Autoriteit Consument & Markt

gasunie transport services

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

Implementation of NC TAR in the Netherlands

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Agenda

- Topics from June 28 that were not yet discussed
- Possible tariff methodologies for non-transmission services
- Possible multipliers, seasonal factors and forecasted contracted capacity
- Interruptible capacity
- Requirements for publication and consultation
- Cascading of tariffs
- Wrap-up: alternatives to be analysed

Discount on LNG

- The discount on entry- and exit points for LNG terminals can be anywhere between 0% to 100%
- How would you interpret "*for the purposes of increasing security of supply*"?
  - To what extent does the LNG terminal in the Netherlands enhance security of supply?

Tariff period

What is stated in NC TAR?

- NC TAR does not prescribe what the tariff period should be
- Article 12(2) provides rules on tariffs when tariff period and gas year do not coincide
- However, implementation of NC TAR could be occasion to reconsider the tariff period
- Options:
  - Tariff period = calender year (current situation)
  - Tariff period = gas year

Tariff period equal to gas year?

- The tariff period will then be from 1 October to 30 September

- Advantages
  - Moment of decision is closer to the start of the tariff year
  - The reserve price is the result of one price instead of a combination of the prices of two calendar years

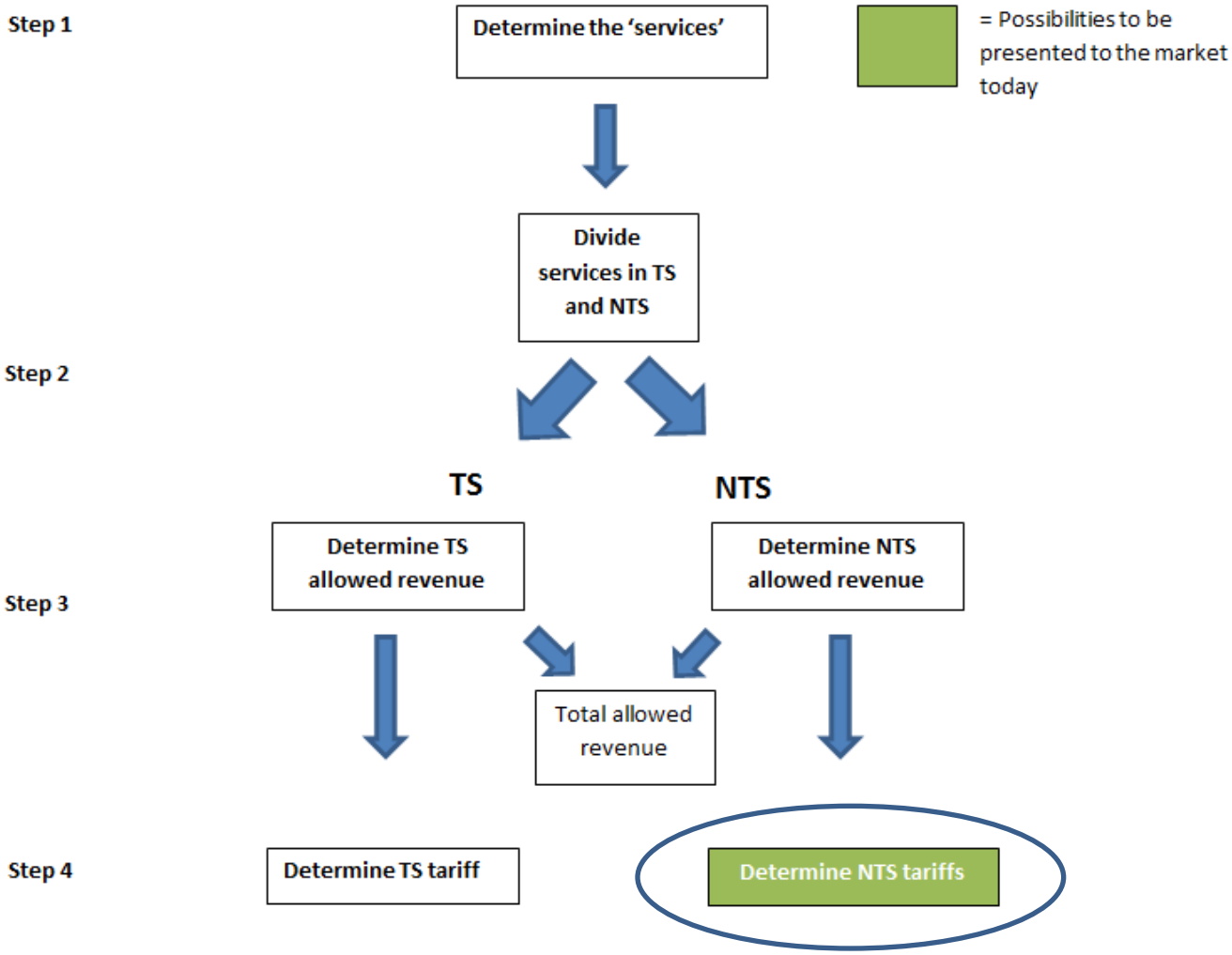
- Disadvantages
  - Industry and retail companies book capacity for a calender year
  - The tariff period of neighbouring countries is equal to the calender year. This is not likely to change
  - For GTS, this would introduce mismatch between accounting year and tariff year
  - The Dutch law has to be changed, as it leaves no room for a tariff period that is equal to the gas year

Tariff period

- Should we consider any other options for the tariff period?
- What arguments did we not consider?
- What is your opinion?

Possible tariff methodologies for non-transmission services

Implementation flow chart



What is required by NC TAR?

- Article 4(4):
- The non-transmission services revenue shall be recovered by non-transmission tariffs applicable for a given non-transmission service. Such tariffs shall be as follows:
    a) cost-reflective, non-discriminatory, objective and transparent;
    b) charged to the beneficiaries of a given non-transmission service with the aim of minimising cross-subsidisation between network users within or outside a Member State, or both.
- Where according to the national regulatory authority a given non-transmission service benefits all network users, the costs for such service shall be recovered from all network users.

Possible tariff methodologies for non-transmission services

Part		Service	Result after TS/NTS step 1	Results after TS/NTS step 2: option 1
Capacity based	1	Transport Entry/exit (Firm, Interruptible, backhaul, storage **+ BAT pipeline part****)	TS	TS
	2	Shorthaul		
	3	Wheeling		
	4	Quality conversion (QC)	Choice	NTS
	5	Balancing (BT)*	TS	TS
	6	Existing Connection (BAT) **station part****	Choice	NTS
	7	Connection point (AT)	Choice	NTS
	8	Connection (DSO)	Choice	NTS
	9	WQA (capacity part)	Choice	NTS
	10	Peak (capacity part)	Choice	NTS
	11	Gas heating fee	Choice	NTS
Commodity based	9	WQA (usage part)	Choice	NTS
	10	Peak (usage part)	Choice	NTS

NTS 'longlist'

* GTS does not see distance as cost driver for BT and BAT

Steps of a non-transmission service tariff methodology

1. Determine the allowed revenue for NTS
   - How much revenue should the tariffs of a given NTS generate?

2. Determine the allocation of revenue to different beneficiaries of the NTS
   - How much should each beneficiary of a given NTS pay?

3. Determine *how* these revenues should be recovered
   - When does the beneficiary of a given service pay the tariff?
   - Examples:
     - Tariff per contracted entry or exit capacity, or
     - a lump sum charged to a connected party

Quality conversion – current tariff structure

1. Determine the allowed revenue for NTS

- The revenues to be obtained follow directly from the allowed revenues for the QC task, set in ACM's method decision (at least until 2021)

Result: capacity tariff that is part of the 'all-in tariff' for entry and exit capacity and is equal for all entries and exits

2. Determine the allocation of revenue to different beneficiaries of the NTS

- The allowed revenue for quality conversion is allocated to different entries and exits on the basis of the amount of booked entry or exit capacity

3. Determine *how* these revenues should be recovered

- The quality conversion tariff is charged as part of the 'all-in tariff' for entry/exit capacity

Quality conversion – possible tariff methodology

- A possibility is to keep the current tariff methodology
- Consequences:
  - One gas market, irrespective of gas quality → all shippers benefit from liquidity of TTF
  - Every shipper contributes to the costs of QC
  - Non-transmission tariff will be charged on top of the clearing price of the capacity auction
- Do you see any other options for the QC-tariffs?

DSO-connections – current tariff structure

1. Determine the allowed revenue for NTS

- The revenue to be obtained *do not* follow directly from the method decision but is part of the revenue for the *transport task*.
- The connection revenue follows from the connection revenue in the previous year

Result: a capacity tariff that is part of the 'all-in tariff' for DSO-exit capacity. The tariff can be different for each DSO-exit.

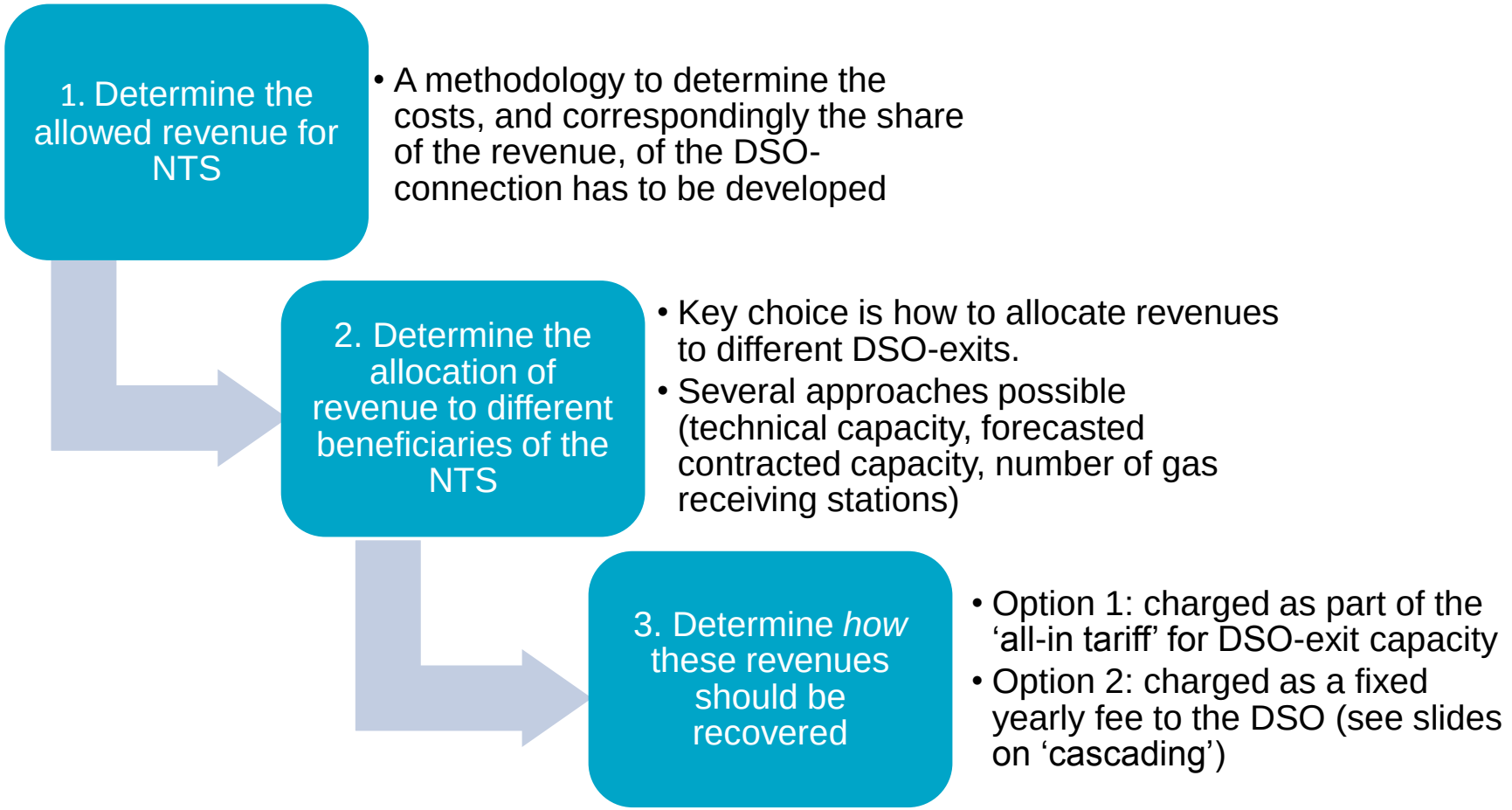
2. Determine the allocation of revenue to different beneficiaries of the NTS

- The revenue is allocated to DSO-exits on the basis of the amount of gas receiving stations per exit
- Results in a fixed yearly fee for each DSO-exit

3. Determine *how* these revenues should be recovered

- Fixed yearly fee for each DSO-exit is converted to a capacity tariff and charged as part of the 'all-in tariff' for DSO-exit capacity

DSO-connections – possible tariff methodology (1)



DSO-connections – possible tariff methodology (2)

- For both the calculation of the allowed revenues for DSO-connections and the allocation of these revenues to different DSO-exits, the guiding principle should be that the DSO-connection tariffs are cost reflective to a reasonable extent.
- Consequences:
  - If the tariff becomes part of the 'all-in tariff' → a tariff will be charged on top of the reference price
  - If the tariff is charged to the DSO → cascading of tariffs is required
- Do you see any alternatives not mentioned on the previous slide?

Existing connections (BAT) – current tariff structure

1. Determine the allowed revenue for NTS

- The allowed revenue for existing connections follows directly from ACM's method decision (at least until 2021)

Result: a capacity tariff that is part of the 'all-in tariff' for entry/exit capacity. The tariff is equal for each entry/exit that qualifies as an existing connection.

2. Determine the allocation of revenue to different beneficiaries of the NTS

- The revenue is allocated to entries and exits that qualify as an 'existing connection' on the basis of forecasted contracted capacity

3. Determine *how* these revenues should be recovered

- Allowed revenue for BAT is converted to a capacity tariff by dividing the allowed revenue by the forecasted contracted capacity and is charged as part of the 'all-in tariff' for entry/exit capacity

Existing connections (BAT) – possible tariff methodology (1)

1. Determine the allowed revenue for NTS

- The allowed revenue for existing connections (including the pipeline part) follows directly from ACM's method decision (at least until 2021)
- [The share of this allowed revenue that covers the costs of the pipeline part has to be subtracted]*

Result: a capacity tariff that is part of the 'all-in tariff' for entry/exit capacity. The tariff is equal for each entry/exit that qualifies as an existing connection.

2. Determine the allocation of revenue to different beneficiaries of the NTS

- The revenue is allocated to entries and exits that qualify as an 'existing connection' on the basis of forecasted contracted capacity
- This results in a fixed yearly fee for each existing connection

3. Determine *how* these revenues should be recovered

- Option 1: charged as part of the 'all-in tariff' to shipper
- Option 2: charged as a fixed yearly fee to the connected party

* As mentioned in the previous session, GTS does not think the costs of existing connection are driven by distance. Therefore GTS thinks this split of the allowed revenue is not necessary.

Existing connections (BAT) – possible tariff methodology (2)

- A possibility is to keep the current tariff structure, [except for the adjustment of the allowed revenue]*
- Consequences:
  - There is a uniform capacity tariff that covers the cost of the existing connection except for the costs of the pipeline
  - When booking entry or exit capacity the tariff for existing connections will be charged on top of the reference price
- Alternatives:
  - For ‘step 2’ → Alternative cost allocations methods could be possible, provided objective information for the cost allocation exists
  - For ‘step 3’ → A fixed yearly fee could be charged to the connected party instead of a capacity tariff that is charged as part of the ‘all-in tariff’
- Do you see any other options?
- Which option do you prefer?

* As mentioned in the previous session, GTS does not think the costs of existing connection are driven by distance. Therefore GTS thinks this split of the allowed revenue is not necessary.

New connection (AT) – current tariff structure

1. Determine the allowed revenue for NTS

- The allowed revenue for new connections follows directly from ACM's method decision (at least until 2021)

Result: a capacity tariff that is part of the 'all-in tariff' for entries and exits that qualify as a new connection. The tariff can be different for each entry and exit.

2. Determine the allocation of revenue to different beneficiaries of the NTS

- The revenue is allocated to DSO-exits based on the share of the costs of each new connection
- This results in a fixed yearly fee for each new connection

3. Determine *how* these revenues should be recovered

- Fixed yearly fee for each new connection is converted to a capacity tariff and is charged as part of the 'all-in tariff' for entry/exit capacity

New connection (AT) – possible tariff structure

- A possibility is to keep the current tariff structure
- Consequences:
  - When booking entry or exit capacity the tariff for new connections will be charged on top of the reference price
- Alternatives:
  - For ‘step 3’ → A fixed yearly fee could be charged to the connected party in stead of a capacity tariff that is charged as part of the ‘all-in tariff’
- Do you see any other options?
- Which option do you prefer?

Gas heating – current tariff structure

1. Determine the allowed revenue for NTS

- On request of customer (industry): temperature of gas higher than normal
- Currently ACM does not set a separate allowed revenue for gas heating as it is part of the transport task

2. Determine the allocation of revenue to different beneficiaries of the NTS

- The costs are allocated to the customer
- The revenues are reconciled afterwards

3. Determine *how* these revenues should be recovered

- Customer pays for gas needed for heating purposes. Cost driver: commodity (average gas price)
- Customer pays for capacity needed for heating purposes. Cost driver: capacity (derived from transport tariff)

Gas Heating tariff structure

- In case the current gas heating service will be maintained and classified as NC TAR service, ACM will have to set the allowed revenue for this service
- Other than that, we do not see a rationale to change the tariff structure for gas heating (to the extent possible)
- Do you see a reason to change the tariff structure for gas heating? If so, why?

Wobbe Quality Adaption (WQA) – current tariff structure

1. Determine the allowed revenue for NTS
   - Currently ACM does not set the allowed revenue for WQA

2. Determine the allocation of revenue to different beneficiaries of the NTS
   - Currently GATE is the only beneficiary of the NTS.
   - GTS allocates the costs to GATE

3. Determine *how* these revenues should be recovered
   - The tariffs for WQA consist of a capacity fee and a usage fee.

Result: a capacity fee and a usage fee, both are charged to the connected party (GATE)

Peak supply – current tariff structure

1. Determine the allowed revenue for NTS

- Currently ACM does not set the allowed revenue for peak supply

Result: a capacity tariff and a usage tariff are applied

2. Determine the allocation of revenue to different beneficiaries of the NTS

- The costs of buffer capacity are charged to retail suppliers based on their market share
- The costs of supplied gas are charged to retail supplier based on the offtake of their customers that exceeds the peak-threshold.

3. Determine *how* these revenues should be recovered

- The tariffs for peak supply consist of a capacity fee and a usage fee that is charged to retail suppliers
- In addition the transmission capacity for peak supply is also charged to retail suppliers

Peak Supply & WQA tariff structure

- If Peak Supply and WQA are within the scope of the NC TAR, ACM will have to set the allowed revenue for these services
- Other than that, we do not see a rationale to change the tariff structure for Peak supply and WQA
- Do you see a reason to change the tariff structure for peak supply and WQA? If so, why?

Multipliers and seasonal factors

Calculation of the reserve price for IP's

Reference price

- The reference price is the result of the application of the RPM
- For each entry and exit point there is one reference price

Multiplier & Seasonal factor

- The multiplier defines the price-relation between short term and yearly capacity products
- The seasonal factor defines the relation between capacity in different months of the year

Discount inter-ruptible

- A discount is applied to interruptible capacity products

Reserve price

- For each standard capacity product, the reserve price is calculated based on the reference price, the multipliers and seasonal factors and the discount for interruptible capacity

What is required by NC TAR?

Article 13:

1. The level of multipliers shall fall within the following ranges:
    a) for quarterly standard capacity products and for monthly standard capacity products, the level of the respective multiplier shall be no less than 1 and no more than 1.5;
    b) for daily standard capacity products and for within-day standard capacity products, the level of the respective multiplier shall be no less than 1 and no more than 3. In duly justified cases, the level of the respective multipliers may be less than 1, but higher than 0, or higher than 3.
2. Where seasonal factors are applied, the arithmetic mean over the gas year of the product of the multiplier applicable for the respective standard capacity product and the relevant seasonal factors shall be within the same range as for the level of the respective multipliers set out in paragraph 1.

What is required by NC TAR?

Article 15

1. Where seasonal factors are applied, the reserve prices for non-yearly standard capacity products for firm capacity shall be calculated in accordance with the relevant formulas set out in Article 14 which shall be then multiplied by the respective seasonal factor calculated as set out in paragraphs 2 to 6.
2. The methodology set out in paragraph 3 shall be based on the forecasted flows, unless the quantity of the gas flow at least for one month is equal to 0. In such case, the methodology shall be based on the forecasted contracted capacity.
3. For monthly standard capacity products for firm capacity, the seasonal factors shall be calculated in the following sequential steps:
   - [calculation steps]

What is required by NC TAR?

Article 28:

3. When adopting the decision referred to in paragraphs 1 and 2, the national regulatory authority shall take into account the consultation responses received and the following aspects:

a) for multipliers:
   i. the balance between facilitating short-term gas trade and providing long-term signals for efficient investment in the transmission system;
   ii. the impact on the transmission services revenue and its recovery
   iii. the need to avoid cross-subsidisation between network users and to enhance cost-reflectivity of reserve prices;
   iv. situations of physical and contractual congestion;
   v. the impact on cross-border flows;

b) for seasonal factors:
   i. the impact on facilitating the economic and efficient utilisation of the infrastructure;
   ii. the need to improve the cost-reflectivity of reserve prices.

Scope of NC TAR: multipliers and seasonal factors

- NC TAR only contains articles for multipliers and seasonal factors for transmission tariffs charged on IP's
- What to do with multipliers and seasonal factors for non-IP's?
- What to do with multipliers and seasonal factors for non-transmission services charged on IP's?
- We will first discuss multipliers and seasonal factors in the context of NC TAR, then we will discuss what to do with multipliers and seasonal factors for non-IP's and non-transmission services.

Current situation

- Monthly factors define the price relation between yearly capacity and monthly capacity for winter, flank and summer months → no separate multipliers and seasonal factors
- Daily factors define the price relation between daily capacity and monthly capacity

	Monthly factor	Daily factor
Winter (Dec, Jan, Feb)	0,3	1/30
Flank (Mar, Apr, Okt, Nov)	0,15	1/30
Summer (May, Jun, Jul, Aug, Sep)	0,075	1/30

Current situation

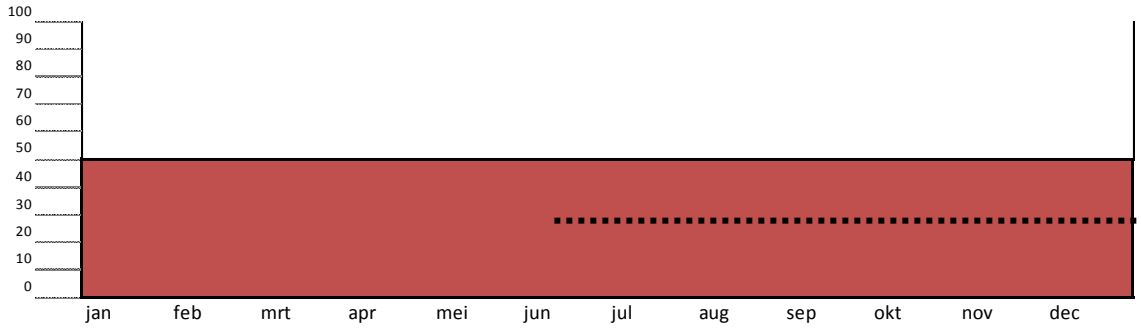
- Current situation not compliant with NC TAR for three reasons:
  - No separate multipliers and seasonal factors
  - Monthly factors over the gas year are too high
  - Seasonal factors have to be calculated per month, based on forecasted flows

	Monthly factor	Daily factor	Monthly MP*SF	Daily MP*SF
Winter (Dec, Jan, Feb)	0,3	1/30	3,6	3,65
Flank (Mar, Apr, Okt, Nov)	0,15	1/30	1,8	1,83
Summer (May, Jun, Jul, Aug, Sep)	0,075	1/30	0,9	0,91
Arithmetic mean over the gas year			1,875	1,90

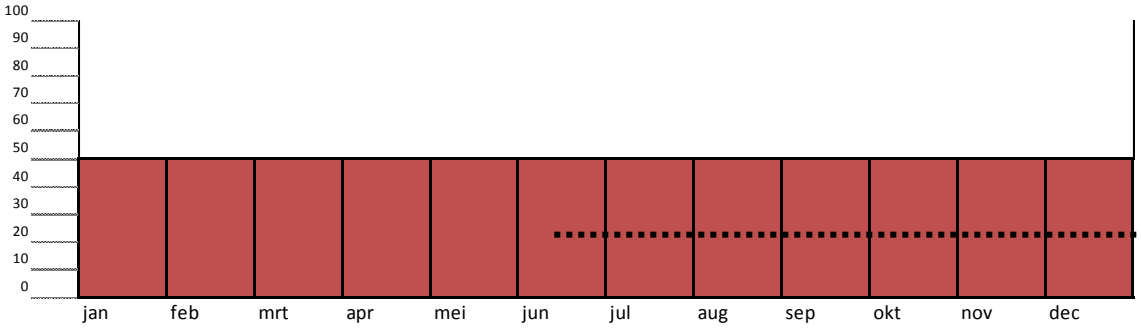
Discretion

- Multipliers
  - We have discretion to choose between 1 to 1.5 for quarterly and monthly multipliers, as long as it complies with article 28
  - We have discretion to choose between 1 to 3 for daily multipliers, as long as it complies with article 28
  - We have discretion to choose different multipliers for quarterly, monthly and daily capacity products
- Seasonal factors
  - We have discretion to choose:
    - No seasonal factors (on some IP's)
    - The same seasonal factors at all the IP's
    - The same seasonal factors at each group of IP's
    - Different seasonal factors for each IP
  - We have discretion to choose the level of seasonality of the tariffs by choosing the parameter referred to in article 15(3)(e) between 0 and 2

What is the effect of the multiplier? (1)



- 1 Yearly firm capacity product of 50 kWh/h
- Price = € 4,- kWh/h/year



- 12 consecutive monthly firm capacity products of 50 kWh/h.
- Price = €0,50 kWh/h/month

- Multiplier = 1,5
- Why?
  - Price for yearly capacity = €4,-
  - Total price for 12 monthly capacity products = 12*€0,50 = €6,-
  - Multiplier = €6/€4 = 1,5

What is the effect of the multiplier? (2)

- The multiplier defines the price-relation between short term and long term capacity products:
  - **Multiplier > 1** → For a 'flat profile' it is cheaper to buy a long term product
  - **Multiplier = 1** → For a 'flat profile' it is equally expensive to buy a long term product or consecutive short term products
- The multiplier determines what a shipper with a profiled portfolio should pay relative to a shipper with a flat portfolio

(dis)advantages of high multipliers

- Advantages of high multipliers:
  - The need to avoid cross-subsidisation between network users and to enhance cost-reflectivity of reserve prices
- Disadvantages of high multipliers:
  - Preventing situations of physical and contractual congestion
  - Facilitating short term gas trade
- Other aspects that should be taken into account:
  - Providing long-term signals for efficient investments in the transmission system
  - The impact on the transmission service revenue and its recovery
  - The impact on cross-border flows
- Do you agree with these (dis)advantages of high multipliers? (and correspondingly, the opposite (dis)advantages of low multipliers)

Multipliers - options

Options	Quarterly	Monthly	Daily
Option 1: multipliers as high as possible	1,5	1,5	3
Option 2: multipliers as low as possible	1	1	1
Option 3: multipliers adversely related to duration of the capacity product*	1,2	1,5	2

* The numbers presented in this option are just to indicate that in this option the level of the multiplier increases as the duration of the capacity product decreases, but it could just as well have been Q:1,1 M:1,2 D:1,5 or some other combination.

Multipliers – options

- Do you think a different multiplier for quarterly, monthly and daily capacity products should be applied?
- Do you prefer high or low multipliers? Why?

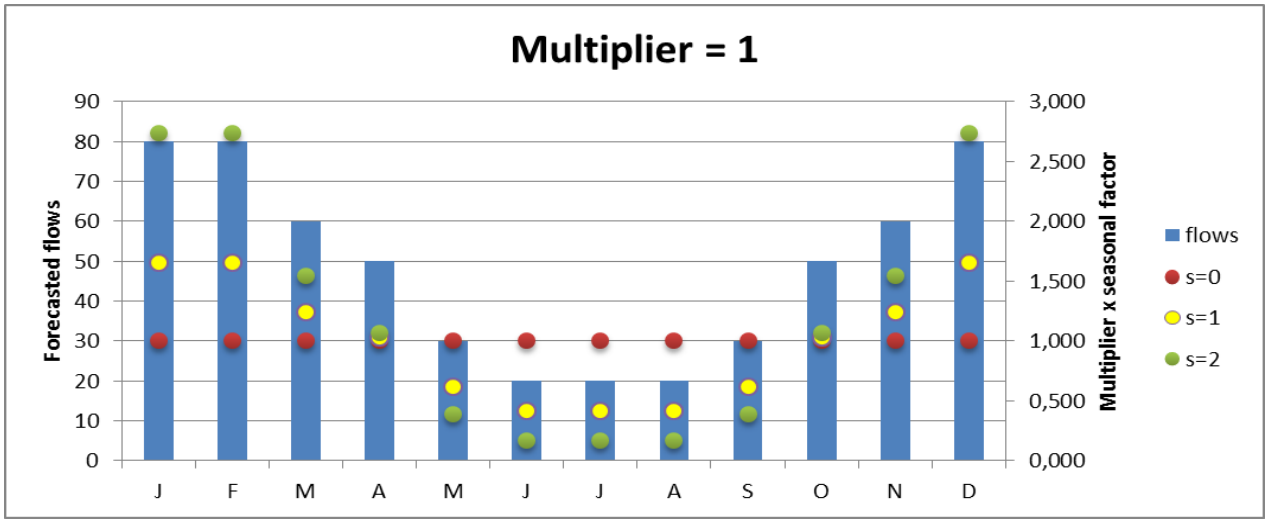
What is the effect of seasonal factors? (1)

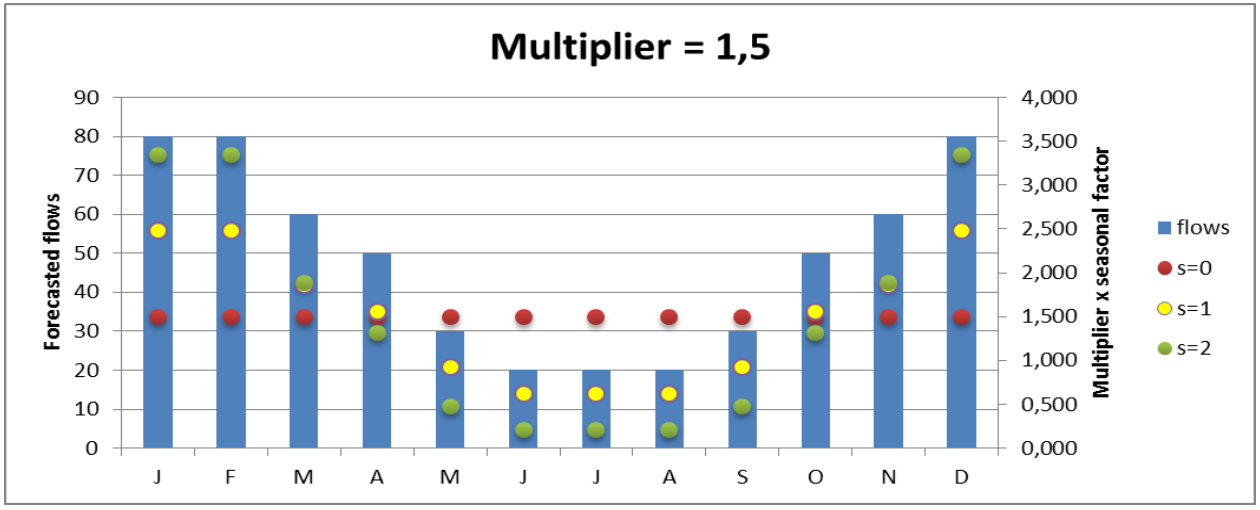
- Seasonal factors allow for the possibility to differentiate capacity tariffs for different months of the year
- To decide whether seasonal factors should be applied, the question we need to ask is: should a shipper pay the same tariff for monthly capacity in June as for monthly capacity in January?

What is the effect of seasonal factors? (2)

- NC TAR describes the calculation of the seasonal factors.
- There is discretion to choose the level of seasonal factors by setting a parameter *s* between 0 and 2. When this parameter is larger than 0, prices are higher than average in months where the forecasted flows are higher than average. This effect increases when *s* increases.
- However, the arithmetic mean of the sum of the product of the multiplier and the seasonal factor may not be within the ranges for the multipliers. If that is the case a correction factor has to be applied.

What is the effect of seasonal factors? (3)





Consequences of seasonal factors

- Seasonal factors can be considered cost reflective
  - The costs of the grid are determined by the peak flow, so from a cost reflectivity point of view the periods with peak flow (winter) should be priced higher than other periods (summer)
- Seasonal factors promote use of the grid at off-peak moments
- Seasonal factors can, on average, increase the costs of buying short term products
  - Prices in months when a lot of capacity is used increase
  - Prices in months when little capacity is used decrease
  - The total bill of buying short term products increases when seasonal factors are applied, because the sum of the product of price x capacity increases
- Seasonal factors make setting the reserve prices more complex
- Do you agree with these consequences? Do you see any other consequences?

Options

- Do you see a rationale to apply seasonal factors? If so, why?
- Do you see a rationale to apply seasonal factors on a subset of IP's? If so, why, and on which subset?
- Do you see a rationale to apply different seasonal factors to subsets of IP's? If so, why, and how?

Multipliers and seasonal factors for non-IP's and non-transmission services

- Do you think the multipliers and seasonal factors for IP's should also be applied for non-IP's? Why (not)?
- Do you think the multipliers and seasonal factors for IP's should also be applied for non-transmission services if the costs of these services are recovered through selling entry- and exit capacity? Why (not)?

How to sum up the capacity of different capacity products to calculate a yearly capacity total (1)

- Standard capacity products on a point
  - Within-day capacity
  - Daily capacity
  - Monthly capacity
  - Quarterly capacity
  - Yearly capacity
- Current situation with daily and monthly factors
- On the next slide you can see an example on how the capacity of different capacity products will be added to a yearly total by taking into account monthly factors for each standard capacity product
  - Dutch: “Rekenvolume”
  - This yearly capacity value will be used as RPM input

How to sum up the capacity of different capacity products to calculate a yearly capacity total (2)

Standard capacity product	Capacity (kWh/h)	Period	Quarterly factor	Monthly factor	Daily factor	Capacity value calculation	Contracted capacity value taking into account monthly factors
Yearly	10000						10000
Quarterly	10000	Q2	Sum of monthly factor of April, May, June = 0,15 + 0,075 + 0,075= 0,3			0,3 * 10000	3000
Monthly	10000	March		0,15		0,15 * 10000	1500
	10000	July		0,075		0,075 * 10000	750
Daily	10000	3 January		0,3	1/30	1/30 * 0,3 * 10000	100
	10000	5 April		0,15	1/30	1/30 * 0,15 * 10000	50
	10000	28 August		0,075	1/30	1/30 * 0,075 * 10000	25
Yearly capacity total (is input for RPM)							15425

How to sum up the capacity of different capacity products to calculate a yearly capacity total within NC TAR (1)

- Within NC TAR we will have multipliers on IP's and possibly seasonal factors
- Suppose we have the following multipliers for the following standard capacity products:
  - Daily : M_d
  - Monthly: M_m
  - Quarterly: M_q
- Suppose we have seasonal factors for the following standard capacity products:
  - SFD: Seasonal factors for daily product
  - SFM: Seasonal factors for monthly product
  - SFQ: Seasonal factors for quarterly product

How to sum up the capacity of different capacity products to calculate a yearly capacity total within NC TAR (2)

Standard capacity product	Capacity (kWh/h)	Period	Multiplier	Quarterly seasonal factor	Monthly seasonal factor	Daily seasonal factor	Capacity value calculation taking into account multipliers and seasonal factors (D= duration of product expressed in days)
Yearly	10000						10000
Quarterly	10000	Q3	M_q	SFQ_{q3}			$M_q * SFQ_{q3} * (D / 365) * 10000$
Monthly	10000	February	M_m		SFM_{feb}		$M_m * SFM_{feb} * (D / 365) * 10000$
	10000	July	M_m		SFM_{jul}		$M_m * SFM_{jul} * (D / 365) * 10000$
Daily	10000	3 January	M_d			SFD_{jan}	$M_d * SFD_{jan} * (D / 365) * 10000$
	10000	5 April	M_d			SFD_{apr}	$M_d * SFD_{apr} * (D / 365) * 10000$
	10000	28 August	M_d			SFD_{aug}	$M_d * SFD_{aug} * (D / 365) * 10000$
Yearly capacity total							Sum of above is yearly capacity total on a network point and is input for RPM

Interruptible capacity

Calculation of the reserve price for IP's

Reference price

- The reference price is the result of the application of the RPM
- For each entry and exit point there is one reference price

Multiplier & Seasonal factor

- The multiplier defines the price-relation between short term and long term capacity products
- The seasonal factor defines the relation between capacity in different months of the year

Discount inter-ruptible

- A discount is applied to interruptible capacity products

Reserve price

- For each standard capacity product, the reserve price is calculated based on the reference price, the multipliers and seasonal factors and the discount for interruptible capacity.

What is required by NC TAR?

- Article 16:
  1. The reserve prices for standard capacity products for interruptible capacity shall be calculated by multiplying the reserve prices for the respective standard capacity products for firm capacity calculated as set out in Articles 14 or 15, as relevant, by the difference between 100% and the level of an ex-ante discount calculated as set out in paragraphs 2 and 3.
  2. [calculation steps]
  3. [calculation steps]
  4. As an alternative to applying ex-ante discounts in accordance with paragraph 1, the national regulatory authority may decide to apply an ex-post discount, whereby network users are compensated after the actual interruptions incurred. Such ex-post discount may only be used at interconnection points where there was no interruption of capacity due to physical congestion in the preceding gas year. The ex-post compensation paid for each day on which an interruption occurred shall be equal to three times the reserve price for daily standard capacity products for firm capacity.

Current situation

- Only daily products with interruptible capacity
- The ex-ante discount is set at 30%
- Level of interruptible capacity tranche corresponds to probability of interruption of 15%
- Interruptible daily capacity hardly offered on IP's

Options

- Ex-ante discount option
  - The discount factor is calculated by multiplying the probability with an adjustment factor
  - It is prescribed how the probability is calculated
  - The adjustment factor cannot be lower than 1 and is meant to describe the economic value of the interruptible product
  - Publication of an assessment of the probability of interruption (see article 29.b)

Options

- Ex-post discount option
  - whereby network users are compensated after the actual interruptions incurred.
  - Such *ex-post* discount may only be used at interconnection points where there was no interruption of capacity due to physical congestion in the preceding gas year.
  - The *ex-post* compensation paid for each day on which an interruption occurred shall be equal to three times the reserve price for daily standard capacity products for firm capacity.

Tentative preferences

- Do you prefer an ex-ante or an ex-post discount in case there were no interruptions due to physical congestions?

Requirements for publication and consultation

What is required by NC TAR?

- Article 26

1. One or more consultations shall be carried out by the national regulatory authority or the transmission system operator(s), as decided by the national regulatory authority. To the extent possible and in order to render more effective the consultation process, the consultation document should be published in the English language. The final consultation prior to the decision referred to in Article 27(4) shall comply with the requirements set out in this Article and Article 27, and shall include the following information:

   [Reference price methodology and corresponding parameters]

1. The final consultation prior to the decision referred to in Article 27(4) shall be open for at least two months. Consultation documents for any of the consultations referred to in paragraph 1 may require that replies submitted in response to the consultation shall include a non-confidential version suitable for publication.

What is required by NC TAR?

- Article 26 (ctnd)

3. Within one month following the end of the consultation, the transmission system operator(s) or the national regulatory authority, depending on the entity that publishes the consultation document referred to in paragraph 1, shall publish the consultation responses received and their summary. To the extent possible and in order to render more effective the consultation process, the summary should be provided in the English language.
4. The subsequent periodic consultations shall be conducted in accordance with Article 27(5).
5. After consulting the European Network of Transmission System Operators for Gas (hereinafter 'ENTSOG'), the Agency shall develop a template for the consultation document referred to in paragraph 1. The template shall be made available to national regulatory authorities and transmission system operators within 90 days from the entry into force of this Regulation

What is required by NC TAR?

- Article 27
  1. Upon launching the final consultation pursuant to Article 26 prior to the decision referred to in Article 27(4), the national regulatory authority or the transmission system operator(s), as decided by the national regulatory authority, shall forward the consultation documents to the Agency.
  2. [Analysis of the Agency]
  3. Within two months following the end of the consultation referred to in paragraph 1, the Agency shall publish and send to the national regulatory authority or transmission system operator, depending on which entity published the consultation document, and the Commission the conclusion of its analysis in accordance with paragraph 2 in English.

What is required by NC TAR

- Article 27 (ctnd)

  4. Within five months following the end of the final consultation, the national regulatory authority, acting in accordance with Article 41(6)(a) of Directive 2009/73/EC, shall take and publish a motivated decision on all items set out in Article 26(1). Upon publication, the national regulatory authority shall send to the Agency and the Commission its decision.

  5. The procedure consisting of the final consultation on the reference price methodology in accordance with Article 26, the decision by the national regulatory authority in accordance with paragraph 4, the calculation of tariffs on the basis of this decision, and the publication of the tariffs in accordance with Chapter VIII may be initiated as from the entry into force of this Regulation and shall be concluded no later than 31 May 2019. The requirements set out in Chapters II, III and IV shall be taken into account in this procedure. The tariffs applicable for the prevailing tariff period at 31 May 2019 will be applicable until the end thereof. This procedure shall be repeated at least every five years starting from 31 May 2019.

What is required by NC TAR?

- Article 28

1. At the same time as the final consultation carried out in accordance with Article 26(1), the national regulatory authority shall conduct a consultation with the national regulatory authorities of all directly connected Member States and the relevant stakeholders on the following:
    a) the level of multipliers;
    b) if applicable, the level of seasonal factors and the calculations set out in Article 15;
    c) the levels of discounts set out in Articles 9(2) and 16.
2. After the end of the consultation a motivated decision shall be taken in accordance with Article 41(6)(a) of Directive 2009/73/EC on the aspects referred to in points (a) to (c) of this paragraph. Each national regulatory authority shall consider the positions of national regulatory authorities of directly connected Member States.
3. The subsequent consultations shall be conducted every tariff period as from the date of the decision referred to in paragraph 1. After each consultation and as set out in Article 32(a), the national regulatory authority shall take and publish a motivated decision on the aspects referred to in paragraph 1(a), (b) and (c).

What is required by NC TAR?

- Article 29

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

a) [Reserve prices, multipliers, seasonal factors and the justification for standard capacity]

b) [Interruptible products, the discount applied, an explanation of the probability and an explanation of data used]

What is required by NC TAR?

- Article 30
  1. The following information shall be published before the tariff period in accordance with the requirements set out in Articles 31 and 32 by the national regulatory authority or the transmission system operator(s), as decided by the national regulatory authority: [Information on RPM and allowed revenue]
  2. In addition, the following information shall be published with regard to transmission tariffs: [explanation of change in tariffs]
  3. For the points excluded from the definition of relevant points referred to in point 3.2(1)(a) of Annex I to Regulation (EC) No 715/2009, the information on the amount of forecasted contracted capacity and the forecasted quantity of the gas flow shall be published as set out in point 3.2(2) of Annex I to Regulation (EC) No 715/2009.

Publication requirements

- ACM will publish the information conform article 29 and 30
- Exact implementation form to be decided
  - Probably ACM will publish NC TAR publication document(s) on the ACM website, containing all the information mentioned in article 29 and 30. This information will be derived from the method decision, X-factor decision, tariff method decision and the tariff decision
- GTS will likely prepare a “start page” on its website to inform shippers with relevant information. This page links to the publication document(s) of ACM
  - In case of discrepancies, the information on the ACM website will prevail
- The reserve prices and the flow-based charge will be published on the ENTSOG platform conform article 31.2

Overview publication requirements based on the trilateral meetings (EC, ACER and ENTSOG)

Who	Where	What		When
		which information	referring to which time	
TSO/NRA	TSO/NRA website + link on ENTSOG TP	all info in art.30	Future tariff period	By Dec '17, Dec '18, Dec '19, Dec '20
		all info in art.29	Future gas period	By Jun '17, Jun '18, Jun '19, Jun '20
	ENTSOG's TP	Reserve prices (applicable capacity tariffd… kWh/d, kWh/h, LC + EUR, common unit)	Current gas year	By Dec '17
		Flow-based charges and simulation (applicable commodity tariffs and simulation costs)	Future tariff period	By Dec '17, Dec '18, Dec '19, Dec '20
		Reserve prices (applicable capacity tariffd… kWh/d, kWh/h, LC + EUR, common unit)	Future gas year	By Jun '18, Jun '19, Jun '20

Publication of the reserve prices for the current gas year is an additional request of EC/ACER.

Cascading of tariffs

Cascading of tariffs

- Wish from retail companies: cascade costs for using gas transmission network by charging transmission tariff on DSO exits to DSO's instead of to shippers

- Unrelated to implementation NC TAR, but has come up in implementation sessions

- So far, we have not heard any objections for market parties to further investigate this
  - But this topic has an impact on the DSO's, who are not at the table at NC TAR implementation sessions

- Do you support investigating the possibilites of cascading for gas outside of the topic of NC TAR?

Wrap-up: alternatives to be analysed

- General goals of NC TAR from Considerations:
  - contributing to market integration
  - enhancing security of supply
  - promoting the interconnection between gas networks
    - through transparency of transmission tariff structures
  - reasonable level of cost reflectivity and predictability

- From the previous sessions we distracted the following common wish list from market parties:
  - Transparency
  - Predictability
  - Facilitate a liquid market
  - Minimal cross-subsidisation

- Considering these goals and the options presented today and in the previous session, are there certain combinations of options that you prefer?
- If so, why do you prefer these options and how do they relate to these goals?

Wrap-up: where are we now and next steps

Session May 17

- Future of gas market as seen by stakeholders and impact on tariff (setting)
- In depth explanation of NC TAR

Sessions Spring

- For selected issues where national decision is required:
  - Considerations, possible solutions, pro/ cons
  - Stakeholders explain preferences, potential concerns etc.

Sessions Fall

- For selected issues where national decision is required:
  - Selected worked-out solutions
  - Stakeholders explain preferences, potential concerns etc.