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Subject: Vattenfall's response to the draft code decision of ACM implementing the European Network Codes Tariffs into Dutch law (reference number ACM/14/023224)

Dear Sir/ Madam.

On 5 March 2018 the Authority for Consumers and Markets (ACM) has published the draft code decision (hereafter draft code decision) of implementing the European Network Code on harmonised transmission tariff structures for gas 2017/460 (NC TAR) into Dutch law. Vattenfall would like to thank ACM for keeping also this part of implementation process open to all stakeholders active on the Dutch gas market by launching a public consultation and welcomes the opportunity to comment on the NC TAR draft code decision.

During the hearing of 14 May 2018 Vattenfall has already presented to a large extend its position on the draft code decision. Nonetheless, we would like to take the opportunity to stress our position on a number of proposed articles and to elaborate further on the draft code decision.

I. General

Overall, Vattenfall sees the implementation of the NC TAR as a fundamental change in the tariff system which has a substantial impact on the behaviour of the grid user. This has also been addressed by Energie-Nederland during the hearing. Therefore, grid users should be given the possibility to amend their booked capacities due to the new tariff system. Possibilities to adjust booked capacities - as a result of tariff changes – exist in other European Members States, such as, in Belgium and in Germany. In the past the Transmission System Operator (TSO) Fluxys has introduced a re-shuffling option for shippers to re-shuffle booked capacity from one

Interconnection Point (IP) to another free of charge. Even though this is not – yet - a standard product, Fluxys has nonetheless allowed its shippers to re-shuffle booked capacity on a regular basis. In Germany, TSOs are obliged by law to allow shippers to return its booked capacity in case the tariffs of the transport capacity has increased by a certain extend. Taking into consideration the impact of the code decision by ACM, we welcome the introduction of a similar option in The Netherlands, allowing shippers to amend its booked capacity as a result of the new applicable tariff rules.

II. Entry-exit split of 50:50

Vattenfall welcomes the proposal by ACM of the 50:50 entry-exit split. The division of the entry-exit split are of importance considering the operationality of the gas-fired powerplants.

Gas-fired powerplants, even more after the ban of coal-fired powerplant in 2030, play a significant role as back-up source for renewable energy production due to their ability to be quickly ramp up and down. Next to that gas-fired powerplants also facilitate in the production of baseload and/ or peak-load volumes in the electricity market. Due to the flexibility of the gas-fired powerplants and the increase of renewable energy sources transportation costs may become a significant part of the costs for operating the plant. Gas transportation tariffs might even affect the balance between further operation or mothballing of a powerplant.

The entry-exit split of 50:50 in our opinion allows for a more efficient use of gas-fired powerplants in the Netherlands and contributes as a support to the energy transition. The gas-fired powerplants are part of an integrated energy market combining power and gas and can operate as a back-up ‘storage’ for renewable energy sources.

The implementation of the 50:50 entry-exit split also means that all the issues related to the 0:100 split, such as hording and zero transit costs for shippers in the case of Julianadorp do not need to be solved.

III. Multipliers and seasonal factors

Vattenfall sees a rational for having seasonal factors and multipliers however it would like the level of multipliers to be decreased. It is mentioned in recital 80 ff. of the draft code decision that there is a need for balance between short term trading and long term contraction of capacity. However, whether this can be achieved with the high level multipliers for daily and within day capacity as proposed by ACM – i.e. 2.5 of the reference price methodology (RPM) - is rather questionable.

Vattenfall believes that in order to create more flexibility for the portfolio in terms of a balanced portfolio multipliers should be decrease. In case of high daily and within day multipliers gas-fired powerplants have less incentive to contribute to the power and/ or TTF imbalance. In addition less

gas shall be im-/exported in order to keep TTF balanced. To our mind the multiplier for daily and within-in day transport capacity should be the same as for monthly capacity products. Thus, we urge ACM to set the multiplier for daily and within-day capacity at a maximum of 1.5 of RPM.

IV. Tariffs for storages

Vattenfall agrees with the arguments by the NC TAR of applying a reduction of the tariff applicable to storage capacity of at least 50%. Following this line of argumentation we propose that storage capacities should additionally be exempted from seasonal factors and multipliers. Storages are seasonal assets which are utilised for the higher end user demand in winter. By definition it is therefore not possible for storages to avoid usages of the system in winter period.

In addition gas storages play a significant role in security of supply and the balancing of TTF as storages allow for system flexibility for both intraday and inter-seasonal variations in demand. The decision to exempt storages of multipliers and seasonal factors contributes to more efficient usage of the storage and should also ensure that storage facilities do not close prematurely due to unreasonable cost burdens.

V. Calculation of tariff for interruptible capacity

Vattenfall is in favor of an ex-ante pricing mechanism for calculating the tariff for interruptible capacity and thus we do not support ACM's proposal to introduce an ex-post mechanism.

Interruptible transport capacity is defined as a less valuable product compared to firm transport capacity. When buying such a product, which is in any case only offered by GTS when firm is sold out, it is necessary for a shipper to know the final tariff upfront i.e. ex-ante, enabling to make a risk assessment. Furthermore, ex-post discount makes interruptible capacity as a capacity product less attractive or might even lead to elimination of the product. According to Art. 16 para. 2 NC TAR even an ex-ante discount of interruptible capacity is to be calculated on the probability of interruption and thus mirrors the likeliness of being interrupted in terms of the final tariff. Finally, Vattenfall is missing the argumentation of ACM to deviate from the proposed ex-ante calculation of Art. 16 para 2 NC TAR.

VI. Backhaul

In the draft code decision of NC TAR Art. A3. para. 38. it is mentioned that there shall be no distinction in 'services' offered by GTS and therefore the backhaul service shall be cancelled. Vattenfall does not understand this decision of ACM, and therefore would like to ask ACM not to cancel the backhaul services.

VII. Shift of capacity

Vattenfall does not agree with the proposal of ACM to limit the shift of capacity. According to recital 41 of the draft code decision the shift of capacity has been narrowed as they are no longer covered by a custom-made tariff. The reason according to ACM is to avoid unrestrained use of the right to shift capacity. Vattenfall is however of the opinion that this is only viewed from the perspective of GTS and not of the grid user.

The right to shift capacity contributes to the optimal utilisation of the grid as it offers more flexibility. The shift of capacity offers the possibility to shift unused capacity to the extent that it can be used elsewhere. This allows for a more efficient usage of the grid. Vattenfall would like to ask ACM to change the draft code decision such that GTS can only decide against shifting capacity in certain cases. Recital 41 should thus be amended by changing it such that GTS is solely allowed to decline the request in exceptional circumstances.

We trust ACM will take Vattenfall's input into account by amending the draft code decision. Please do not hesitate to contact us, should you wish us to provide additional information or explanation.

Kind regards,


Vattenfall Energy Trading Netherlands N.V.


Contract & Customer Coordinator