Summary of the consultation responses to the draft code amendment decision for the implementation of NC-TAR

Introduction

On March 5, 2018 the ACM started the consultation, as meant in article 26 of NC-TAR, of the draft code amendment decision for the implementation of NC-TAR. The consultation was open to all parties. Market parties could send their written statements to the ACM up and until May 28, 2018. On May 14, 2018 the ACM organised a hearing to enable market parties to express their view on the draft code amendment decision in an oral statement.

The table below shows all received consultation responses. It also shows whether parties presented an oral statement at the hearing or in a written statement.

Party	Written statement	Oral statement
Vereniging voor Energie, Milieu en Water (VEMW)	x	x
Vereniging LNG shippers Nederland (LNG-shippers)	x	
Vereniging Gasopslag Nederland (VGN)	x	x
Centrica Energy Ltd. (Centrica)	x	
Vereniging Energie-Nederland (Energie-Nederland)	x	x
ENGIE Ltd. (ENGIE)	x	x
Equinor Energy Trading Ltd. (Equinor)	x	
GasTerra B.V. (GasTerra)	x	
GATE terminal B.V. (GATE)	x	
GAZPROM Germania/GAZPROM marketing en trading Ltd/WINGAS (Gazprom Germania)	x	
Gasunie Transport Services B.V. (GTS)	x	x
Gunvor international B.V (Gunvor)	x	
Nederlandse Olie en Gas Exploratie en Productie Associatie (NOGEPA)	x	
OMV Marketing en trading GmbH (OMV)	x	
Ørsted Salg & Services A/S (Ørsted)	x	x
RWE supply & trading GmbH (RWE)	x	
Shell Energy Europe Ltd. (Shell)	x	
TAQA Energy B.V. (TAQA)	x	x
Uniper global commidities SE (Uniper)	x	x
Vattenfall Energy Trading Netherlands B.V. (Vattenfall)	x	x
GAZPROM LLC (Gazprom LLC)	x	

This is a summary of the main statements including the most important arguments given. The statements are summarized by subject. The subjects are placed in the same order as used in the explanatory notes of the draft code amendment decision. For the precise statements of parties and their argumentation the ACM refers to the complete consultation responses of all parties that are

published on our website.[1]

Application of NC-TAR

The ACM concluded that NC-TAR does not apply to the WQA service provided by GTS and exit point Julianadorp. OMV states that NC-TAR should also be applicable on the WQA service, because the nature of the service is similar to the quality conversion service. GasTerra and NOGEPA state that NC-TAR should also be applied on exit point Julianadorp, since it is an exit point that is still in use.

Transmission services

One transmission service

The ACM proposed to qualify all services as a transmission service. All parties, except for OMV, support the proposed transmission service consisting of all services that GTS provides. Some parties do mention that this should not decrease the transparency of the tariffs. OMV states that quality conversion should be a non-transmission service, because only L-gas users benefit from the service.

Shorthaul

ACM proposed to eliminate the shorthaul service, since this service is currently not used. Gunvor, VEMW and CENTRICA state there are parties that are interested in the shorthaul service. Maintaining a shorthaul service increases the cost reflectivity.

Backhaul

The ACM concluded that backhaul should no longer be considered a separate service and therefore proposed to delete backhaul-provisions from the national codes. RWE, ENGIE and Vattenfall state that backhaul should be re-introduced. According to these parties, backhaul is a different service that cannot be guaranteed. Engie states that it should thus be introduced with a discount.

Shift of capacity

Network users can shift contracted capacity to another entry- or exit point. The ACM concluded that GTS can no longer apply a separate charge for a shift of capacity. Instead, the ACM introduced a condition that determines under which circumstances GTS may allow a shift of capacity. When allowed, the shift of capacity will be free of charge. RWE, Vattenfall, ENGIE, GasTerra and GAZPROM Germania state that the conditions that determine whether a shift of capacity is allowed are too vague. According to these parties, a shift of capacity should be offered without conditions or only refused in the case that GTS cannot facilitate the shift of capacity, since it provides flexibility. GTS suggests clarifications for the condition that the ACM proposed.

Reference price methodology

The ACM proposed a postage stamp as a reference price methodology. VEMW, LNG-shippers, RWE, Shell, GasTerra, OMV and GTS support, or are neutral about, the proposed reference price methodology. TAQA states that a uniform capacity tariff leads to discrimination, because it ignores economies of scale.

[1] The statements of GasTerra, Energie-Nederland and NOGEPA are only available in Dutch.

Parameters of the reference price methodology

The reference price methodology uses three parameters: the entry-exit split, the allowed revenues and the forecasted contracted capacity.

Allowed Revenues

GTS states that the proposed code amendment suggests that GTS has no other sources of income in addition to the income from capacity tariffs. However GTS does have some other sources of income, such as revenues resulting from auction premiums. GTS suggests some changes to the code text to clarify this.

Entry-exit split

The ACM proposed an entry-exit split of 50/50. Vattenfall, ENGIE and VEMW support the proposed 50/50 split. According to these parties, a 50/50 split is a balanced split, it minimalizes cross-subsidization and allows for the market to operate more efficiently.

NOGEPA, Ørsted, RWE, Shell, TAQA, Uniper, GAZPROM LLC, Equinor, Gasterra, GATE, GAZPROM Germania, OMV, LNG-shippers, VGN and GTS do not support an entry-exit split of 50/50. They reason that a 50/50 split is not cost-reflective and such a split results in higher combined entry and exit tariffs than a split where less revenues are allocated to entry points. They fear this will lead to a decrease of market liquidity of the Dutch gas market. They also find that the ACM has not sufficiently substantiated the decision for a 50/50 split.

NOGEPA, RWE, TAQA, Uniper, LNG-shippers, VGN and OMV prefer an entry-exit split of 0/100, since this results in the lowest combined entry and exit tariff. According to these parties, this increases demand for gas in the Netherlands and market liquidity of the Dutch gas market. Because of the resulting increase of gas flows the cost for gas will decrease for all parties, also end-users.

GTS, Shell, GasTerra, Ørsted and LNG-shippers state that a cost-reflective entry-exit split should take into account the fact that the GTS-grid consist of both the regional grid (RTL-grid) and the high-pressure grid (HTL-grid). Most exit points are on the RTL-grid, whereas most entry points are on to the HTL-grid. Taking this into account would result in a cost-reflective split of 35/65.

GAZPROM Germania states that the split should result from the reference price methodology, since this is the most cost reflective.

Adjustments to the RPM

Gas storage discount

The ACM proposed a discount for gas storages of 50%. VGN and TAQA state that there should be a discount for storages of at least 75%. VGN and TAQA also state that gas storages are currently not economically viable. Tariffs for gas storages should be lower, in order to take into account the

contribution of gas storages to security of supply and system flexibility. VGN and TAQA refer to a preliminary consultation by the BundesnetzAgentur, where a 75% discount is proposed because of the contribution of storages to security of supply and system flexibility. If the Dutch discount is lower, this will decrease the competitiveness of the Dutch gas storages. TAQA and VGN prefer a 100% discount, but are willing to compromise at 75%. ENGIE finds that there should be a discount of 100%, because of the competitive disadvantage of the Dutch storage in comparison to the French storages. GasTerra and GTS support the gas storage discount of 50%.

LNG discount

The ACM proposed an LNG-discount of 0%. LNG-shippers Nederland states that there should be a discount for LNG entry points, since GATE should have low entry tariffs in order to maintain a level playing field. Furthermore, a discount for LNG entry points increases the security of supply in the Netherlands and neighbouring countries. OMV and GATE argue that the ACM should apply an LNG discount, since it is an instrument to increase the security of supply for Europe. NOGEPA, GasTerra and GTS support a LNG discount of 0%.

Tariff benchmark

The ACM stated that there is no reason for a tariff benchmark. LNG-shippers, Ørsted, Equinor and OMV find that there is a need for a tariff benchmark, since the tariffs of certain points will become too high. According to these parties, this decreases the liquidity of the TTF.

Rescaling

The ACM proposed to rescale over all points to correct for the loss of revenue due to the gas storage discount. TAQA and VGN state that gas storages should not pay for their own discount. Rescaling over all points deviates from the current system. It is also not in line with the reasoning behind article 9 of NC-TAR.

Multipliers and seasonal factors

The ACM proposed the following multipliers:

a. 1,25 for quarterly capacity products;
b. 1,5 for monthly capacity products;
c. 2,5 for daily capacity producten; and
d. 2,5 for *within-day*- capacity products.

The ACM proposed maximal seasonal factors.

Multipliers

NOGEPA, VEMW, GasTerra and GTS support the proposed multipliers and seasonal factors, since they are cost-reflective. ENGIE supports the proposed multipliers for interconnections points. For domestic points and in particular exits to gas-fired power plants, ENGIE finds that the multipliers should be lower, in order to provide the needed flexibility.

OMV, Centrica and VGN state that the multipliers are too high. Centrica and OMV state that this

leads to less bookings, which increases the tariffs and reduces the liquidity of the Dutch gas market.

Vattenfall, Shell, RWE and Energie-Nederland stated that they find the multipliers for day and within-day products too high, since there is no balance between the short term trade and the long term capacity. Short term trade should be stimulated. VGN states that the reasoning behind the multipliers does not apply to gas storages. Gas storages have an opposite cycle compared to other entry and exit points. Applying multipliers would therefore punish storages for a shorter use, whereas this should be stimulated in order to promote efficient use of the grid. Vattenfall also argues that multipliers should not be applied to storages.

Seasonal factors

Vattenfall, Gazprom Germania, Energie-Nederland and VGN find that seasonal factors should not be applied to gas storages, since it punishes the use of storages in the winter, which decreases the required flexibility. OMV sees no rationale for applying seasonal factors at all, since high pressure grids, like the GTS-grid, do not have seasonal profiles, but profiles that are linked to demand and supply.

Discount for interruptible capacity

The ACM proposed an *ex post* discount for interruptible capacity. RWE, Shell, Vattenfall, ENGIE, GasTerra, and OMV find an *ex ante* discount more reasonable since it represents the economic value of the possibility of interruption and is more transparent. OMV states that this should be combined with the possibility to always buy an interruptible product. This increases flexibility.