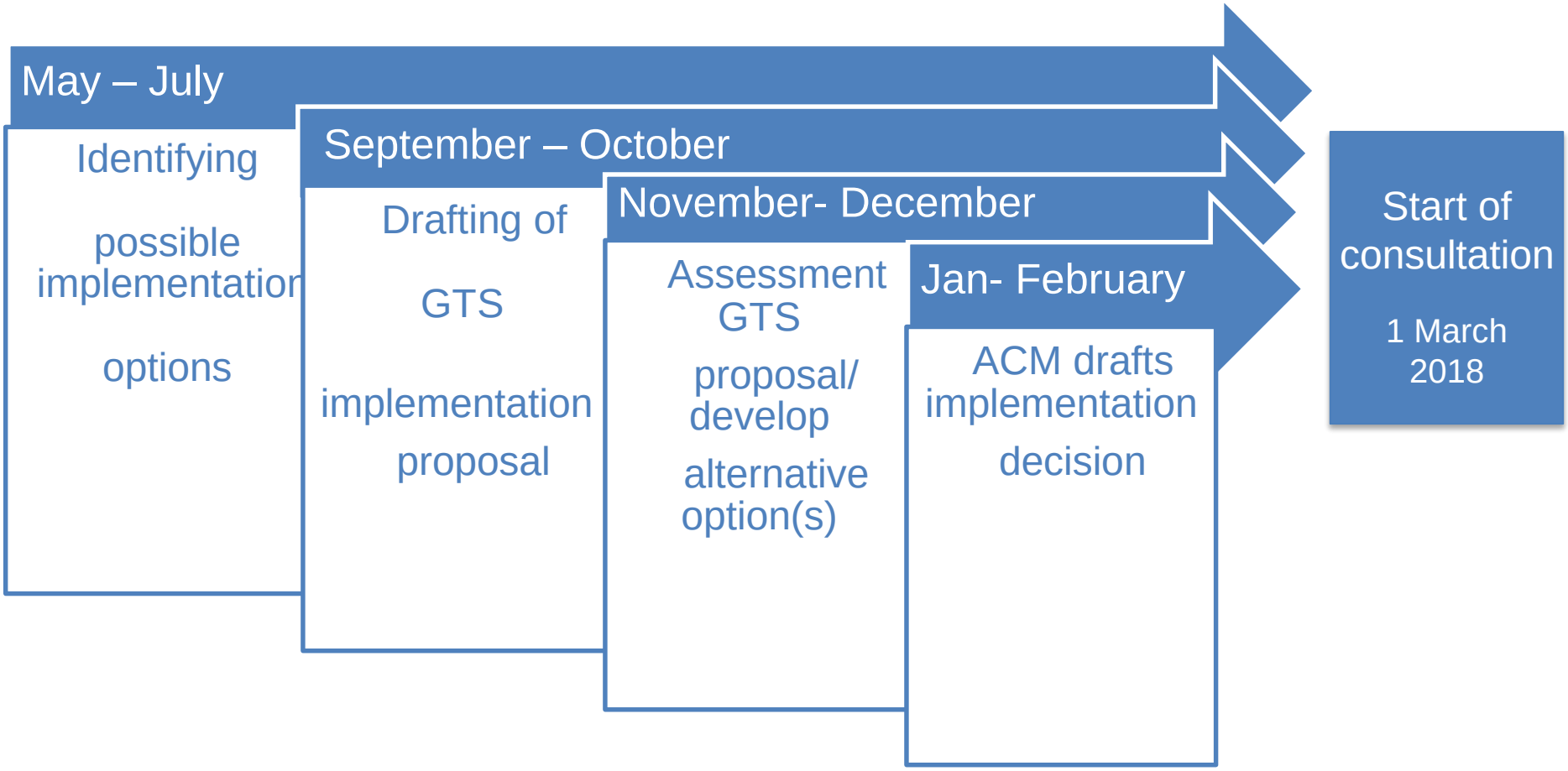
NC TAR defines that NRA and TSO play formal roles during code implementation

Smooth implementation requires good cooperation between NRA and TSO

Four step approach until final consultation document



Timeline of the four step approach



Second and third step: GTS proposal towards ACM and assessment of GTS proposal by ACM

GTS proposal towards ACM

- Stakeholder input is seriously taken into account
- Clearly motivate proposed implementation solutions

ACM formulates final consultation document

- ACM will (partly) consult other proposal if:
  - GTS proposal non-compliant with code
  - compliant, but undesired effect
  - insufficiently explicable or motivated

Decision making responsibilities in NC TAR are clear: NRA must decide how the rules in NC TAR are implemented on national level

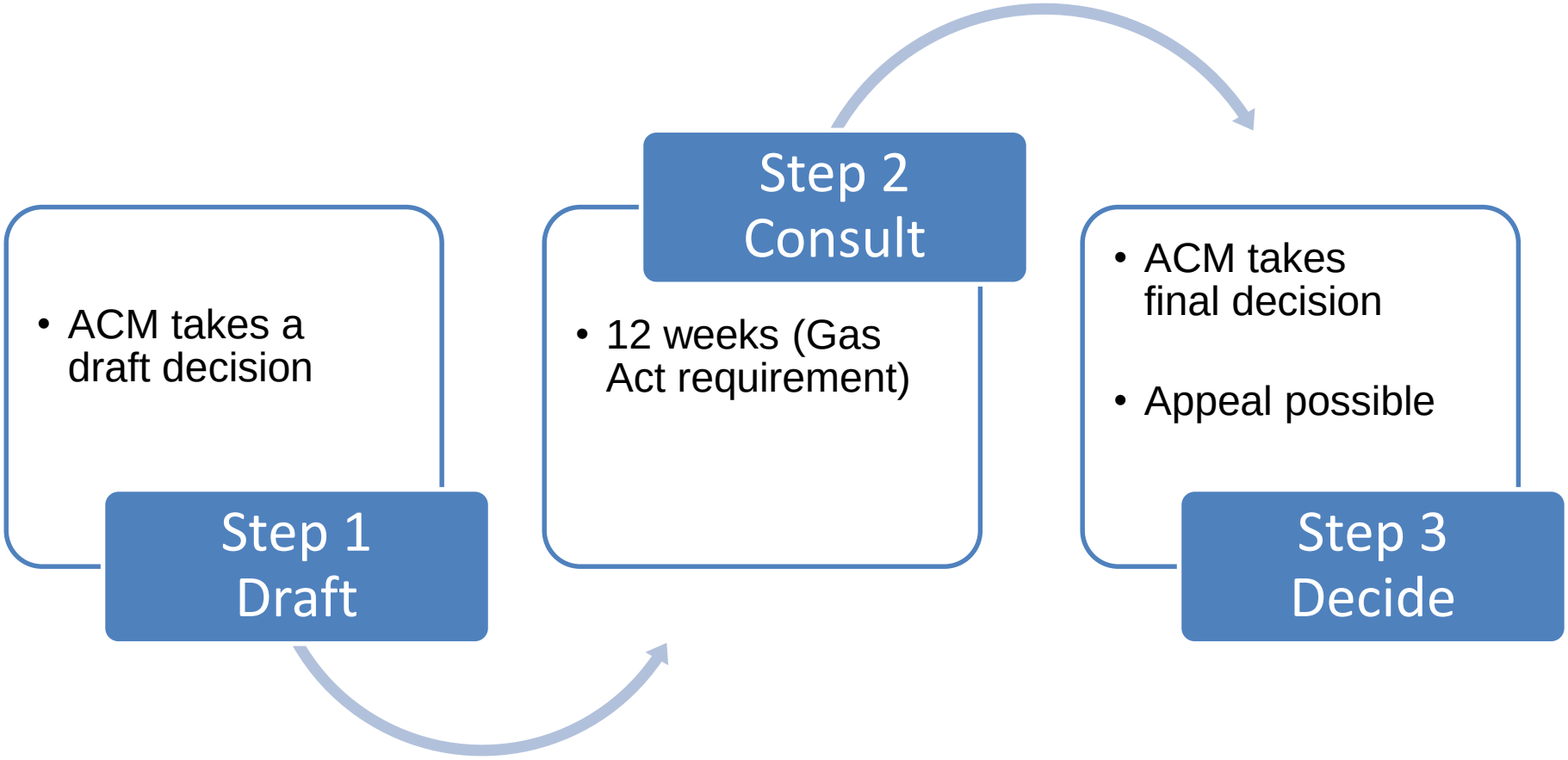
Chapter VII
Consultation requirements

Article 27

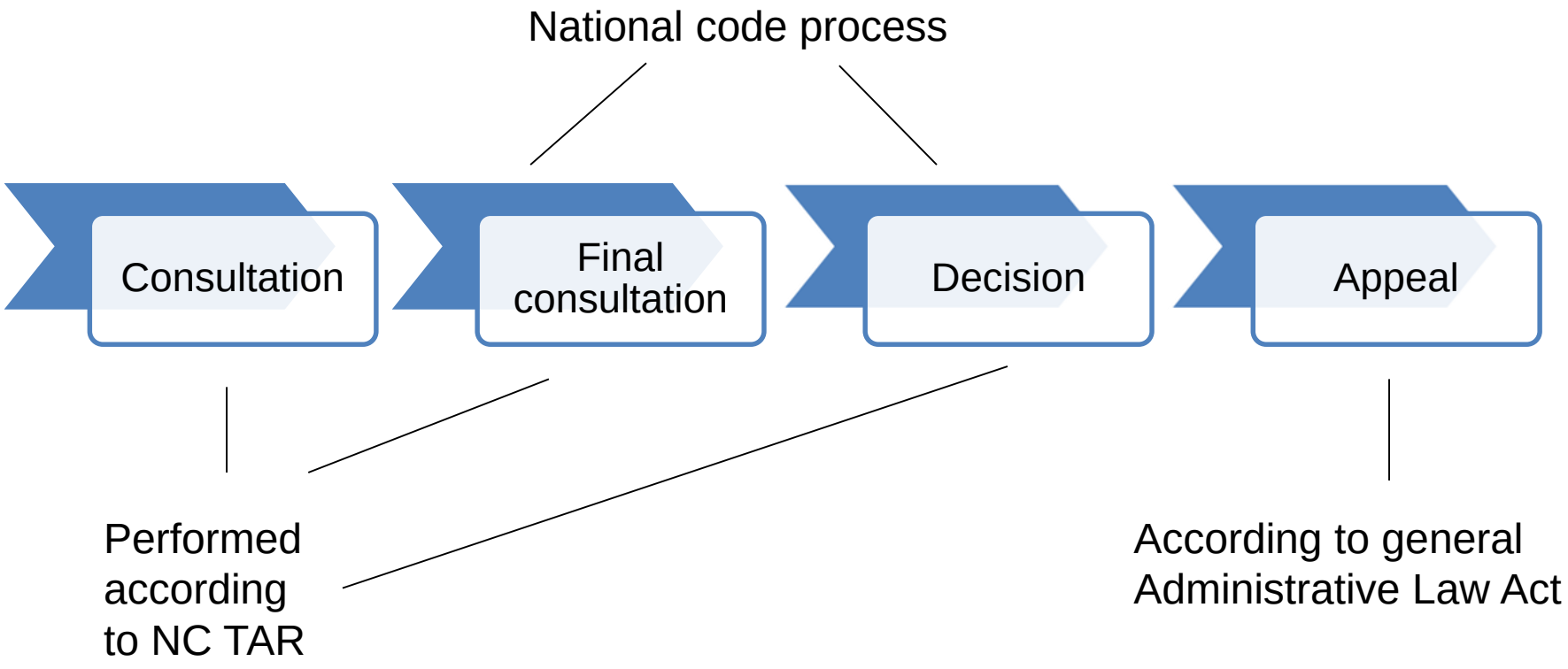
Within five months following the end of the consultation, the NRA, acting in accordance with **Article 41(6)(a) of Directive 2009/73/EC**, shall take and publish a motivated decision [……].

Obligations in article 41(6)(a) are implemented in NL through the code process

The national code process is prescribed in the Dutch Gas act, the General Administrative Law Act (‘Awb’) is also applicable



The consultation process of NC TAR will be integrated with the national code process and result in a change of the Dutch Tariff code



The applicable law determines to what extent stakeholders are formally involved in the NC TAR decision making process

Consultations	Final consultation	Appeal
Not part of national procedure	Dutch code procedure (Gas Act)	Dutch Administrative Law Act
All parties involved	All parties may submit their ‘zienswijzen’	Restricted to ‘belanghebben-den’

Timeline of the implementation process

Nr	Action	Start	End
1	Developing phase: Stakeholder interaction to identify and discuss all possible implementation options	May 2017	July 2017
1	Developing phase: Stakeholder interaction to develop GTS proposal for implementation	September 2017	October 2017
2	Developing phase: GTS proposal towards ACM		24 October 2017
3	Developing phase: Stakeholder interaction to develop consultation document by ACM	31 October 2017	19 December 2017
4	Developing phase: ACM drafts consultation document	1 January 2018	28 February 2018
5	Consultation phase: ACM consults	1 March 2018	31 May 3018
6	Decision phase: ACM decision on NC TAR implementation & Dutch code change	1 June 2018	31 October 2018
7	GTS prepares NC TAR based Tariff Proposal (year 2020)	1 November 2018	31 January 2019
8	ACM NC TAR based Tariff decision (year 2020)	1 February 2019	1 May 2019
9	Start of application NC TAR based tariffs	1 January 2020	

Any questions?

COMMISSION
DE RÉGULATION
DE L'ÉNERGIE

TARIFF NETWORK CODE

5 OCTOBER 2017, BRUSSELS

ENTSOG WORKSHOP

Implementation in France

François LEVEILLE

STEP 1: EARLY IMPLEMENTATION 2017/2018

1. The current transmission tariff is already broadly in line with the TAR NC. The regulatory period started in April 2017 and is due to end in March 2021.

2. Every year, CRE updates the French transmission tariff to take into account accurate data (expected capacity bookings, fuel costs, regulatory account…).
   - October-November 2017: A month long public consultation
   - End of January 2018: Publication of the updated tariff decision
   - 1st April 2018: Entry into force of the updated tariff

3. We will use this opportunity to comply with the transparency requirements that were not yet met:
   - Forecasted contracted capacity
   - Value of the RAB for each type of asset
   - Data on interruptible capacities

4. CRE will be responsible for most of the consultation / publication requirements.

5. The TSOs will only be responsible for publishing technical data (network description, technical capacities, data on interruptible capacities…)

STEP 2: COMPLETE IMPLEMENTATION IN 2019

1. The final public consultation (2 months) will begin at the latest in January 2019 (in order to fully implement the TAR NC before the 31 May 2019).
2. During this final step, all the consultation / publication requirements will be met. Most of the new developments will reflect the implementation the chapter II of the TAR NC (Reference Price Methodologies):
   - Comparison between the actual methodology and CWD
   - Regional network status (non-transmission or transmission services) …
3. This delay before the complete implementation will allow us to take into account majors changes in 2018:
   - Merger of the two French market zones (end of 2018)
   - New regulation of storage facilities

THANKS

Implementation of the TAR Network Code

- Overview of the Italian case -

Marco La Cognata

AEEGSI, National Gas Infrastructures unit

2nd Implementation Workshop

for the Network Code on Harmonised Transmission Tariff Structures for Gas

October 5th, Brussels

The current regulatory period

- The current regulatory period for gas transmission (**4PRT**) started in 2014 and was due to end on 31st Dec 2017.
- The new period (**5PRT**) was expected to start on 1st Jan 2018. However, the timeline was not compatible with the need to take account of the TAR NC provisions, both in terms of tariff definition and consultation/publication requirements.
- In the **1st Consultation Document** (413/2017/R/gas), AEEGSI proposed to extend the main 4PRT criteria also to years 2018 and 2019, and to fully implement the TAR NC with the new period (5PRT) from 2020. The Document also included:
  - An indicative timeline of the consultation process
  - Preliminary thoughts on the main issues related to the TAR NC implementation
- The decision to extend the 4PRT criteria to years 2018 and 2019 was taken on 3rd Aug 2017 (AEEGSI resolution 575/2017/R/gas).

The road to the 5PRT - Consultation process

- 1st Consultation Document (413/2017/R/gas) published on 8th Jun 2017. Next steps:

OCT 17 – AUG 18	Intermediate consultations
OCT 18	Consultation with adjacent NRAs Final consultation
MAR 19	Decision on criteria for 5PRT
MAY 19	Approval of reserve prices Decision on discounts, multipliers, seasonal factors

Please note that the timeline is purely indicative

- **Intermediate consultations** will be published between Oct 2017 and Aug 2018, covering the topics of allowed revenues, service quality, tariffs.
- As part of the consultation process, AEEGSI also plans to **engage with stakeholders** by hosting ad-hoc meetings with TSOs' and other stakeholders' representatives.

The road to the 5PRT - Main implementation issues

In the 1st Consultation Document, AEEGSI identified the **main issues** related to the TAR NC implementation, i.e. areas where the current regulation might differ from the provisions of the TAR NC:

TRANSMISSION and NON TRANSMISSION SERVICES
RELATED TO THE TREATMENT OF REGIONAL NETWORKS

REFERENCE PRICE METHODOLOGY

CAPACITY- and COMMODITY-BASED TRANSMISSION TARIFFS

DISCOUNTS for STORAGE and LNG

Thanks

Marco La Cognata
mlacognata@autorita.energia.it

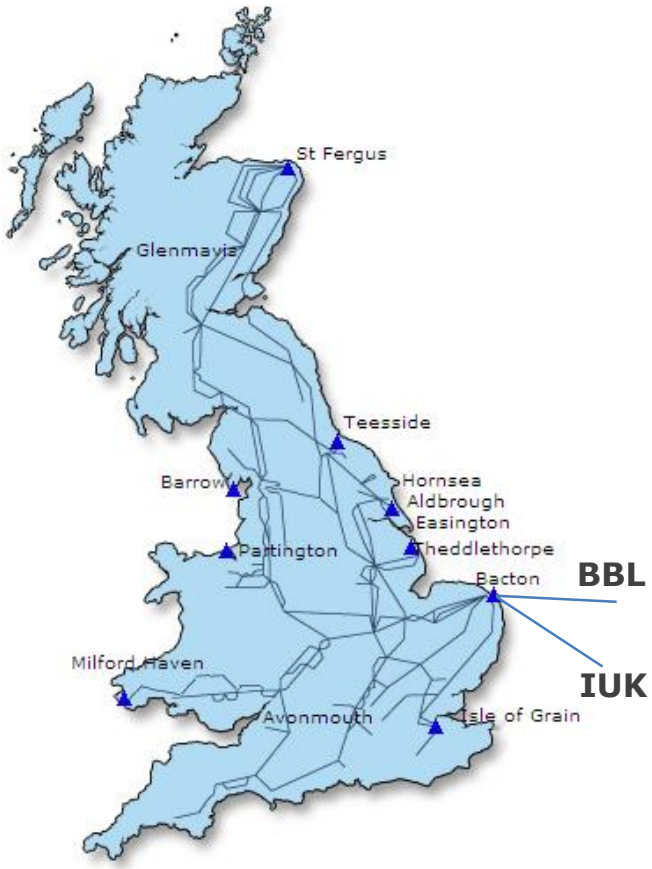
ofgem Making a positive difference for energy consumers

TAR-NC implementation in GB

Overview

Sean Hayward
October 2017

National Transmission System (NTS)

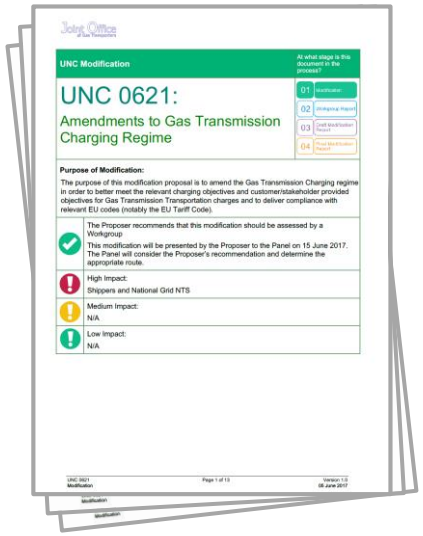


Licensee obligations

- NTS is owned by National Grid Gas (NGG)
  - Entry/exit system
  - c. 32 entry points
  - c. 230 exit points
- Operated under Gas Transporters Licence
- Licence obligation on all gas transporters to establish a uniform network code (**UNC**):
  - Contractual framework for transporters and shippers – includes "relevant objectives"
  - Administered by the Joint Office of Gas Transporters ("JO")
  - Requirement for a modification procedure ("Mod Rules")
  - Certain Mods require Ofgem ("authority") decision – others require just UNC panel decision
- Licence requirement that UNC should be compliant with EU legislation

UNC0621 & TAR NC

- NGG have raised UNC modification UNC0621 - "Amendments to Gas Transmission Charging Regime"
  - It has an aim of compliance with EU codes
  - Also aims to better meet charging objectives
- UNC0621 is under development at UNC "workgroup"
  - Workgroup comprised of shippers, transporters and materially affected parties (plus Ofgem)
  - It is anticipated alternative proposals will be raised (UNC0621A etc)
- UNC0621 workgroup will develop a draft modification report ("DMR")
  - The DMR contains <u>all</u> proposals
  - Ordinarily, a DMR is consulted on by stakeholders, ahead of UNC Panel recommendation/decision and implementation
  - Ofgem will approve one (or none) of the UNC0621 proposals



Workgroup (DMR)

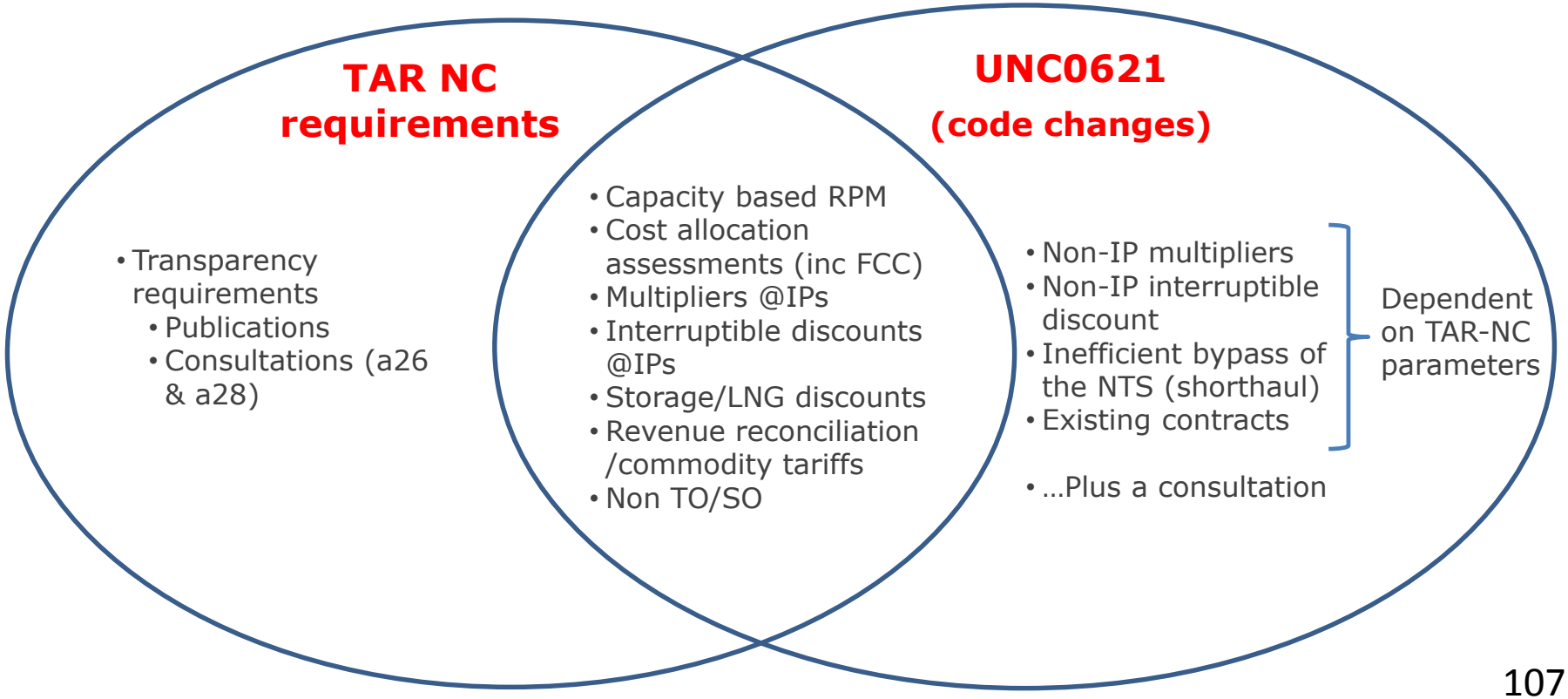
Consultation (DMR)

Panel (FMR)

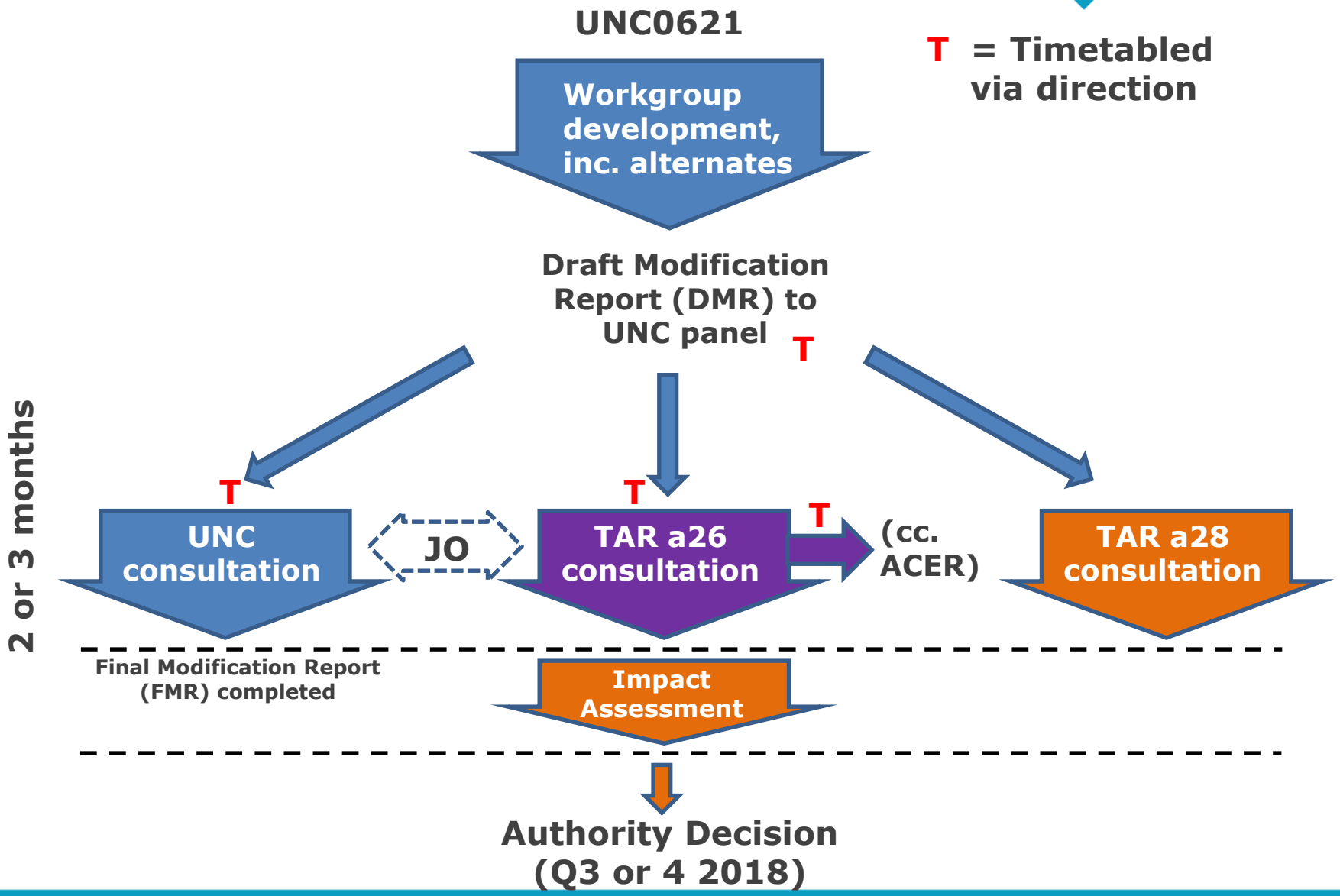
Authority decision

Alignment of TAR NC & UNC0621

- Both TAR NC and UNC0621 have consultation requirements
- There are similarities in the content of both
- We think there is merit in aligning the stakeholder consultations required under both
- We are consulting:
  - NRA v TSO decisions
  - Scope of UNC0621
  - Aligning/timetabling the consultations



UNC & TAR NC alignment



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Our priority is to protect and to make a positive difference for all energy consumers. We work to promote value for money, security of supply and sustainability for present and future generations. We do this through the supervision and development of markets, regulation and the delivery of government schemes.

We work effectively with, but independently of, government, the energy industry and other stakeholders. We do so within a legal framework determined by the UK government and the European Union.

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ACER
Agency for the Cooperation of Energy Regulators

ACER role in the implementation of the TAR NC - 2018

Miguel Martinez Rodriguez
Gas Market Officer

ACER - Gas Department

ENTSOG 2nd TAR Workshop
Brussels, 5 October 2017

TAR NC priorities for the Agency - 2018

- **NRA/TSO final consultation analysis (Art. 27)**

- **Allowed revenue report (Art. 34)**

Consultation template (Art. 26.5)

- **The Agency has developed a consultation template**
  - Online tool available on ACER's website: LINK
  - NRAs/TSOs to use it for the final consultation
  - Allows NRAs/TSOS building a summary of the consultation
- **Stakeholders**
  - Facilitates readability
  - Comparability across consultations
- **NRAs/TSOs**
  - Simplifies the review process of the Agency
  - Voluntary platform for NRAs/TSOs to submit consultation documents to the Agency

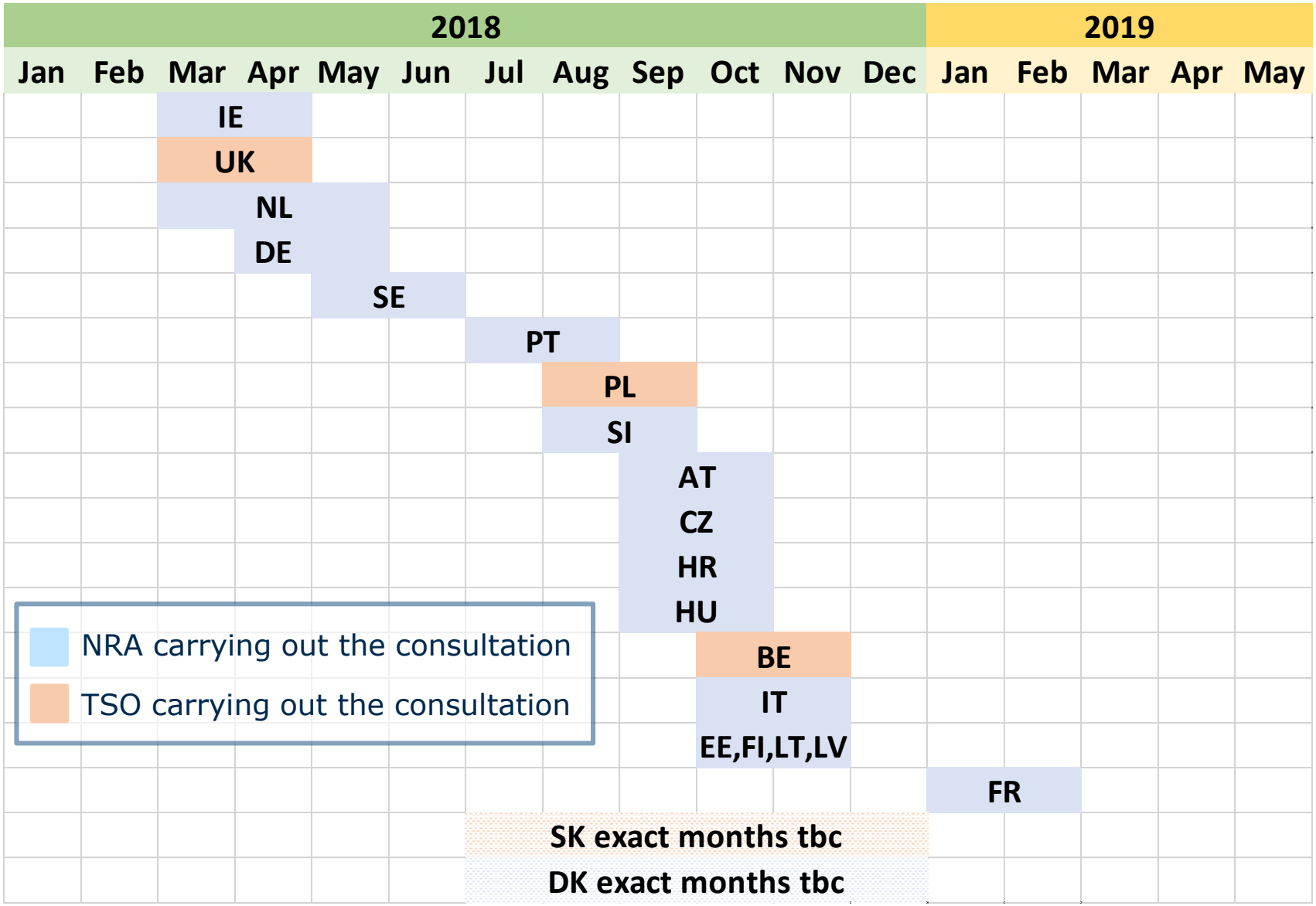
ACER analysis of the final consultation (Art 27)

- **NRA/TSO should launch a final consultation**
  - Containing all elements of Art. 26
  - At least 2 month duration

- **ACER encourages NRAs/TSOs to keep the Agency updated on the consultation process**
  - Ongoing discussion with NRAs and ENTSOG
  - Stakeholders are welcome to contact ACER: tariffs@acer.eu

- **ACER has 4 months to analyse each consultation**
  - Criteria for the analysis are laid out in the template

Final consultation timelines (Art. 26)



TAR NC allowed revenue publication requirements

- **Two allowed revenue publication streams**

- **NRAs/TSOs allowed revenue publication requirement (Art. 30)**
  - Early publication by December 2017

- **ACER allowed revenue report (Art.34)**
  - Due by April 2019. Expected publication 2018
  - Work on-going

ACER Allowed revenue report (Art. 34)

- **An aim of the report is to increase transparency**
- **AR publication requirements on general categories**
  - CAPEX, OPEX, cost of capital, incentive mechanisms, inflation indices (Art. 30.1.b.iii)
- **Stakeholders will be consulted on the conceptual framework used for the AR report**
- **For today: we would like to hear stakeholder views regarding the aim of the report**

Reliable data quality is key

- **Data quality is key for publication requirements (Art. 29-30)**
- **The information on the TP should be correct and complete**
- **NRAs/TSOs and ENTSOG should ensure the quality of data**

ACER
Agency for the Cooperation of Energy Regulators

Thank you for your attention!

www.acer.europa.eu

2nd Tariff NC Implementation Workshop

NRA/ACER perspective

Consumers expectations

Brussels, 5 October 2017

Dirk Jan Meuzelaar

Objectives gas regulation (715/2009)

TAR NC must contribute to the objectives of Regulation 715/2009 in (1st recital)

- Achieving efficiency gains;
- Delivering competitive prices;
- Resulting in transparency, higher standards of service.

By means of harmonizing transmission, tariff structures in order to

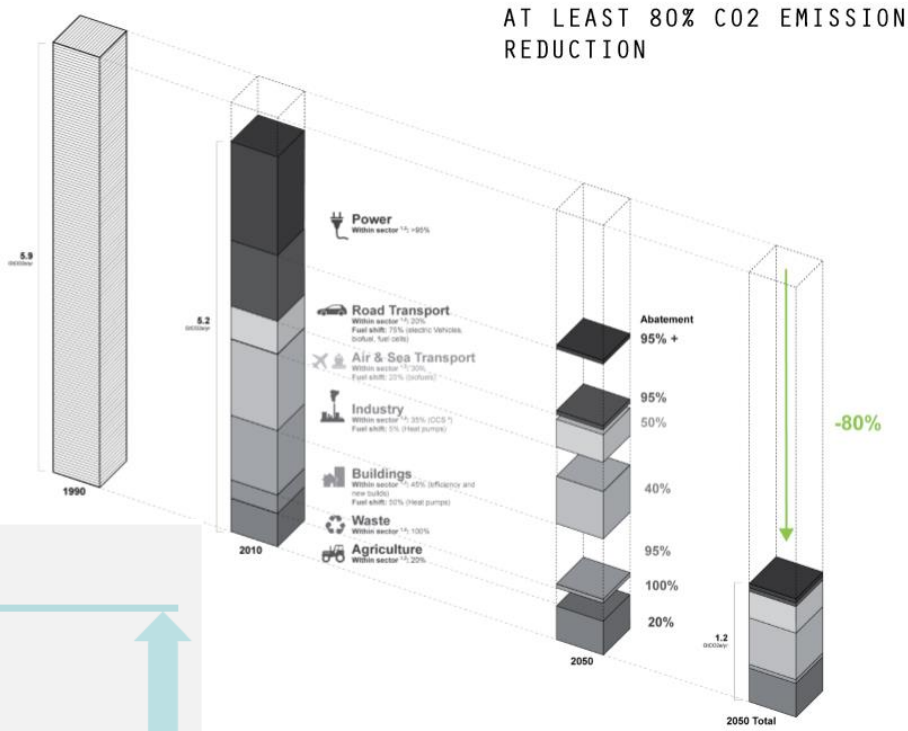
- Deliver real choices for all gas consumers;
- Contribute to security of supply and sustainability;
- Create (new) business opportunities.

Current national tariff methodology levels are disparate and lead to very different transportation tariffs

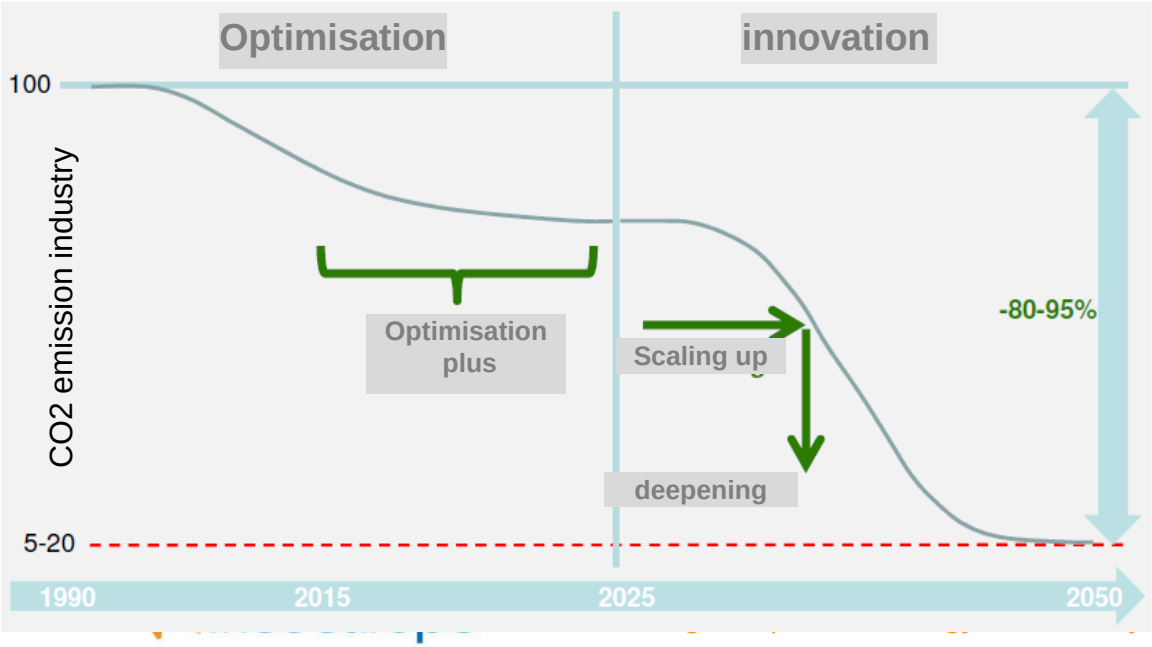
Energy and industrial transition goes hand in hand

Roadmap 2050: a practical guide to aprosperous, low-carbon Europe (2009)

Consumers need (less) energy which is
- Affordable
- Reliable
- Clean



Energy Intensive Industry will change its production processes and products in a fundamental way



Gas demand and its composition will change:
- Digitalisation -> ή
- Electrification -> H2
- Gasification -> Syngas
- Fermentation -> Biogas

cefic

Gas market changed, facilitated by the 3rd Energy package

- From long term contracts based on oil related prices to short term contracts with market based prices determined on liquid hubs;
- Convergence gas and electricity market (impact renewables);
- Gas transport bookings from long to short term.

How can we manage the risks of increasing transport tariffs as a result of declining volumes and reduced bookings?

A: by reducing the allowed revenues of TSOs including depreciation of its Regulated Asset Base?

B: by higher transport costs for suppliers and shippers?

C: in transferring all the costs and risks to end consumers in advance?

Consumers are not better off by paying higher transport bills when incentives for network users fail to enhance cost efficiency!

Main stream proposals in consultations
"Transfer all transport costs and risks to exit points"

- TSO's ask for cost recovery and safeguard of its revenues; they are indifferent how to divide the costs;
- Storages apply for more than 50% discount (asking for 100%);
- LNG operators claim the same position as storages, also where risk assessment shows a negligible risk for a disruption of gas supply;
- Shippers prefer short term bookings with low seasonal factors & multipliers;
- Producers/suppliers advocate for zero entry tariffs;
- Traders call to limit IP transport tariffs to Short Term Marginal Costs;

Only a monopolistic supply driven market takes it for granted that all costs are passed through to consumers

Role and objectives NRAs & TSOs

TSOs

Role:

- Facilitate the gas market
- Deliver sufficient transport capacity
- Integrity grid operation

Objectives:

- Recover all costs, including:
- Max profit for shareholder(s)

NRAs

Role:

- Supervision and development of markets and competition
- Approval of transport tariffs based on most efficient operations

Objectives:

- Fair competition
- Transparency
- Protect interests of consumers
  - Security of Supply
  - Efficient costs
  - Fair cost allocation

Preliminary observations of the implementation process of NC TAR

- TSOs
  - Prefer only minor changes of their existing tariff structure;
  - Adjacent alignment and harmonization only when necessary;
  - Stakeholder consultations to explain all options and test the market;
  - Fundamental changes only when current system is obsolete (UK and The Netherlands?);
- NRAs
  - Are mainly observers in this phase;
  - We did not observe alignment between adjacent NRA's;

Co-operation between Neighbour Network Operators limited to sharing information without major changes
NRAs do not show pro-active NRA-NRA co-operation neither!

What do we expect for the NRAs?

- Ensure that TSOs fulfill their **transparency** obligations;
- Enhance **incentives** to foster the efficiency of the TSO's and ensure that TSOs act as service providers instead of profit centers;
- Fostering **regional cooperation** by more pro-active effort to succeed the alignment and harmonization of adjacent TSO tariff structures;
- Safeguard the **interests of consumers** by:
  - Fair distribution of efficient costs between entry and exit;
  - More predictability and simplicity;
  - Limit risk exposures for consumers for decreasing volume and increasing transport costs.

In case transport prices are increasing, we need evidence that this is an option of last resort and will safeguard the interest of consumers

Preliminary conclusions

We observe…

- Limited alignment between adjacent TSO's and NRA's:
  - NRAs and TSOs should make more progress to adopt the best practices and endeavours to harmonise processes for the implementation of the NC TAR;
  - ACER and NRA's should make more effort that NC TAR rules are implemented across the EU in the most effective way;
- Market preference for an unfair distribution of the increasing costs and risks.

We are concerned that…

- in a market still dominated by a limited number of incumbents the transfer of transport cost and risks to consumers (end users) will not lead to efficiency gains, lower prices and better services;
- incentives will be lacking to foster a cost efficient gas transport.

We call TSO's & NRA's to be compliant with the Gas Regulation and the goals of the NC TAR to safeguard the interest of the consumers

3rd Session: Addressing stakeholder concerns

Brussels – 5 October 2017

IDoc updates

2nd TAR NC Implementation Workshop

Irina Oshchepkova, Tariff Subject Manager, ENTSOG

Colin Hamilton, National Grid, on behalf of ENTSOG

Niels Krap, ONTRAS, on behalf of ENTSOG

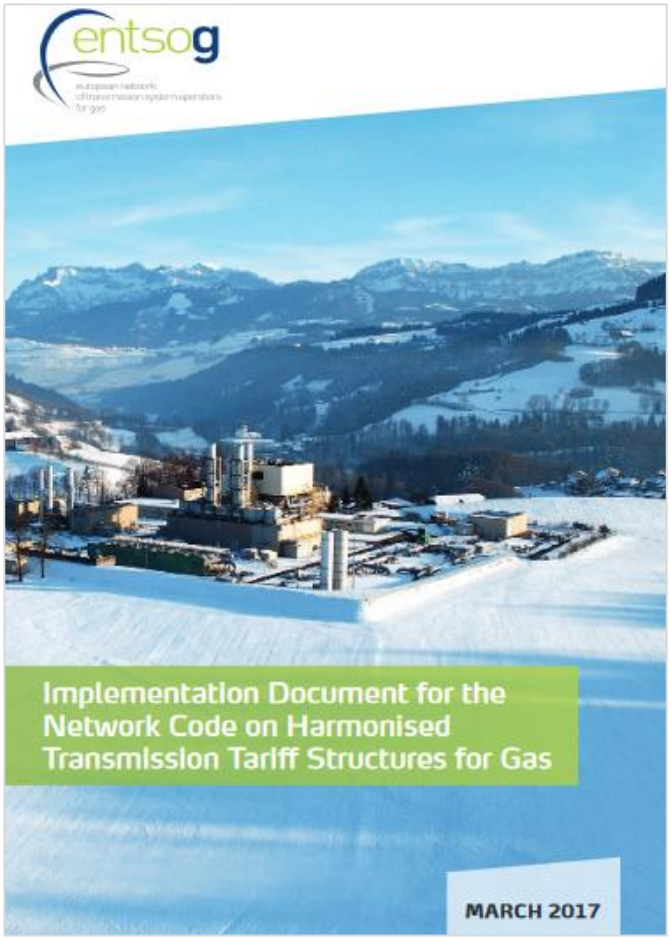
Image Courtesy of Thyssengas

Agenda

1. Sources of changes
2. Stakeholder comments
3. Other updates
4. Conclusion

1. Sources of changes

Sources overview



Stakeholder feedback

- From respondents
- Through ACER

Internal ENTSOG discussions

- Further implementation developments
- Internal Workshops

Questions at external presentations

Notes for Slide 132

ENTSOG received 6 responses to the consultation on the 1st TAR IDoc.

'Through ACER' means that we received feedback both from ACER and from individual NRAs who submitted it via ACER.

'Internal Workshops' were organised for TSOs only or else, for TSOs and NRAs.

Questions received at external presentations 'inspired' clarifications in the 2nd TAR IDoc.

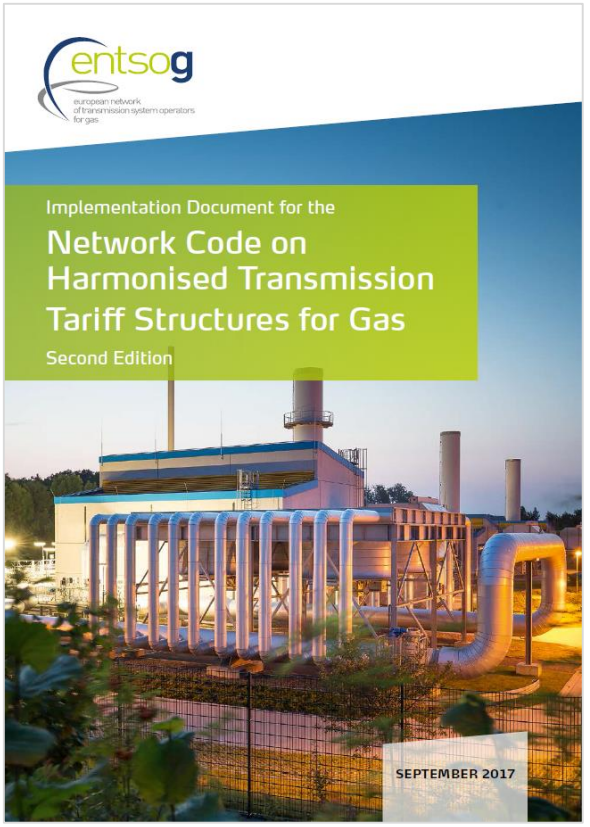
Process overview

Updated IDoc and all excel files for Annexes

Log of comments

Comparison with the 1st IDoc

Transparent approach

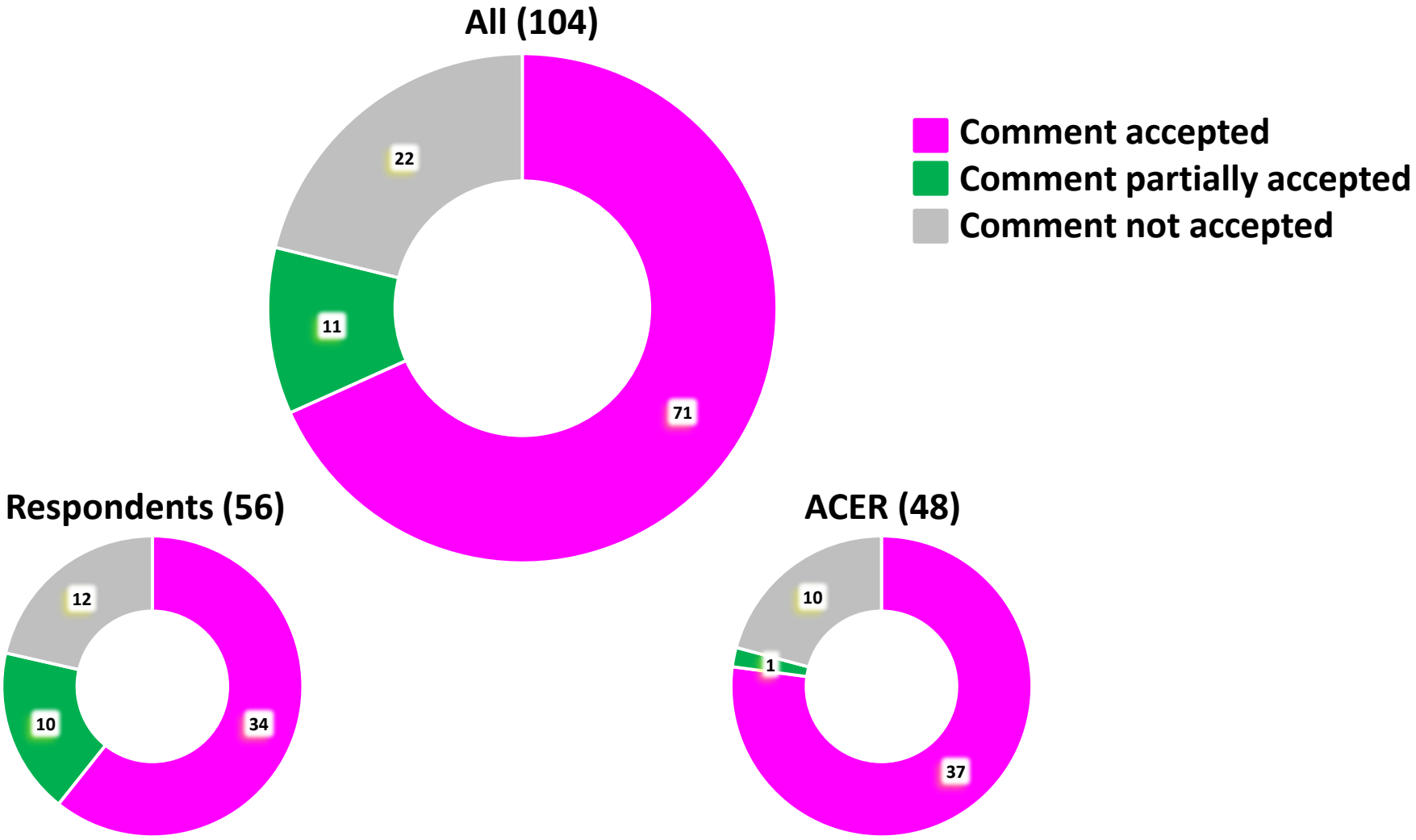


More pages in the 2nd IDoc as people ask for MORE!

Notes for Slide 134

Log of comments published on ENTSOG's website encompasses comments from respondents and feedback received through ACER.

Stakeholder comments



2. Stakeholder comments

2.1. Section ‘Process and Legal’

Scope and storage points

- NC exactly defines its scope
- NC does not permit limited scope rules to apply at non-IPs by national decision
- A possible extension by NRA does not apply to storage points

- Clarity of rules application for all points
- 3 categories of points: (1) IPs; (2) non-IPs which are points with third countries; (3) other non-IPs
- Storage points are in category (3), they are not ignored in the NC

Existing contracts

ACER
Agency for the Cooperation of Energy Regulators

entsog
european network of transmission system operators for gas

- **Respondent:** no additional charges for network users that are parties of the existing contracts
- **ACER:** terms ‘protected’ and ‘grandfathered’ not used
- **ACER:** additional charges (to the fixed contractual amount) may be needed to maintain the tariff level

- Agree with ACER
- If a network user holding an existing contract was aware of additional charges on top of those fixed in contract, the principle of legitimate expectations is respected

2. Stakeholder comments

2.2. Section ‘Interruptible’

Interruptible discounts recalculation

20% probability of interruption which triggers a recalculation: absolute figure, not a relative one

- 10% to 31% (21% absolute) – recalculation permitted
- 10% to 12.5% (25% relative) – recalculation not permitted

- Use absolute figures instead of relative ones
- Numerical example

Ex-post

ACER
Agency for the Cooperation of Energy Regulators

entsog
european network of transmission system operators for gas

- **Respondent:** NRA cannot cap the compensation
- **ACER:** 'not sure if this freedom [cap] is given…'
- **Respondent:** compensation does not depend on a within-day interruption

- Compensation cap may incentivise TSOs to offer interruptible capacity and may be implemented by NRAs as a safeguard
- NC refers to 'actual interruptions'

Non-physical backhaul

ACER
Agency for the Cooperation of Energy Regulators

entsog
european network of transmission system operators for gas

- **Respondent:** non-physical backhaul could be regarded as conditional firm

- **Respondent:** no reference prices at unidirectional points for capacity in direction opposite to the flow

- **ACER:** clarify pricing examples

- Non-physical backhaul is interruptible

- Pricing examples, e.g. using technical capacity of a unidirectional point

2. Stakeholder comments

2.3. Section ‘Information’

Consultation and publication in English

- Consultation documents and summary in English will increase the process effectiveness
- Same for publication requirements
- Stakeholders ‘are likely to be highly critical’ otherwise

- Consultation in English will foster transparency along the process
- Publication in English is the most effective
- Credible justification needed otherwise

Tariff changes and trends

- Provide tariff changes/trends using actual figures for reasonable estimates

- Other approaches are complementary

- Wide ranging estimates (e.g. +/- 100%) are of little benefit

- 3 options (ranges/percentage changes/ranges for percentage changes) are complementary to the actual forecasted tariffs

- ‘Best estimates’ of future tariffs

2. Stakeholder comments

2.4. Section ‘Tariff model’

Update of tariff model

- Updating tariff model enables estimating possible tariff evolution beyond the prevailing tariff period
- At least quarterly updates with under-/over-recovery information within the tariff period

- Updates are possible and optional
- Obligation is to publish the tariff model only before the tariff period
- Quarterly updates may be misleading – impression that tariffs may change within the tariff period

Forecasted contracted capacity (FCC)

ACER
Agency for the Cooperation of Energy Regulators

entsog
european network of transmission system operators for gas

- **Respondent:** CWD unclear on FCC definition
- **Respondent:** large degree of subjectivity in calculating the counterfactual CWD tariffs
- **ACER:** NRA decides on the forecasting process, it can be without a TSO

- FCC must be based on a 'best estimate'
- TSO input must be taken into consideration

CWD model

- Screenshot of a postage stamp tariff model is of little use

- ‘Considerable merit’ in developing an EU generic CWD counterfactual tariff model

- Excel files for IDoc Annexes published (postage stamp, CWD)

- Example of CWD model developed: ***live demonstration***

Notes for all Slides in Section 2

For each comment on the slides above, please refer to the Log of comments, where ENTSOG's rationale is provided for each comment received, and version of the TAR IDoc in track changes showing the difference between the 1st TAR IDoc and the 2nd TAR IDoc. In this version, the comment boxes indicate the relevant number of comment in the Log. All documents are published on ENTSOG's website under 'TAR NC implementation'.

3. Other IDoc updates

Examples of other updates

'Double-check'

- More information on status as of September 2017
- Tariff period in Slovakia lasts 5-year until end of 2021

More details

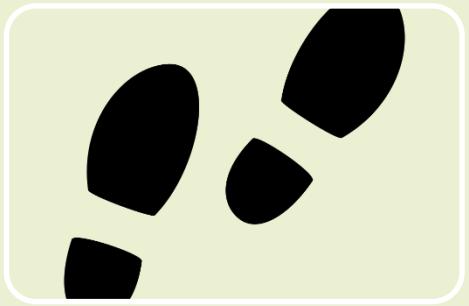
- How to calculate commodity charges
- Details of 'flow scenario'

Change of approach

- Use all bookings for a given month in seasonal factor methodology

4. Conclusion

Something to take away



Useful exercise

Change comes from all

Next steps

Second Tariff NC Implementation Workshop

Brussels, 5th October 2017

European Federation of Energy Traders

IDoc Update

Stakeholder Feedback

Steve Rose – Chair of EFET's Tariff Group

Background

- Welcome IDoc and ENTSOG's open and collaborative approach to development
- Track changed version and comments log help to see how IDoc has evolved
- Executive summary provides helpful overview of 272 page document
- EFET made 38 comments on IDoc v 1.0
- Met with ENTSOG on 3rd August to discuss them
- 29 of the 38 comments have been fully reflected in IDoc v 2.0
- Comments from ACER and other stakeholders seem to have been duly considered

Key comments(accepted)

EFET European Federation of Energy Traders
SO YOU CAN RELY ON THE MARKET

- The importance of consultation and information being provided in English is reinforced (3 times) in IDoc v 2.0:
  - credible justification and reasoning will be needed if this is not possible

- Clarification now added on when reference prices can be recalculated within the tariff period due to exceptional events:
  - significant over estimations of forecasted capacities/flows are not exceptional events in their own right – must be triggered by exceptionally mild winter for example
  - legal changes and imminent bankruptcy or material credit downgrading of a TSO are other examples of exceptional events
  - but exceptional events must “jeopardise the operation of the TSO” for reference prices to be recalculated

- Detailed information on the probability of interruption now expected to be provided

- Clarification that 20% change in the probability of interruption (which prompts change of interruptible tariffs within year) is an absolute change

Key comments(rejected)

- IDoc v 2.0 still misinterprets the application of ex-post interruptible discounts:
  - ex-post discounts opposed by traders throughout TAR NC development
  - ex-ante discounts preferred with more transparency on drivers for interruption
  - ex-post compensation included with penalising effect to discourage use
  - compensation = 3 x daily capacity cost is a legal requirement in Article 16.4
  - NRA/TSO cannot cap it or apply it pro-rata based on hours or % of interruption
  - <u>If you don't like it don't use it and then everyone will be happy</u>

- Shipper buys 2 gas years of capacity (GY 18 & 19) in Jul 18 CAM auctions from a TSO with a Jan – Dec tariff period:
  - TSO/NRA will need to publish reserve prices relating to 2 tariff years (2018 and 2019) to ensure price remains fixed for first gas year (Oct 18 – Sep 19)
  - but what does this mean for the Q4 2019 reserve price
    - will 2019 prices only be published for Jan – Sep 19?
    - will it remain fixed at previously published 2019 tariff year price?
    - will it be amended in Dec 2018 or Jun 2019?

Key comments(rejected) - continued

EFET European Federation of Energy Traders
SO YOU CAN RELY ON THE MARKET

- IDoc v 2.0 states that the tariff model need only be updated and published before the tariff period:
  - but TAR NC requires the tariff model to be updated regularly so as to enable network users to estimate possible tariff evolution beyond the tariff period
  - publishing (at least) quarterly updates of under/over recovery is not a specific TAR NC obligation
  - but doing so as an update to the tariff model fulfils the above requirements and should be adopted voluntarily by all TSOs as best practice
  - annual updates of the tariff model are not sufficient
  - shippers do not need to be “protected” from the risk of misinterpreting such data by “being kept in the dark”

- IDoc v 2.0 does not list all the interconnectors who are entitled to seek derogations from the TAR NC:
  - Interconnector UK and BBL are listed
  - but who are Interconnector 1 and Interconnector 2?

Welcome new additions to IDoc v2.0

EFET European Federation of Energy Traders
SO YOU CAN RELY ON THE MARKET

- Figure 23 – Seasonal factors by Member State
- Table 11 – TSO/NRA responsibilities for consultation by Member State
- Table 16 – TSO/NRA responsibilities for publishing information by Member State
- Spreadsheets accompanying various annexes
  - Annex C – Example of cost allocation assessment
  - Annex E – Capacity Weighted Distance counter factual
  - Annex G – Example of an inter TSO compensation scheme
  - Annex M – Example calculation of seasonal factors
  - Annexes R1 & R2 – Examples of Postage Stamp and CWD tariff models
- Annex F - Further examples of how storage discount is applied to facilities connected to more than one system
- Annex T – Revamped who publishes where, what and when table
- ENTSOG's commitment on "early compliance" with publication requirements
- Adaption of the ENTSOG standardised table
  - to allow for non-IP data
  - to allow for currency conversion
  - to show the 1 GWh/d/year capacity benchmark cost on a flat annual, quarterly, monthly and daily basis

Next steps

- The TAR NC is intended to create trust in the tariff setting process through:
  - Transparency
  - Consultation
  - Justification
  - Understanding
  - Predictability
- NRAs/TSOs should study the IDoc closely and follow ENTSOG's open and collaborative approach when developing their reference price methodologies
- Stakeholder engagement through dialogue, workshops and consultation is essential for creating trust in the tariff setting process and is already happening in some countries (UK, NL, FR, DK, etc)
- EFET fought hard to make the TAR NC fit for purpose and will not shy away from exposing inadequate or incomplete consultation and information provision
- We look forward to seeing tariff and TSO price control information being populated on the ENTSOG TP and NRA/TSO websites during Q4 2017
- We look forward to reading and responding to NRA/TSO consultations on their national reference price methodologies during 2018 in English

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Brussels – 5 October 2017

TAR NC and Storage

2nd TAR NC Implementation Workshop

Laurent Percebois, ENTSOG Tariff Adviser

Emmanuel Bouquillion, TIGF, on behalf of ENTSOG

Image Courtesy of Thyssengas

Agenda

1. Discounts: principles and practice
2. Different cases, different adjustments
3. Reduced discounts: why and how
4. Storages and rescaling: arguments and example

1. Discounts: principles and practice (1/2)

CURRENT STORAGE DISCOUNTS		
MS	**TSO Entry discount**	**TSO Exit discount**
AT	100%	Highly discounted
BE	0%	100%
BG	70%	70%
CZ	No general discount applied	No general discount applied
DE	50%	50%
DK	100%	100%
ES	100%	100%
FR	85% on average	85% on average
HR	0%	90%
HU	90%	100%

- TAR NC indicates specific tariff provisions for storages
- As a default, TAR NC ***obliges to set a minimum discount of 50%*** at reference prices for facilities connected to 1 single TSO network: ***'regular storage facilities'***

Notes for Slide 166

In HR, TSO entry discount is 90% and TSO exit discount is 100%

**** Status updated based on feedback at 2nd Implementation Workshop***

Article 9 of TAR NC gives provisions on tariffs at Storage Connection Points (SCPs)

Difference between storage discounts in Article 9 and Article 6 adjustments

> Art. 6 adjustments (benchmarking, equalisation and rescaling) affect reference prices

> Art. 9 adjustments (storage discounts) affect capacity-based transmission tariffs

➔ Both adjustments apply simultaneously only for firm yearly products

1. Discounts: principles and practice (2/2)

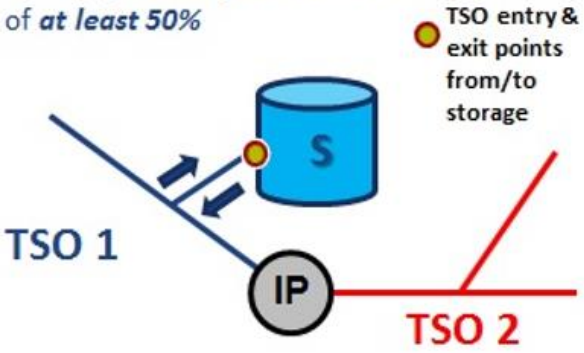
CURRENT STORAGE DISCOUNTS		
MS	**TSO Entry discount**	**TSO Exit discount**
IE	No discount on capacity charge	No discount on capacity charge
IT	14% (only if costs are allocated to each pipeline)	14% (only if costs are allocated to each pipeline)
NL	25%	25%
PL	80%	80%
PT	0%	No tariffs applied
RO	0%	0%
SE	100%	100%
SK	0%	0%
UK	0% (capacity charge), 100% (commodity charge)	0% (capacity charge), 100% (commodity charge)

- ***No harmonisation of TSO tariffs*** at Storage Connection Points (SCPs) in Europe in 2017
- Principle of discounts in order to avoid double charging, and due to the special contribution to system flexibility and security of supply

2. Different cases, different adjustments

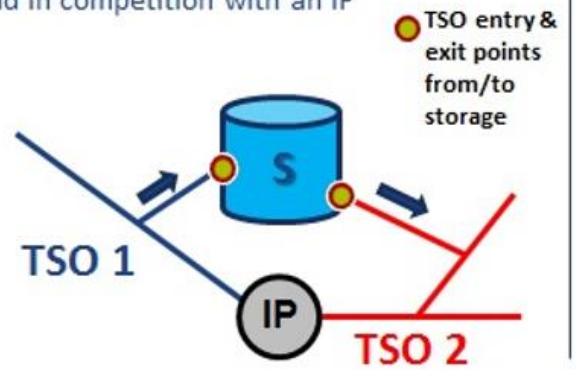
Storage points

Default rule: storage connected to 1 TSO only ➔ entry and exit discounts of ***at least 50%***



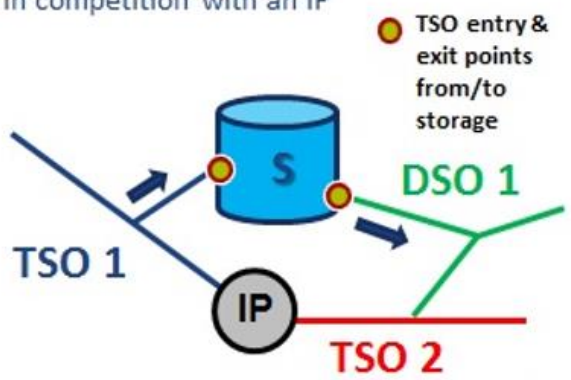
Regular storage facilities

Exception 1: storage connected to 2 TSOs and in competition with an IP



Facilities allowing cross-system use (case 1)

Exception 2: storage connected to 1 TSO and 1 DSO in competition with an IP



Facilities allowing cross-system use (case 2)

- Storage discounts are subject to a ***TSO/NRA consultation*** (at least every 5 years)

3. Reduced discounts: why and how (1/2)

- For ***'storage facilities that allow for cross-system use'*** (connected to at least 2 systems) discounts ***may be reduced below 50%, to the extent that network users make use of such storages to compete with an IP***

- ***Consequence 1:*** the default 50% discount applies to the share of capacities that are not used to compete with an IP

- ***Consequence 2:*** SSOs, TSOs, NRAs have to monitor the actual capacity use

Notes for Slide 170

Storage facilities that allow for cross-system use are connected to at least 2 systems:

> TSOs in different entry-exit systems, or

> TSOs and DSOs regardless of their respective entry-exit systems

For TSO capacities at SCPs that are not actually used to compete with an IP, the default rule implies that 50% is a minimum value for storage discounts (value may be higher)

Monitoring of actual competition with an IP may be performed by one or several entities (SSO, TSO, NRA), depending on the specific regulation in a MS (significant differences among MSs)

Monitoring of actual competition with an IP implies that flows and/or capacity use are checked (different approaches among MSs)

3. Reduced discounts: why and how (2/2)

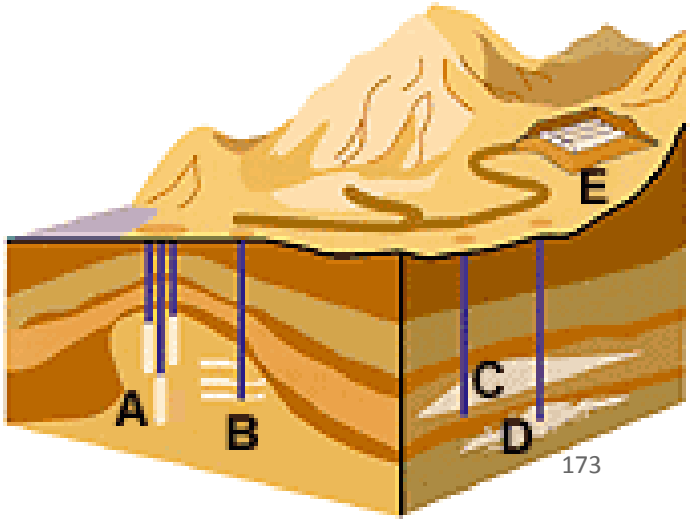
- How to assess the ***actual competition*** with IPs at ***'storage facilities that allow for cross-system use'***?
  - Stakeholders suggested a timing criterion (simultaneous exit and entry within 24h)
  - Criterion not sufficient for ENTSOG: bypassing of IPs justifies special consideration

- ***Today, TSOs in only 5 MSs have to deal with such specific storages:***
  - **Austria:** capacity discounts applied, one single account per entry-exit system side.
  - **France:** capacity discounts higher than for 'regular' storages due to higher risk of interruption. Two flow-based virtual storage accounts.
  - **Germany:** capacity discounts are the same. Two accounts. A flow-based corrective charge.
  - **The Netherlands:** capacity discounts are the same. One single account.
  - **Slovakia:** no storage discount currently. One single account.

4. Storages and rescaling: arguments

- ***Conflicting arguments received***
  - **Respondent:** rescaling should not affect Storage Connection Points and should be applied only to other points, otherwise the post-rescaling reference price for Storage Connection Points corresponds to a discount which is lower than the one used at the pre-rescaling stage as per Article 9(1) (say, 50%)
  - **ACER:** Article 6(4)(c) states that rescaling should affect all entry points, or all exit points, or both

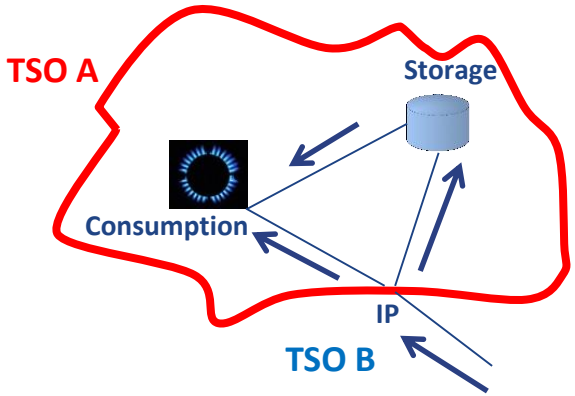
- ***ENTSOG agrees with ACER:*** after rescaling, discounts at storage points should remain the same as before rescaling, compared to non-storage points



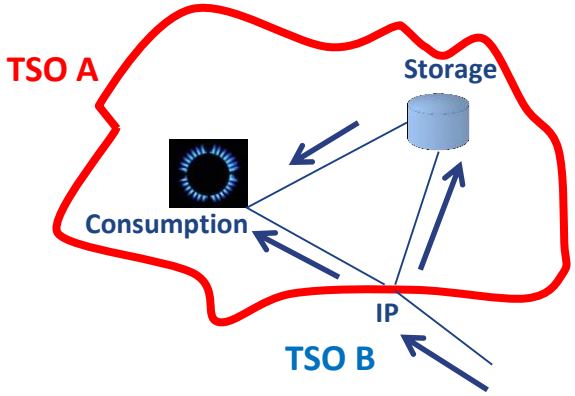
4. Storages and rescaling: example (1/2)

- TSO A uses a Postage-Stamp (PS) methodology with only 2 entry points into TSO and 2 exit points from TSO
  - Entry points: IP_{Entry}, $Storage_{Entry}$
  - Exit points: $Storage_{Exit}$ and Consumption

- ***Assumptions:***
  - Revenue: 100
    Entry-exit split: 50%-50%
  - Forecast contracted capacity: 30 each at Consumption and IP_{Entry}
  - Forecast contracted capacity: 10 each at $Storage_{Entry}$ and $Storage_{Exit}$
  - Discounts applicable at storage: 50%



4. Storages and rescaling: example (2/2)



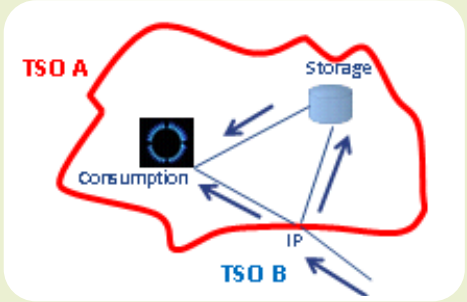
- Entry tariff is 50/(30+10) = **1.25**; Exit tariff is 50/(30+10) = **1.25**

- ***Tariffs after discounts***: 1.25 for Consumption and IP_{Entry}, 0.625 for $Storage_{Entry}$ and $Storage_{Exit}$ ➔ **but under-recovery**: 100 – 1.25*(30+30) – 0.625*(10+10) = **12.5**

- Rescaling: **increase all tariffs** by a 100/(100-12.5) factor
- ***Post-rescaling tariffs*** are: ~1.43 for Consumption and IP_{Entry}, ~0.71 for $Storage_{Entry}$ and $Storage_{Exit}$ ➔ **no under-recovery**

Post-rescaling storage tariffs are still 50% of post-rescaling non-storage tariffs

Something to take away



Regular storage: default minimum 50% discount

Storage competing with IPs: no default on competing capacities

Rescaling: storage points also affected

ENTSOG 2nd Implementation Workshop for NC TAR

5 October 2017, Brussels

AGENDA

1. GIE general view on the implementation process of the NC TAR
2. GIE comments on IDoc 1st edition published in March 2017
3. GIE comparison of IDoc 1st and 2nd editions

GIE welcome a lean and efficient

- **GIE believe that harmonisation in the TSO tariff calculation fosters the European Gas Market and increases cross-border gas flows**

- **GIE expect the 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**

GIE comments on IDoc 1st edition published in March 2017

GIE welcome and appreciate ENTSOG's efforts in involving all stakeholders in IDoc process

GIE is committed to contribute to the process based on its knowledge of the TSO, SSO and LSO market in Europe

GIE comments concentrate on the explanations in regard to Art. 9 and examples described in Annex F of the ENTSOG document.

points

Article 9 of NC TAR defines an adjustment of tariffs at entry points from and exit 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.*

GIE comparison of IDoc 1st and 2nd editions (I)

GIE comments on IDoc 1st edition	IDoc 1st edition VS IDoc 2nd edition
GIE propose : • to give further guidance on a fair and transparent universal methodology how to evaluate the net benefits of storages within transmission systems • in a second step calculate the direct and indirect benefits of the individual storages in the relevant Entry Exit zone. ✓ Efficient investment in new infrastructure ✓ Reduced operating costs ✓ Network stability ✓ Security of Supply (availability of gas, facing peak demand) ✓ Enhanced market liquidity and flexibility, reduction of price fluctuation	•  *"…minimum discounts aim at 'avoiding double charging' and 'acknowledge the general contribution of storage facilities to system flexibility and security of supply'"* • such discounts shall be derived from a transparent evaluation and calculation

GIE comparison of IDoc 1st and 2nd editions (2)

GIE comments on IDoc 1st edition	Comparison of IDoc 1st and 2nd editions
Cross-border use of gas storages • Describe those cases where cross border storage use competes with transport via an IP and criteria for their determination • Include more examples (only Germany)	 Germany + Austria Slovakia The Netherlands France

Thank you for your attention and interest

INES
INITIATIVE ERDGASSPEICHER

Comment on

Implementation Document for the Network Code on Harmonized Transmission Tariff Structures for Gas

ENTSOG 2nd TAR NC Implementation Workshop
5 October 2017, Brussels

INES comments partly considered only

- ENTSOG explanations regarding the **general adjustment of discounts** at Storage Connection Point (SCP)

- ENTSOG explanations regarding **exception for storage facilities enabled to compete with interconnection points** by being connected to more than one transmission system

- ENTSOG's **interpretation of Article 2 of TAR NC (IP/non IPs) & application of multipliers at SCPs**

- ENTSOG's view on **application of seasonal factors** at interconnect points

But INES concerns not covered

- Adjustment of Discount at SCP´s: > 50% shall inter alia cover **avoided transmission capacity requirements for peakday-demand, cost savings due to increased operational efficiency by effects of seasonal and short term balancing and provided system stability for security of supply requirements**

- *Clarification on cross border use:* ***Only a "simultaneous"*** *(i.e. within the same hour)* ***usage by a same network user*** *of entry- and exit-points at a given storage facility in adjacent market areas could at all* ***be considered as an usage of such storage facility in competition to the IP.***

Extension of NC TAR on Non/IPs and application of multipliers at SCPs

- Multipliers shall not be applied at storage connection points.
  - **ENTSOG `s interpretation of Art. 2 opens the door to deviate from NC TAR**
  - **The purpose of multipliers do indicate the inapplicability**
- Art 9 of TAR NC has the title “Adjustments of tariffs at entry points from and exit points to storage facilities […]”. It is the only place within the text of the regulation, where storage points are explicitly mentioned. Thus, the provision conclusively governs the special regulation for the tariffs on storage points and not the application of multipliers.
- The inapplicability with a view to the purpose of multiplier is inter alia justified by the matter of fact, that storage facilities by its function do not need transport capacity in one direction during a whole year and thus bookings in periods less than a year do not produce a vacancy rate in an undue manner caused by the storage.

Member of INES Board

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entsog

european network
of transmission system operators
for gas

4th Session:
Up-coming year and Monitoring

entsog
european network
of transmission system operators
for gas

Brussels – 5 October 2017

Implementation and Effect monitoring

2nd TAR NC Implementation Workshop

Seán Kinsella, ENTSOG Tariff Adviser

Image Courtesy of Thyssengas

Agenda

1. ENTSOG monitoring responsibilities as per TAR NC and Regulation 715

2. Implementation Monitoring

3. Effect Monitoring

Implementation and effect monitoring

Effect Monitoring - Regulation 715, Article 8(8)

'ENTSOG shall monitor and analyse the implementation of the network codes and their effect on the harmonisation of applicable rules aimed at facilitating market integration.'

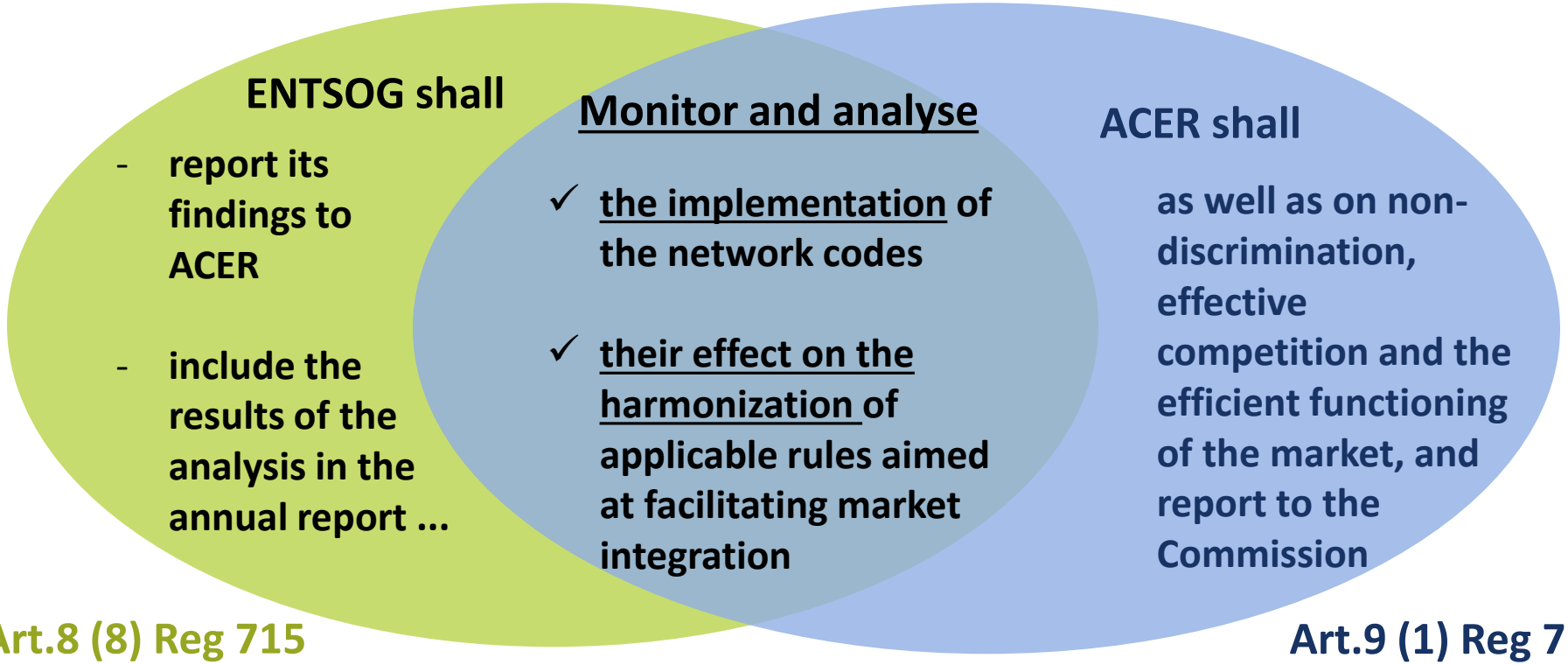
Implementation Monitoring – TAR NC, Article 36

'ENTSOG shall monitor and analyse how transmission system operators have implemented this regulation.'

Notes for Slide 193

ENTSOG monitoring obligations are clearly set out in the gas regulation and TAR NC. ENTSOG need to monitor the implementation of TAR NC by European TSOs and the effect it is having on the European gas market. Results of the its analysis will be published 31 March and reports submitted to ACER, summaries of both reports will be included in ENTSOGs Annual Report in May.

ENTSOG & ACER Monitoring Obligations



Art.8 (8) Reg 715

Art.9 (1) Reg 715

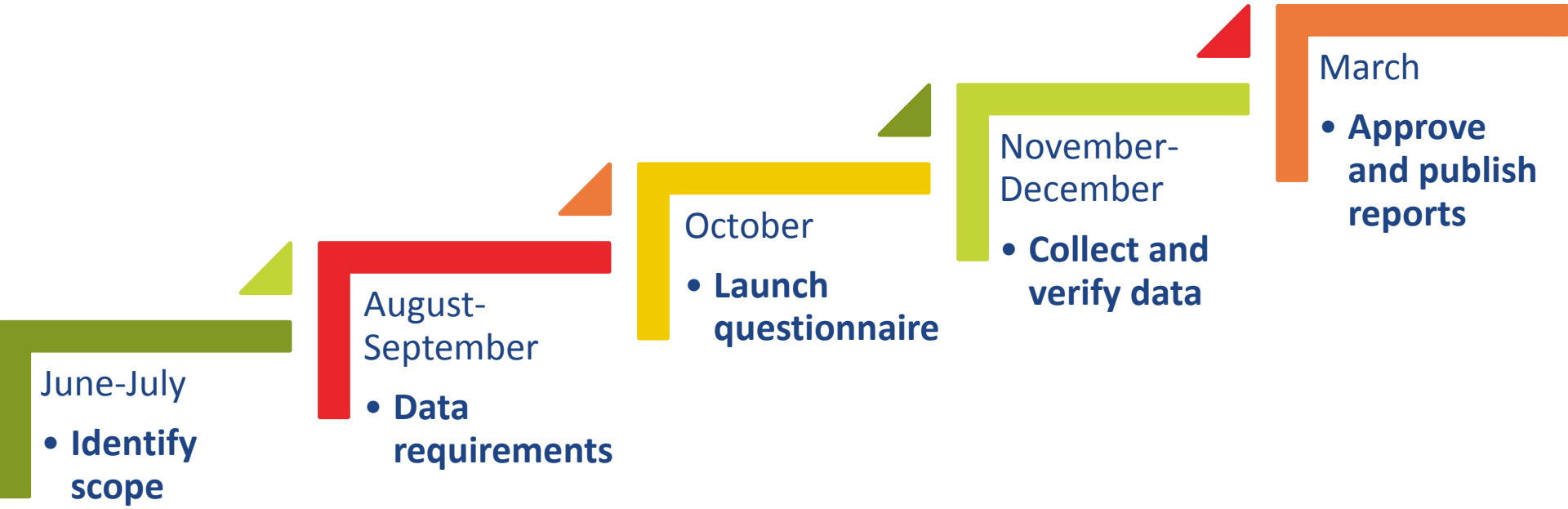
Overlap and open formulation in Art. 8 and Art. 9 of Reg. 715/2009

Notes for Slide 195

There is a level of overlap between ENTSOG and ACERs monitoring obligations. A coordinated approach is required between ENTSOG and ACER to ensure complimentary reports and no duplication of work.

The two agencies are working in close cooperation:
- For Effect Monitoring, ENTSOG has developed indicators that will be used for its monitoring activities – ACER provided their feedback and option on these indicators.
- For Implementation Monitoring, a questionnaire was developed jointly between ENTSOG and ACER to collect data.

Timescale for Implementation and Effect Monitoring reports (2017-18)



***31 March 2018**: publication and submission to ACER*

***May 2018:** ENTSOG's annual report to include the Summary of the TAR IM and EM reports*

Notes for Slide 197

The Implementation Monitoring questionnaire and Effect Monitoring survey were sent to all TSOs on 2 October.

Part A of the Implementation Monitoring questionnaire and the Effect Monitoring survey should be submitted to ENTSOG by TSOs on or before 7 November. Part B of the Implementation Monitoring questionnaire should be submitted to ENTSOG by TSOs on or before 7 December.

Implementation Monitoring

- ***Scope***
  - Chapter eight + early publication requirements
  - Scope expanded – All AD 1 and 2 chapters included
- ***Data collection***
  - ENTSOG/ACER collaboration - joint questionnaire
  - ACER online tool
- ***Questionnaire***
  - For every relevant article of TAR NC
  - Evidence based – links to data publication

Notes for Slide 199

Scope

- As per TAR NC, Implementation Monitoring report due March 2018 (covering 2017) should comprise chapter eight 'Publication Requirements'.
- The reason the scope of the implementation Monitoring has been expanded is to give a better understanding of what is happening with the implementation of the TAR NC throughout Europe. TSOs currently need to implement more than just chapter eight – including, General Provisions (Derogations, TAR NC definitions applied to TSO documents) Pricing of bundled capacity, Consultation Requirements (if any, intermediate consultations, preparation for final consultation), Final and Transitional Provisions.

Data collection

- The Implementation Monitoring questionnaire has been developed by ENTSOG and ACER and will be used to collect data from TSOs and NRAs, which then will be used for their respective Implementation Monitoring reports
- ACERs online tool is being used to host the Implementation Monitoring questionnaire and will be used by both TSOs and NRAs when completing the questionnaire.

Questionnaire

- It is a detailed questionnaire, broken down per chapter, article and sub-point per article
- The questionnaire is evidence based, so when it is being answered evidence will need to be provide back up answers – this will mainly be done through links to the published information.

Effect Monitoring

- ***ENTSOG starting Effect Monitoring – setting a benchmark***
- ***CEPA proposed seven indicators***
  - Some indicators not used
  - Some indicators revised
- ***Evolution of indicators***
- ***ACER feedback - included in process***

Notes for Slide 201

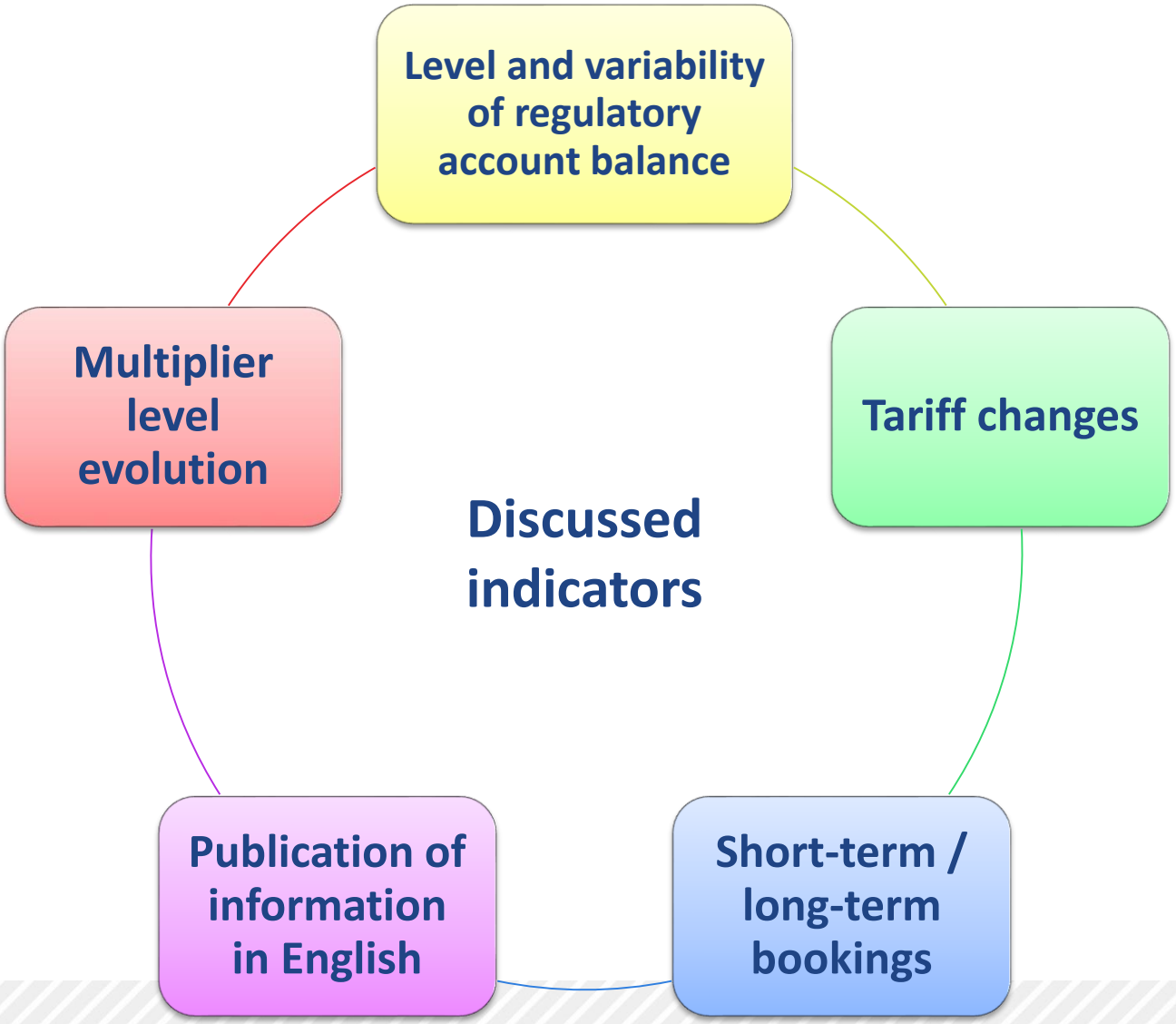
Effect Monitoring has already started in order to set a benchmark for future monitoring reports. The monitoring indicators have been designed to provide a reference database that can be used for comparison purposes for the coming years. This will give a clearer understanding of the effects of TAR NC on the European Gas Market.

CEPA's proposed indicators, which were made in 2015 based on a mandate from ACER, were used as a starting point in discussions when setting the indicators that will be used for effect monitoring. CEPA's indicators were revised, combined or rejected, with ENTSOG eventually setting its own five indicators. Please see next page.

The indicators that are currently being used are open to further discussion, revision or amendment as is deemed necessary going forward. Of particular focus will be ensuring that the indicators chosen will highlight any effects on the market are actually related to TAR NC.

Although ENTSOGs effect monitoring is separate from ACERs effect monitoring before ENTSOG submit their reports to ACER, ACER provided their input and feedback on the indicators that ENTSOG initially proposed and eventually decided on. ENTSOG endeavored to make sure their effect monitoring reporting is complementary to ACERs monitoring activities and any overlap is avoided where possible.

Effect monitoring: indicators



Notes for Slide 203

<u>Indicator 1</u>. Level and variability of Regulatory account balance – focuses on the fluctuations of the RA balance for TSOs.

- Instability of the collected revenue is reflected in TSO tariffs
- Revenue recovery may happen through massive cost reallocations

<u>Indicator 2</u>. Tariff changes at CAM and non-CAM points after new RPM implementation 31 May 2019 – will indicate tariff evolution since the last tariff period

- Instability of tariffs is harmful for market participants

<u>Indicator 3</u>. Evolution of ST and LT bookings after implementation - gives the evolution of bookings for firm capacity products compared to previous gas year.

- increased use of ST bookings could lead to adjustment in level of multipliers and SF.

<u>Indicator 4</u>. Publication of information in English – covers transparency and tariff comparability across Europe.

- A proxy for transparency and tariff comparability
- Consultation documents, summary of responses to consultation doc, info to be published before the tariff period

<u>Indicator 5</u>. Multiplier level evolution for short term products – covers the multipliers apply by TSOs for each non-yearly standard capacity product

Something to take away

Implementation Monitoring – Expanded scope

Effect Monitoring – Laying a benchmark

ENTSOG / ACER - Collaboration

TAR-NC@entsog.eu

Notes for Slide 206

For any comments/feedback/questions, please contact ENTSOG's Tariff Brussels Team at TAR-NC@entsog.eu.

The necessity of the 3rd edition of the TAR IDoc will be evaluated based on ENTSOG's internal discussions and taking account of the feedback received via the feedback forms submitted at the day of the 2nd TAR NC Implementation Workshop.

Thank You for Your Attention

Tariff Brussels Team

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